

KOBAYASHI

PHARMACEUTICAL CO., LTD.

Summary Consolidated Financial Results for the Third Quarter Ended December 31, 2007

Note: This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese language original. All numbers are rounded down to the nearest unit in accordance with standard Japanese practice.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2007

Kobayashi Pharmaceutical, Co., Ltd. (4967)

Exchange Listed:	Osaka and Tokyo, First Section
Principal Office:	Osaka, Japan
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Date of the Board of Directors' meeting to approve financial statements:	January 18, 2008
U.S. (GAAP) accounting standard:	Not adopted for the purposes of these statements.

1. Consolidated Financial Results (April 1, 2007 – December 31, 2007)

(1) Consolidated Operating Results

	Millions of Yen – Except Per Share Data and Percents				
	Third Quarter ended December 31,		Year ended March 31,		
	2007	%	2006	%	2007
Net Sales	202,197	(0.1)	202,442	5.3	257,022
Operating Income	15,886	(0.9)	16,031	12.5	18,029
Ordinary Income	13,815	(1.9)	14,076	6.4	15,012
Net Income	7,901	(6.7)	8,470	22.1	8,297
Net Income per Share (Yen).....	191.06		204.98		200.77
Net Income per Share, Diluted (Yen)	190.87		204.67		200.47

Note: Percentages for operating revenues, operating income, ordinary income and net income represent changes compared with the previous period.

(2) Consolidated Financial Position

	Millions of Yen – Except Per Share Data and Percents		
	As of December 31,		As of March 31,
	2007	2006	2007
Total Assets	172,400	171,050	164,555
Shareholders' Equity.....	81,083	77,592	77,236
Shareholders' Equity Ratio	45.3%	43.6%	45.2%
Shareholders' Equity per Share (Yen).....	1,887.20	1,803.96	1,799.87

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(3) Consolidated Cash Flows

	Millions of Yen		
	As of December 31,		As of March 31,
	2007	2006	2007
Cash Flows from Operating Activities.....	4,098	6,768	8,833
Cash Flows from Investing Activities	(3,848)	(9,821)	(11,803)
Cash Flows from Financing Activities.....	(5,571)	(4,398)	(2,433)
Cash and Cash Equivalents at End of Year.....	13,750	16,989	19,090

2. Dividend Status

Consolidated dividends per share (yen)	FY 2007	FY 2008 (*forecast)
End of interim period	0	27.00
End of second interim period	50.00	27.00*
Fiscal year	50.00	54.00*

3. Projections for the Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

Consolidated	Millions of Yen	
	March 31, 2008	
Net Sales	229,000	(10.9)%
Operating Income	18,500	2.6%
Ordinary Income	16,000	6.6%
Net Income	8,750	5.5%
Net Income per Share (yen)	211.51	

Note: Percentages represent changes compared with Full Year and Mid Year of the previous fiscal year.

4. Other Items

- | | |
|---|-----|
| (1) Changes in Scope of Consolidation: | No |
| (2) Adoption of Concise Method on Accounting Procedure: | Yes |
| (3) Changes of Accounting Procedure from the Latest Consolidated Fiscal Year: | No |

For details please refer Section 4, "Business Results and Financial Position," on page 6.

Note: The outlook shown above is prepared based on information available as of the time of writing, and therefore actual results may differ significantly from the projections due to risks and various unknown factors.

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5. Business Results and Financial Position

(1) Business Results

Throughout this third quarter, the Japanese economy has continued to recover on the strength of improved corporate profits and firmer consumer spending, but deceleration in the U.S. economy and the continued rising price of crude oil as well as the subprime loan matter result in future trends of the economy remaining uncertain.

In these circumstances, the Kobayashi Group sought to fully cultivate the spirit of the Group philosophy of "Creation and Innovation", and the development of customer needs by providing products and services to create new markets while offering new value products and services in existing markets.

Net sales amounted to 202,197 million yen, a decrease of 0.1% from the same term in the previous fiscal year, while operating income was 15,886 million yen, a decrease of 0.9%. Ordinary income was 13,815 million yen, a decrease of 1.9%, and net income for the quarter was 7,901 million yen, a decrease of 6.7%.

Consumer Products Operation

The launch of new products in the period, including Sarasaty Sara Li E (pantiliner), Naripitan (medicine to improve tinnitus), and Toilet Shoshu Shabon (a deodorizer that gives toilet bowls a refreshing clean scent), contributed to segment sales. Sales of Naisitoru 85, a product that helps the body break down and burn intra-abdominal fat, and toilet tank cleaner Bluelet also remained firm.

Sales in Consumer Products grew 5,655 million yen (6.9 %) from a year earlier to 87,637 million yen. While sales were growing, the Company also enforced cost-cutting measures in areas such as manufacturing costs, and as a result operating income rose 1,095 million yen (7.3%) from a year earlier to 16,102 million yen.

Wholesale Operation

The Wholesale Operation segment saw poor market conditions for contact lens care products, one of the company's major categories, but steady performance from kampo and other herbal medicines, summer and winter seasonal products, and foods pushed sales by 4,069 million yen (3.2%) from a year earlier to 131,975 million yen.

However, the improvement in profit margins that was the objective behind business expansion materialized more slowly than expected, and as result operating income fell 68 million yen (42.9 %) to 96 million yen.

Kobashou, which runs the wholesale operation, will become a wholly owned subsidiary of Mediceo Paltac Holdings when the transfer of shares via a stock swap is completed in January 2008. As a result, the wholesale operation will cease to be a consolidated business segment from the fourth quarter of this period.

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Medical Devices Operation

Kobayashi Medical Division concentrated sales efforts on mainstay products, including operating room equipment and orthopedic products, a market that is expected to grow. The business results of artificial respirator maker eVent Medical, whose shares were acquired in November 2006, was included in the consolidated annual accounts from this period, but as all shares in the three Shield Healthcare Center home medical care companies were sold in November 2006, sales decreased 5,887 million yen (42.9%) from a year earlier to 7,836 million yen, with operating loss of 317 million yen.

(2) Changes in Consolidated Financial Position

Total assets increased 7,845 million yen as compared with the end of the previous fiscal year. Equity capital rose by 3,641 million yen, and shareholders' equity ratio increased to 45.3%, an increase of 0.1% from the end of the previous fiscal year.

Cash Flows from Operating Activities

Cash flow from operating activities amounted to 4,098 million yen. Third-quarter net income before taxes and other adjustments was 13,998 million yen, but the Company made a corporate income tax payment of 7,724 million yen.

Cash Flows from Investing Activities

Cash flow used in investing activities totaled 3,848 million yen. This was due to the acquisition of 2,085 million yen in tangible and intangible fixed assets and 2,524 million yen net increase in marketable securities, which more than offset 1,277 million yen in income from the sale of trade rights.

Cash Flows from Financing Activities

Cash flow used in financing activities amounted to 5,571 million yen, mainly due to the start of an interim dividend distribution from this period, which resulted in dividend payments of 3,184 million yen.

(3) Forecasts for Fiscal Year Ending March 31, 2008

As business results for the third quarter were virtually in line with projections, the Company has not revised the interim or full-term forecasts of business results, released on November 14, 2007.

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(4) Other

(1) Changes to major subsidiaries during the period: No

(2) Adoption of Concise Method on Accounting Procedure:

The figures for inventory assets for the third quarter are not based on physical stocktaking, but are estimated on the basis of actual inventory for the end of the previous consolidated fiscal year, using the book inventory.

(3) Change of Accounting Procedure from the Latest Consolidated Fiscal Year: No

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6. Annual Consolidated Financial Statements

(1) Consolidated Balance Sheet

Assets	Millions of Yen						FY March 31,	
	Third Quarter Ended December 31,		2006		Change		2007	%
	2007	%	2006	%	Change	%	2007	%
Current assets:								
Cash and time deposits.....	13,750		16,390		(2,639)		18,091	
Trade notes and accounts receivable	60,898		60,134		763		51,340	
Investment securities	3,997		1,599		2,398		3,795	
Inventories	21,447		20,658		789		19,846	
Deferred income taxes	2,595		2,418		177		2,953	
Other	6,648		6,690		(42)		6,261	
Allowance for doubtful receivables	(129)		(235)		105		(186)	
Total Current Assets	109,207	63.3	107,656	62.9	1,551	1.4	102,102	62.0
Fixed Assets:								
Tangible Fixed Assets:								
Buildings and Structures.....	10,880		11,391		(510)		11,214	
Land	8,667		8,665		1		8,667	
Other.....	2,524		2,357		166		2,397	
Total Tangible Assets.....	22,072	12.8	22,414	13.1	(341)	(1.5)	22,279	13.5
Intangible Assets:								
Goodwill.....	11,098		12,226		(1,128)		11,870	
Other.....	2,738		2,821		(83)		2,731	
Total Intangible Assets.....	13,837	8.1	15,048	8.8	(1,211)	(8.1)	14,602	8.9
Investments and Other Assets:								
Investments in securities	19,007		18,306		700		17,965	
Deferred Tax Assets	2,274		1,747		527		1,767	
Other Assets	6,905		7,101		(196)		7,104	
Allowance for investment liability								
loss	(119)		(287)		168		(289)	
Allowance for doubtful								
receivables.....	(785)		(938)		152		(976)	
Total Investments and Other Assets	27,282	15.8	25,930	15.2	1,352	5.2	25,571	15.6
Total Fixed Assets	63,192	36.7	63,393	37.1	(200)	(0.3)	62,453	38.0
Total Assets	172,400	100.0	171,050	100.0	1,350	0.8	164,555	100.0

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Liabilities	Millions of Yen							
	Third Quarter Ended December 31,						Year Ended March 31,	
	2007	%	2006	%	Change	%	2007	%
Current Liabilities:								
Trade notes and accounts payable	58,762		60,192		(1,430)		51,359	
Short-term loans payable	844		1,274		(430)		3,205	
Accrued expenses	14,676		14,028		647		12,437	
Accrued income taxes	2,881		4,678		(1,797)		4,505	
Allowance for bonus payable	1,124		1,086		37		2,109	
Reserve for unsold goods	990		642		348		902	
Other current liabilities	2,274		1,261		1,012		2,507	
Total Current Liabilities	81,553	47.3	83,165	48.6	(1,612)	(1.9)	77,028	46.8
Fixed Liabilities:								
Long term loans payable	136		372		(235)		207	
Provision for retirement benefits	6,575		7,477		(902)		7,559	
Provision for allowances for directors and corporate auditors	1,456		1,339		116		1,399	
Other fixed liabilities	1,595		1,102		493		1,124	
Total Fixed Liabilities	9,764	5.7	10,291	6.0	(527)	(5.1)	10,291	6.3
Total Liabilities	91,317	53.0	93,457	54.6	(2,140)	(2.3)	87,319	53.1

Net Assets	Millions of Yen							
	Third Quarter Ended December 31,						Year Ended March 31,	
	2007	%	2006	%	Change	%	2007	%
Stockholders' Equity:								
Common stock	3,450	2.0	3,450	2.0	--	--	3,450	2.1
Capital surplus	4,210	2.4	4,203	2.5	6	0.2	4,206	2.5
Retained earnings	71,492	41.5	66,947	39.1	4,544	6.8	66,775	40.6
Treasury stock	(3,266)	(1.9)	(3,341)	(2.0)	75	(2.3)	(3,311)	(2.0)
Total Stockholders' Equity	75,886	44.0	71,259	41.6	4,626	6.5	71,120	43.2
Appraisal and Translation Differences:								
Unrealized gains on securities	2,259	1.3	3,020	1.8	(760)	(25.2)	2,815	1.7
Foreign currency translation adjustments ..	133	0.1	370	0.2	(236)	(64.0)	291	0.2
Profit /loss on deferred hedge	(209)	(0.1)	(73)	(0.0)	(136)	186.8	201	0.1
Total Appraisal and Translation Differences	2,183	1.3	3,317	2.0	(1,133)	(34.2)	3,308	2.0
Stock Acquisition Rights	42	0.0	--	--	--	--	--	--
Minority interests	2,970	1.7	3,015	1.8	(44)	(1.5)	2,806	1.7
Total Net Assets	81,083	47.0	77,592	45.4	3,448	4.4	77,236	46.9
Total Liabilities and Net Assets	172,400	100.0	171,050	100.0	1,350	0.8	164,555	100.0

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(2) Consolidated Statements of Income

	Millions of Yen							
	Third Quarter Ended December 31,				FY March 31,			
	2007	%	2006	%	Change	%	2007	%
Net Sales	202,197	100.0	202,442	100.0	(244)	(0.1)	257,022	100.0
Cost of Sales.....	135,847	67.2	135,264	66.8	583	0.4	172,304	67.0
Gross income.....	66,349	32.8	67,177	33.2	(827)	(1.2)	84,717	33.0
Selling, General, and Administrative Expense.....	50,462	25.0	51,145	25.3	(682)	(1.3)	66,688	26.0
Operating Income	15,886	7.8	16,031	7.9	(145)	(0.9)	18,029	7.0
Non-Operating Income	1,214	0.6	1,046	0.6	168	16.2	1,597	0.6
Interest income.....	117		93		23		86	
Dividend income.....	107		80		27		91	
Royalty income.....	329		308		20		539	
Investment gains from companies accounted for by the equity method	101		50		51		187	
Other income.....	558		512		46		692	
Non-Operating Expenses	3,286	1.6	3,001	1.5	285	9.5	4,613	1.8
Interest expenses.....	51		56		(5)		70	
Sales Discount	983		960		22		1,260	
Losses on disposal of inventory evaluation	2,015		1,743		271		3,018	
Translation loss	91		107		(16)		92	
Other expenses.....	144		132		12		171	
Ordinary Income	13,815	6.8	14,076	7.0	(261)	(1.9)	15,012	5.8
Extraordinary Gains	1,543	0.8	2,446	1.2	(903)	(36.9)	2,829	1.1
Gains on sales of fixed assets	1		917		(915)		1,183	
Goodwill transfer benefit	1,277		1,127		149		1,127	
Other extraordinary gains	264		401		(137)		518	
Extraordinary Losses	1,360	0.7	812	0.4	548	67.5	1,804	0.7
Losses on disposal of fixed assets	68		344		(275)		407	
Losses on disposal of inventory evaluation.....	617		351		266		583	
Allowance for investment loss Liability transfer.....	119		35		84		37	
Impairment loss	15		33		(17)		123	
Other extraordinary losses.....	539		48		491		652	
Income Before Provision for Income Taxes	13,998	6.9	15,710	7.8	(1,712)	(10.9)	16,038	6.2
Tax Expense	6,097	3.0	7,200	3.6	(1,103)	(15.3)	7,860	3.0
Minority Interest in Net Income of Consolidated Subsidiaries	(0)	(0.0)	39	0.0	(40)	--	(119)	(0.0)
First Quarter Net Income	7,901	3.9	8,470	4.2	(568)	(6.7)	8,297	3.2

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(3) Consolidated Statements of Cash Flows

	Millions of Yen		
	Third Quarter ended December 31,	Year ended March 31,	
	2007	2006	2007
I. Cash flows from operating activities:			
Income before income taxes and minority interests.....	13,998	15,710	16,038
Depreciation.....	1,586	1,831	2,782
Impairment losses.....	15	33	123
Amortization of consolidation adjustment account.....	970	612	592
Provision for allowance of doubtful accounts, net.....	(247)	(765)	(773)
Accrued severance indemnities, net.....	(984)	411	494
Interest and dividend income.....	(225)	(174)	(177)
Interest expenses.....	51	56	70
Equity in earnings of affiliates.....	(101)	(50)	(187)
Appraisal loss on disposal of inventory.....	2,632	2,094	3,602
Proceeds on trade rights transfer.....	(1,277)	(1,127)	(1,127)
Loss on sales of fixed assets	68	344	407
Gain on sales of fixed assets	—	(917)	—
Addition to the provision for investment losses.....	119	35	37
Increase (decrease) in trade notes and accounts receivable.....	(9,400)	(8,425)	332
Increase (decrease) in inventories.....	(4,269)	(4,055)	(4,762)
Increase (decrease) in trade notes and accounts payable.....	7,292	7,790	(1,053)
Others.....	1,412	647	93
Sub Total.....	11,642	14,051	16,490
Interest and dividends received.....	225	174	177
Interest paid.....	(45)	(56)	(70)
Income taxes paid.....	(7,724)	(7,401)	(7,763)
Net cash provided by operating activities	4,098	6,768	8,833

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	Millions of Yen		
	Third Quarter December 31,	March 31,	
	2007	2006	2007
II. Cash flows from investing activities:			
Payments for purchases of securities.....	(8,295)	(699)	(4,092)
Proceeds from redemption of securities	8,101	1,502	2,800
Payments for purchases of investment securities.....	(2,524)	(2,189)	(2,021)
Purchases of property, plant and equipment	(986)	(990)	(1,478)
Proceeds from sales of property, plant and equipment...	1	1,108	1,490
Payments for purchases of intangible assets.....	(1,098)	(221)	(469)
Payments for investments and other assets	(172)	(1,146)	(1,355)
Proceeds from sales of investments and other assets ...	—	418	—
Increase in short term loans receivable.....	(130)	(4)	0
Disbursement for long-term loans payable.....	(69)	(43)	(62)
Proceeds from collection of long term loans.....	45	33	36
Proceed from acquisition of shares of newly consolidated subsidiaries.....	—	1,028	—
Payment for acquisition of shares of newly consolidated subsidiaries.....	—	(10,635)	—
Proceeds from sale of goodwill.....	1,277	1,127	1,127
Others.....	3	891	(7,780)
Net cash used in investing activities....	(3,848)	(9,821)	(11,803)
III. Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	(2,308)	(2,550)	(556)
Proceeds from long-term debt	(123)	(418)	(494)
Payments for purchase of treasury stock	48	147	194
Increase in short term loans receivable	(3)	(7)	(8)
Dividends paid.....	(3,184)	(1,569)	(1,569)
Net cash used in financing activities.....	(5,571)	(4,398)	(2,433)
IV Effect of exchange rate changes on cash and cash equivalents.....	(18)	4	56
V. Net increase in cash and cash equivalents	(5,340)	(7,447)	(5,346)
VI. Cash and cash equivalents at beginning of period	19,090	24,436	24,436
VII. Cash and cash equivalents at end of period.....	13,750	16,989	19,090

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7. Segment Information by Business Category

Current Consolidated Third Quarter (April 1, 2007 - December 31, 2007)

(Millions of Yen)

Sales and operating income	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations	Total	Eliminations	Consolidated
I. Sales to third parties	61,340	131,615	7,836	1,405	202,197	--	202,197
II. Inter-group sales and transfers	26,297	359	--	4,799	31,456	(31,456)	--
Total net sales	87,637	131,975	7,836	6,204	233,653	(31,456)	202,197
Operating expense	71,535	131,879	8,154	5,869	217,438	(31,127)	186,310
Operating income / losses	16,102	96	(317)	334	16,215	(328)	15,886

Previous Consolidated Third Quarter (April 1, 2006 - December 31, 2006)

(Millions of Yen)

Sales and operating income	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations	Total	Eliminations	Consolidated
I. Sales to third parties	57,810	127,905	13,724	3,002	202,442	--	202,442
II. Inter-group sales and transfers	24,171	1	--	6,970	31,143	(31,143)	--
Total net sales	81,981	127,906	13,724	9,973	233,585	(31,143)	202,442
Operating expense	66,975	127,740	13,087	9,637	217,376	(31,030)	186,410
Operating income / losses	15,006	165	636	335	16,144	(112)	16,031

Previous financial year (April 1, 2006 - to March 31, 2007)

(Millions of Yen)

Sales and operating income	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations	Total	Eliminations	Consolidated
I. Sales to third parties	71,717	164,838	16,496	3,969	257,022	--	257,022
II. Inter-group sales and transfers	30,785	1	--	9,142	39,929	(39,929)	--
Total net sales	102,503	164,840	16,496	13,112	296,952	(39,929)	257,022
Operating expense	85,942	164,516	15,934	12,721	279,115	(40,122)	238,992
Operating income / losses	16,560	323	561	390	17,836	193	18,029

(Notes)

Method of business classification: Businesses segments are classified into four principle areas: Consumer Products, Wholesale, Medical and Others following the product line, and the markets in which the products are distributed.

Main products of each business operation:

1. Consumer Products Operations --- household pharmaceuticals, oral hygiene products, sanitary products, deodorizing air fresheners, household sundries, food products, and body warmers.
2. Wholesale Operation --- household pharmaceuticals, household sundries and foods
3. Medical Devices Operation --- medical devices
4. Other Operation --- transport, synthetic resin products manufacturing, insurance agency business, real estate management, advertising plan and creation.

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8. Basis of Preparation of the Consolidated Financial Statements

(1) Principles of consolidation

End of current third quarter (As of December 31, 2007)	End of previous third quarter (As of December 31, 2006)	Previous financial year (As of March 31, 2007)
1. Principles of consolidation	1. Principles of consolidation	1. Principles of consolidation
<p>(1). Number of consolidated subsidiaries: 32 companies</p> <p>Names of major consolidated subsidiaries: Kobashou Co., Ltd., Toyama Kobayashi Pharmaceutical Co., Ltd., Sendai Kobayashi Pharmaceutical Co., Ltd., Ehime Kobayashi Pharmaceutical Co., Ltd., Kobayashi Plax Co., Ltd., Suehiro Industrial, Archer Corporation, SP-Planning, Kiribai Chemical Co., Ltd., Kenshou Co., Ltd., KS Hokkaido, KS Tokai, KS Tohoku, Seiei, Kobayashi Health Pharmaceutical Co., Ltd., eVent Medical Ltd, eVent Medical Inc., eMed Ltd., Kobayashi Medical America LLC, Kobayashi Healthcare LLC, HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Healthcare of America Inc., Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany GMBH, Kobayashi Pharmaceutical of America Inc., Shanghai Kobayashi Daily Chemicals Co., Ltd., Shanghai Kobayashi Pharmaceutical Shobo Co. Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd., Kobayashi Pharmaceutical Life Service Co., Ltd., Kobayashi Pharmaceutical Physical Distribution Co., Ltd.</p> <p>(Notes) Aoitri Physical Distribution Co., Ltd. is excluded from the scope of consolidation because it merged with Kobashou Co. Ltd. in April 2007.</p> <p>Newly established Shanghai Kobayashi Pharmaceutical Shobo Co. Ltd., was included within the scope of consolidation from this third quarter.</p>	<p>(1). Number of consolidated subsidiaries: 34 companies</p> <p>Names of major consolidated subsidiaries: Kobashou Co., Ltd., Toyama Kobayashi Pharmaceutical Co., Ltd., Sendai Kobayashi Pharmaceutical Co., Ltd., Ehime Kobayashi Pharmaceutical Co., Ltd., Kobayashi Plax Co., Ltd., Aoitori Physical Distribution, Suehiro Industrial, Archer Corporation, SP-Planning, Kiribai Chemical Co., Ltd., Kenshou Co., Ltd., KS Hokkaido, KS Tokai, KS Tohoku, Seiei, Kobayashi Health Pharmaceutical Co., Ltd., Shield California Healthcare Centers, Inc., Shield Denver Healthcare Centers, Inc., Shield Distribution Incorporated, eVent Medical Ltd., eMED Ltd., Kobayashi Medical America LLC, Kobayashi Healthcare Inc., Kobayashi Healthcare LLC, HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Healthcare of America LLC, Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare of Germany GmbH, Kobayashi Pharmaceuticals of America Incorporated, Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd., Kobayashi Pharmaceutical Life Service Co. Ltd.</p> <p>Shares of Shield California Healthcare Centers, Inc., Shield Denver Healthcare Centers, Inc., and Shield Distribution Incorporated were transferred on November 1, 2006.</p> <p>Kobayashi Healthcare Inc. was liquidated on December 27, 2006.</p>	<p>(1) Number of consolidated subsidiaries: 32 companies</p> <p>Names of major consolidated subsidiaries: Kobashou Co., Ltd., Toyama Kobayashi Pharmaceutical Co., Ltd., Sendai Kobayashi Pharmaceutical Co., Ltd., Ehime Kobayashi Pharmaceutical Co., Ltd., Kobayashi Plax Co., Ltd., Aoitori Physical Distribution, Suehiro Industrial, Archer Corporation, SP-Planning, Kiribai Chemical Co., Ltd., Kenshou Co., Ltd., KS Hokkaido, KS Tokai, KS Tohoku, Seiei, Kobayashi Health Pharmaceutical Co., Ltd., eVent Medical Ltd, eVent Medical Inc., eMed Ltd., Kobayashi Medical America LLC, Kobayashi Healthcare LLC, HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Healthcare of America Inc., Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany GMBH, Kobayashi Pharmaceutical of America Inc., Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd., Kobayashi Pharmaceutical Life Service Co., Ltd., Kobayashi Pharmaceutical Physical Distribution Co., Ltd.</p> <p>(Notes) KS Tohoku, Kobayashi Medical America LLC, Kobayashi Health Pharmaceutical Co., Ltd., Kobayashi Healthcare of America LLC, eVent Medical Inc., eMED Ltd., eVent Medical Ltd, eMED Ltd., HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Pharmaceutical Physical Distribution Co., Ltd. are established and Kobayashi Pharmaceutical Physical Distribution Co., Ltd. was split off and established in the current consolidated fiscal year.</p> <p>Shield California Healthcare Centers, Inc., Shield Denver Healthcare Centers, Inc., and Shield Distribution Incorporated are no longer Kobayashi Group subsidiaries as the Company's shareholdings in these companies were transferred. Bluebird Development LLC and Kobayashi Healthcare Incorporated are also no longer Group subsidiaries as these companies have been liquidated.</p> <p>Aoitri Physical Distribution Co., Ltd. was split off into Aoitori Physical Distribution Co., Ltd. and Kobayashi Pharmaceutical Distribution Co., Ltd. in January 2007.</p>

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		Subsequently, Aoitori Physical Distribution Co., Ltd. merged with Kobasyo in April 2007.
<p>(2). Names of major non-consolidated subsidiaries</p> <p>Kobayashi Sales Promotion, Pt Kobayashi Eglin, KMS, Cancer Immunity Information Research Center, Aloe Pharmaceutical Co., Ltd.</p> <p>(Reason for exclusion from scope of consolidation)</p> <p>All of the 5 non-consolidated subsidiaries are small companies, and their combined total assets, sales, net income (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no important impact on consolidated financial statements.</p>	<p>(2) Names of major non-consolidated subsidiaries</p> <p>Kobayashi Sales Promotion, Pt Kobayashi Eglin, KMS, Sokai Drug Ltd., Cancer Immunity Information Research Center, Aloe Pharmaceutical Co., Ltd.</p> <p>(Reason for exclusion from scope of consolidation)</p> <p>All of the 6 non-consolidated subsidiaries are small companies, and their combined total assets, sales, net income (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no important impact on consolidated financial statements.</p>	<p>(2) Names of major non-consolidated subsidiaries</p> <p>Kobayashi Sales Promotion, Pt Kobayashi Eglin, KMS, Sokai Drug Ltd., Cancer Immunity Information Research Center, Aloe Pharmaceutical Co., Ltd.</p> <p>(Reason for exclusion from scope of consolidation)</p> <p>All of the 6 non-consolidated subsidiaries are small companies, and their combined total assets, sales, net income (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no important impact on consolidated financial statements.</p>
2. Application of equity method	2. Application of equity method	2. Application of equity method
<p>(1). Number of companies accounted for by equity method: 2 companies</p> <p>Names of major companies: Medicon Inc., Itoh Kanpo Pharmaceutical Co., Ltd.</p> <p>(2) Names of non-consolidated Subsidiaries and major affiliated companies not accounted for by the equity method: PT Kobayashi Eglin, The Fan Ltd., and Sokai Drug Ltd.</p> <p>(3) Reason why the equity method is not applied: Companies not accounted for by the equity method have been excluded from the application of the equity method because they have minimal impact on consolidated net earnings and consolidated retained earnings, and have little importance in terms of overall group earnings.</p> <p>(4) Among the companies accounted for by the equity method, when the third quarter account settlement date differs from the consolidated third quarter account settlement date, third quarter financial statements relating to each company's third quarter were used.</p>	<p>(1). Number of companies accounted for by equity method: 2 companies</p> <p>Same as left.</p> <p>(2) Names of non-consolidated Subsidiaries and major affiliated companies not accounted for by the equity method: Same as left.</p> <p>(3) Reason why the equity method is not applied: Same as left.</p> <p>(4) Same as left.</p>	<p>(1). Number of companies accounted for by equity method: 2 companies</p> <p>Same as left.</p> <p>(2) Names of non-consolidated Subsidiaries and major affiliated companies not accounted for by the equity method: Same as left.</p> <p>(3) Reason why the equity method is not applied: Same as left.</p> <p>(4) _____</p>

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3. Fiscal years of consolidated subsidiaries	3. Fiscal years of consolidated subsidiaries	3. Fiscal years of consolidated subsidiaries
<p>Among the consolidated companies, eVent Medical Ltd, eVent Medical Inc., eMed Ltd., Kobayashi Medical America LLC, Kobayashi Healthcare LLC, HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Healthcare of America Inc., Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany GMBH, Kobayashi Pharmaceutical of America Inc., and Shanghai Kobayashi Daily Chemicals Co., Ltd., Shanghai Kobayashi Seiyaku Shobo Co. Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. have a third quarter account settlement date of September 30. When preparing third quarter consolidated financial statements, third quarter financial statements as of that date were used, and in the case of important transactions that occurred between that date and the third quarter consolidated account settlement date, necessary adjustments were made on a consolidated basis.</p> <p>In addition, as the account settlement date of the consolidated subsidiary Kiribai Chemical Co., Ltd. is September 30, we used third quarter financial statements based on a provisional settlement of accounts that was conducted as of the third quarter consolidated account settlement date.</p>	<p>Among the consolidated companies, Shield California Healthcare Centers, Inc., Shield Denver Healthcare Centers, Inc., Shield Distribution Incorporated, eVent Medical Ltd., eMED Ltd., Kobayashi Medical America LLC, Kobayashi Healthcare Inc., Kobayashi Healthcare LLC, HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Healthcare of America LLC, Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare of Germany GmbH, Kobayashi Pharmaceuticals of America Incorporated, Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. have a third quarter account settlement date of September 30. When preparing third quarter consolidated financial statements, third quarter financial statements as of that date were used, and in the case of important transactions that occurred between that date and the third quarter consolidated account settlement date, necessary adjustments were made on a consolidated basis.</p> <p>In addition, as the account settlement date of the consolidated subsidiary Kiribai Chemical Co., Ltd. is September 30, we used third quarter financial statements based on a provisional settlement of accounts that was conducted as of the third quarter consolidated account settlement date.</p>	<p>Among the consolidated companies, eVent Medical Ltd, eMed Ltd., Kobayashi Medical America LLC, Kobayashi Healthcare LLC, HEATMAX Inc., MEDHEAT Inc., THERMOMAX Inc., Kobayashi Healthcare of America Inc., Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany GMBH, Kobayashi Pharmaceutical of America Inc., and Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. have a full year consolidated account settlement date of December 31. When preparing the consolidated financial statements, financial statements as of that date were used, and in the case of important transactions that occurred between that date and the full year consolidated account settlement date, necessary adjustments were made on a consolidated basis.</p> <p>In addition, as the account settlement date of the consolidated subsidiary Kiribai Chemical Co., Ltd. is September 30, the Company used the full year consolidated financial statements based on a provisional settlement of accounts that was conducted as of the full year consolidated account settlement date.</p>
4. Accounting standards	4. Accounting standards	4. Accounting standards
<p>(1) Valuation criteria and valuation methods for major assets</p> <p>1) Marketable securities Other marketable securities</p> <p>With fair market value: Market value method based on quoted market price on third-quarter consolidated account settlement date. (Unrealized holding gain or loss is directly charged or credited to shareholders' equity and cost of securities sold is principally computed by the moving average method.)</p> <p>Without fair market value: Principally stated at cost determined by the total cost method.</p> <p>2) Derivatives Market value method</p> <p>3) Inventories Inventories are chiefly evaluated by the following method.</p> <p>Commodities and raw materials: Principally stated at cost determined by the moving average method</p>	<p>(1) Valuation criteria and valuation methods for major assets</p> <p>1) Marketable securities Other marketable securities</p> <p>With fair market value: Same as left.</p> <p>Without fair market value: Same as left.</p> <p>2) Derivatives Same as left.</p> <p>3) Inventories Same as left.</p> <p>Commodities and raw materials: Same as left.</p>	<p>(1) Valuation criteria and valuation methods for major assets</p> <p>1) Marketable securities Other marketable securities</p> <p>With fair market value: Market value method based on quoted market price on consolidated account settlement date. (Unrealized holding gain or loss is directly charged or credited to shareholders' equity and cost of securities sold is principally computed by the moving average method.)</p> <p>Without fair market value: Same as left.</p> <p>2) Derivatives Same as left.</p> <p>3) Inventories Same as left.</p> <p>Commodities and raw materials: Same as left.</p>

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<p>Finished goods, work in process and supplies: Principally stated at cost determined by the total average method</p> <p>(2) Methods of depreciation for major depreciable assets</p> <p>1) Property, plant and equipment</p> <p>The Company and its domestic consolidated subsidiaries compute depreciation by the declining balance method. Overseas consolidated subsidiaries use the straight-line method. However, the Company and some domestic consolidated subsidiaries apply the straight-line method to buildings acquired after April 1, 1998 (excluding equipment belonging to buildings).</p> <p>2) Intangible assets</p> <p>Depreciation is computed by the straight-line method. However, in the case of software used by the Company itself, the straight-line method based on the period of possible use within the Company (5 years) is adopted.</p> <p>3) Long-term expenses</p> <p>Depreciation is computed by the amortized uniformity method. Remaining useful lives are accounted for with the same methods as income taxes.</p> <p>(3) Criteria for appropriation of important reserves</p> <p>1) Allowance for doubtful accounts</p> <p>The Company and its domestic consolidated subsidiaries compute depreciation by the declining balance method. Overseas consolidated subsidiaries use the straight-line method.</p> <p>2) Allowance for bonuses</p> <p>The Company and its domestic consolidated subsidiaries posted in the current third quarter consolidated reporting period an estimated allowance to provide for the payment of bonuses to employees.</p> <p>3) Reserve for sales returns</p> <p>Part of the Company and some domestic consolidated subsidiaries post an estimated amount of sales return losses to provide for sales return losses.</p> <p>4) Reserve for retirement allowances</p> <p>In order to provide for employee retirement benefits, the Company and some domestic consolidated subsidiaries have reported at the end of the current third quarter consolidated reporting period an amount recognized to have been incurred based on the estimated amount of pension assets and retirement benefit liabilities at the end of the current consolidated reporting period.</p>	<p>Finished goods, work in process and supplies: Same as left.</p> <p>(2) Methods of depreciation for major depreciable assets</p> <p>1) Property, plant and equipment</p> <p>Same as left.</p> <p>2) Intangible assets</p> <p>Same as left.</p> <p>3) Long-term expenses</p> <p>Same as left.</p> <p>(3) Criteria for appropriation of important reserves</p> <p>1) Allowance for doubtful accounts</p> <p>Same as left.</p> <p>2) Allowance for bonuses</p> <p>Same as left.</p> <p>3) Reserve for sales returns</p> <p>Seven of the Company and some domestic consolidated subsidiaries post an estimated amount of sales return losses to provide for sales return losses.</p> <p>4) Reserve for retirement allowances</p> <p>In order to provide for employee retirement benefits, the Company and 2 domestic consolidated subsidiaries have reported at the end of the current third quarter consolidated reporting period an amount recognized to have been incurred based on the estimated amount of pension assets and retirement benefit liabilities at the end of the current consolidated reporting period.</p>	<p>Finished goods, work in process and supplies: Same as left.</p> <p>(2) Methods of depreciation for major depreciable assets</p> <p>1) Property, plant and equipment</p> <p>Same as left.</p> <p>2) Intangible assets</p> <p>Same as left.</p> <p>3) Long-term expenses</p> <p>Same as left.</p> <p>(3) Criteria for appropriation of important reserves</p> <p>1) Allowance for doubtful accounts</p> <p>Same as left.</p> <p>2) Allowance for bonuses</p> <p>The Company and its domestic consolidated subsidiaries post an estimated allowance to provide for the payment of bonuses to employees.</p> <p>3) Reserve for sales returns</p> <p>Part of the Company and some domestic consolidated subsidiaries post an estimated amount of sales return losses to provide for sales return losses.</p> <p>4) Reserve for retirement allowances</p> <p>To provide for employees' accrued retirement benefits, the Company and some domestic consolidated subsidiaries charged to income the amount recognized as having been incurred at the end of the consolidated accounting period based on the projected amounts of the liability for accrued retirement benefit liabilities and pension assets at the end of the consolidated accounting fiscal year.</p>
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<p>Other domestic consolidated subsidiaries posted 100% of the payment amount required at term-end.</p> <p style="text-align: center;">Same as right</p> <p style="text-align: center;">Same as right</p> <p>(Additional information)</p> <p>With the enactment of the defined-contribution pension law, the Company transferred in June 2007 a part of the lump-sum termination allowance plan to a defined retirement benefit plan, applying accounting methods pertaining to transfers between retirement benefit plans (Guidelines for the Application of Corporate Accounting Standard No.1)</p> <p>An extraordinary profit of 215 million yen was reported as a result of the transfer.</p> <p>5) Provision for directors' retirement allowances</p> <p>To provide for the provision of retirement allowances for directors, the Company and some domestic consolidated subsidiaries posted a payment amount required at the end of the consolidated third quarter based on internal regulations.</p> <p>6) Reserve for losses on investments in subsidiaries</p> <p>To provide for the provision of loss on investment in affiliate companies, the Company provided an estimated amount based on consideration of financial status of the affiliate companies.</p> <p>(4) Method of accounting for major lease transactions</p> <p>Finance leases, except for those which transfer the legal title of the underlying property from the lessor to the lessee at the end of the lease term, are accounted for as operating leases.</p>	<p>Other domestic consolidated subsidiaries posted 100% of the payment amount required at term-end.</p> <p>In addition, some overseas consolidated subsidiaries have adopted defined contribution pension plans.</p> <p>Actual differences are amortized on a straight-line basis over a period which falls within the average estimated remaining years of service (ten years) of the participants commencing the following year.</p> <p>Past service costs are stated at cost by the straight-line method based on a certain period of years (ten years) within the average remaining service period of employees when employees' past service costs are generated.</p> <p>5) Provision for directors' retirement allowances</p> <p>To provide for the provision of retirement allowances for directors, the Company and five domestic consolidated subsidiaries posted a payment amount required at the end of the consolidated third quarter based on internal regulations.</p> <p>6) Reserve for losses on investments in subsidiaries</p> <p style="text-align: center;">Same as left.</p> <p>(4) Method of accounting for major lease transactions</p> <p style="text-align: center;">Same as left.</p>	<p>Other domestic consolidated subsidiaries posted 100% of the payment amount required at term-end.</p> <p style="text-align: center;">Same as left.</p> <p>5) Provision for directors' retirement allowances</p> <p>To provide for the provision of retirement allowances for directors, the Company and some domestic consolidated subsidiaries posted a payment amount required at the end of the consolidated fiscal year based on internal regulations.</p> <p>6) Reserve for losses on investments in subsidiaries</p> <p style="text-align: center;">Same as left.</p> <p>(4) Method of accounting for major lease transactions</p> <p style="text-align: center;">Same as left.</p>
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<p>(5) Derivatives and hedging activities</p> <p>1) Hedge accounting methods</p> <p>The Company uses deferral hedge accounting. In the case of forward foreign exchange contracts, appropriation treatment is adopted if conditions for appropriation are fulfilled.</p> <p>2) Hedging measures and hedged items</p> <p>Hedging instruments: Forward foreign exchange contracts, interest-rate swaps</p> <p>Hedged items: Foreign currency-denominated liabilities and foreign currency-denominated options, loans</p> <p>3) Hedging policy</p> <p>In the case of foreign currency option contracts, the Company's policy is to hedge the foreign exchange fluctuation risk by attaching forward foreign exchange agreements.</p> <p>4) Method of evaluating effectiveness of hedging</p> <p>In the case of currency-related transactions, the Company evaluates the effectiveness of hedging by comparing the accumulated gain or loss on each hedging instrument and on the related hedged item from the commencement of the hedge.</p> <p>(6) Other important items forming the basis for preparation of consolidated financial statements</p> <p>Method of accounting for consumption tax, etc: The Company adopts the tax exclusion method.</p>	<p>(5) Derivatives and hedging activities</p> <p>1) Hedge accounting methods</p> <p>Same as left.</p> <p>2) Hedging measures and hedged items</p> <p>Hedging instruments: Same as left.</p> <p>Hedged items: Same as left.</p> <p>3) Hedging policy</p> <p>Same as left.</p> <p>4) Method of evaluating effectiveness of hedging</p> <p>Same as left.</p> <p>(6) Other important items forming the basis for preparation of consolidated financial statements</p> <p>Same as left.</p>	<p>(5) Derivatives and hedging activities</p> <p>1) Hedge accounting methods</p> <p>Same as left.</p> <p>2) Hedging measures and hedged items</p> <p>Hedging instruments: Same as left.</p> <p>Hedged items: Same as left.</p> <p>3) Hedging policy</p> <p>Same as left.</p> <p>4) Method of evaluating effectiveness of hedging</p> <p>Same as left.</p> <p>(6) Other important items forming the basis for preparation of consolidated financial statements</p> <p>Same as left.</p>
<p>5. Items in the consolidated statements of cash flows</p>	<p>5. Items in the consolidated statements of cash flows</p>	<p>5. Items in the consolidated statements of cash flows</p>
<p>Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and highly liquid, short-term investments with a maturity of three months or less that can be readily converted into cash and which represent a minor risk of fluctuations in value.</p>	<p>Same as left.</p>	<p>Same as left.</p>

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9. Changes in Basis of Preparation of Consolidated Financial Statements

End of current third quarter (As of December 31, 2007)	End of previous third quarter (As of December 31, 2006)	Previous financial year (As of March 31, 2007)
<p>_____</p>	<p>Accounting standard for the presentation of net assets on the balance sheet:</p> <p>Effective from the current consolidated third quarter, the Group has adopted the Corporate Accounting Standard No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005) and Corporate Accounting Standard Implementation Guidance No. 8, "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005).</p> <p>Under the previous accounting method, total net assets would have totaled 74,206 million yen.</p> <p>In the current third quarter consolidated reporting period, the net asset portion of the current third quarter consolidated balance sheet statement was restated in accordance with revised interim consolidated financial statement rules.</p>	<p>Accounting standard for the presentation of net assets on the balance sheet:</p> <p>Beginning in the current consolidated fiscal year, the Group has adopted the Corporate Accounting Standard No. 5, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005) and Corporate Accounting Standard Implementation Guidance No. 8, "Implementation Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, December 9, 2005).</p> <p>Under the previous standard, total net assets would have totaled to 74,137 million yen.</p> <p>The Company has prepared net assets on the consolidated balance sheet of the current consolidated fiscal year after the revision.</p>
<p>Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the consolidated financial statements</p> <p>Given that the "Practical Solutions on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Report No. 18, May 17, 2006) can be adopted from the fiscal year beginning on or before March 31, 2008, the Company has adopted the new standards commencing with the third quarter of the preceding consolidated accounting year.</p> <p>The effect of this adoption on operating income, recurring income, or net income before taxes and other adjustments is immaterial in comparison with changes in the third quarter of the preceding accounting year.</p>	<p>_____</p>	<p>Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the consolidated financial statements</p> <p>The Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" from the current consolidated fiscal year (Accounting Standards Board of Japan, May 17, 2006, Practical Solution No. 18). As a result, operating income, ordinary income and net income before taxes each decreased 31 million yen.</p>
<p>_____</p>	<p>_____</p>	<p>Accounting Standard for Business Combinations</p> <p>In the current consolidated reporting period, the Accounting Standard for Business Combinations (Business Accounting Council; October 31, 2003) and the Accounting Standard for Business Divestitures (Accounting Standards Board of Japan; December 27, 2005), together with the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan, Guidance No. 10; December 27, 2005) were applied.</p>

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10. Notes to Consolidated Financial Statements

(1) Consolidated Balance Sheet

End of current third quarter (As of December 31, 2007)	End of previous third quarter (As of December 31, 2006)	Previous financial year (As of March 31, 2007)
1. Accumulated depreciation of property, plant and equipment amounts to 19,782 million yen.	1. Accumulated depreciation of property, plant and equipment amounts to 18,926 million yen.	1. Accumulated depreciation of property, plant and equipment amounts to 18,943 million yen.
2. The main assets and liabilities relating to non-consolidated subsidiaries and affiliated companies are as follows. Investments and other assets Investment securities (Shares) 8,301 million yen	2. The main assets and liabilities relating to non-consolidated subsidiaries and affiliated companies are as follows. Investments and other assets Investment securities (Shares) 8,780 million yen	2. The main assets and liabilities relating to non-consolidated subsidiaries and affiliated companies are as follows. Investments and other assets Investment securities (Shares) 8,462 million yen
3. The following assets have been provided as security Buildings & structures 964 million yen Land 2,122 million yen Investment securities 163 million yen <hr/> Total 3,250 million yen (Liabilities corresponding to the above) Trade notes and accounts payable 12,125 million yen Short-term loans 300 million yen <hr/> Total 12,425 million yen	3. The following assets have been provided as security Buildings & structures 1,011 million yen Land 2,122 million yen Investment securities 178 million yen <hr/> Total 3,312 million yen (Liabilities corresponding to the above) Trade notes and accounts payable 10,290 million yen <hr/> Total 10,290 million yen	3. The following assets have been provided as security Buildings & structures 988 million yen Land 2,122 million yen Investment securities 170 million yen <hr/> Total 3,282 million yen (Liabilities corresponding to the above) Trade notes and accounts payable 8,583 Million yen Short-term loans 350 million yen Long-term loans (including loans that will be repaid within one year) 18 million yen <hr/> Total 8,951 million yen
4. Regarding bills at maturity at the end of the current third quarter, the maturity date was a bank holiday, though accounts were settled as though the settlement was held on the maturity date. Bills receivable 1,081 million yen Bills payable 1,953 million yen	4. Regarding bills at maturity at the end of the previous third quarter, the maturity date was a bank holiday, though accounts were settled as though the settlement was held on the maturity date. Bills receivable 1,098 million yen Bills payable 1,613 million yen	4. Regarding bills at maturity at the end of the previous third quarter, the maturity date was a bank holiday, though accounts were settled as though the settlement was held on the maturity date. Bills receivable 1,229 million yen Bills payable 1,604 million yen

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<p>5. Commitment line contracts</p> <p>In order to provide access to a stable and effective source of operating capital, the Company and consolidated subsidiaries Toyama Kobayashi Pharmaceutical, Sendai Kobayashi Pharmaceutical, Ehime Kobayashi Pharmaceutical, Kobayashi Seiyaku Plax, SP-Planning, Kobayashi Pharmaceutical Distribution, Kobayashi Healthcare Europe, Shanghai Kobayashi Daily Chemicals, and HeatMax Inc. have entered into commitment-line and overdraft contracts with five trading banks. The balance of un-realized debt based on these contracts at the end of the current third quarter consolidated reporting period is as shown below.</p> <table border="0"> <tr> <td>Total debt commitment</td> <td>22,434 million yen</td> </tr> <tr> <td>Realized debt balance</td> <td>508 million yen</td> </tr> <tr> <td><hr/></td> <td></td> </tr> <tr> <td>Balance</td> <td>21,926 million yen</td> </tr> </table>	Total debt commitment	22,434 million yen	Realized debt balance	508 million yen	<hr/>		Balance	21,926 million yen	<p>5. Commitment line contracts</p> <p>In order to provide access to a stable and effective source of operating capital, the Company and Kobasho, Kobayashi Healthcare Europe Ltd. have entered into commitment-line contracts with four trading banks. The balance of un-realized debt based on these contracts at the end of the current third quarter consolidated reporting period is as shown below.</p> <table border="0"> <tr> <td>Total debt commitment</td> <td>32,531 million yen</td> </tr> <tr> <td>Realized debt balance</td> <td>166 million yen</td> </tr> <tr> <td><hr/></td> <td></td> </tr> <tr> <td>Balance</td> <td>32,365 million yen</td> </tr> </table>	Total debt commitment	32,531 million yen	Realized debt balance	166 million yen	<hr/>		Balance	32,365 million yen	<p>5. Commitment line contracts</p> <p>In order to provide access to a stable and effective source of operating capital, the Company, Kobashou, Seiei, Kobayashi Healthcare Europe Ltd., and Shanghai Kobayashi Daily Pharmaceutical, Co. Ltd. have entered into commitment-line contracts with five trading banks. The balance of un-realized debt based on these contracts at the end of the consolidated reporting period is as shown below.</p> <table border="0"> <tr> <td>Total debt commitment</td> <td>19,752 million yen</td> </tr> <tr> <td>Realized debt balance</td> <td>720 million yen</td> </tr> <tr> <td><hr/></td> <td></td> </tr> <tr> <td>Balance</td> <td>19,032 million yen</td> </tr> </table>	Total debt commitment	19,752 million yen	Realized debt balance	720 million yen	<hr/>		Balance	19,032 million yen
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Balance	19,032 million yen																									
<p>6. Pursuant to the law for the prevention of late subcontractor payments, the Company has assumed the following retroactive obligations against the balance of debt transfers related to factoring.</p> <p style="text-align: right;">Mizuho Factors 460 million yen</p>	<p>6. _____</p>	<p>6. _____</p>																								
<p>7. The Company has issued 42,525,000 shares of common stock.</p>	<p>7. Same as left.</p>	<p>7. Same as left.</p>																								
<p>8. The Company holds 1,156 thousand shares of treasury stock.</p>	<p>8. The Company holds 1,184 thousand shares of treasury stock.</p>	<p>8. The Company holds 1,172 thousand shares of treasury stock.</p>																								

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Consolidated Statement of Income

Current third quarter (April 1, 2007 to December 31, 2007)	Previous third quarter (April 1, 2006 to December 31, 2006)	Previous financial year (April 1 2006 to March 31, 2007)																																										
<p>1. The major components of selling, general & administrative expenses were as follows.</p> <table> <tr> <td>Sales promotion</td> <td style="text-align: right;">4,370 million yen</td> </tr> <tr> <td>Freight & storage</td> <td style="text-align: right;">8,977 million yen</td> </tr> <tr> <td>Advertising</td> <td style="text-align: right;">10,951 million yen</td> </tr> <tr> <td>Salaries & bonuses</td> <td style="text-align: right;">9,235 million yen</td> </tr> <tr> <td>Rental charges</td> <td style="text-align: right;">2,133 million yen</td> </tr> <tr> <td>Commissions paid</td> <td style="text-align: right;">3,408 million yen</td> </tr> <tr> <td>Research & development</td> <td style="text-align: right;">1,986 million yen</td> </tr> </table>	Sales promotion	4,370 million yen	Freight & storage	8,977 million yen	Advertising	10,951 million yen	Salaries & bonuses	9,235 million yen	Rental charges	2,133 million yen	Commissions paid	3,408 million yen	Research & development	1,986 million yen	<p>1. The major components of selling, general & administrative expenses were as follows.</p> <table> <tr> <td>Sales promotion</td> <td style="text-align: right;">4,485 million yen</td> </tr> <tr> <td>Freight & storage</td> <td style="text-align: right;">8,468 million yen</td> </tr> <tr> <td>Advertising</td> <td style="text-align: right;">10,556 million yen</td> </tr> <tr> <td>Salaries & bonuses</td> <td style="text-align: right;">10,120 million yen</td> </tr> <tr> <td>Rental charges</td> <td style="text-align: right;">2,364 million yen</td> </tr> <tr> <td>Commissions paid</td> <td style="text-align: right;">3,279 million yen</td> </tr> <tr> <td>Research & development</td> <td style="text-align: right;">1,801 million yen</td> </tr> </table>	Sales promotion	4,485 million yen	Freight & storage	8,468 million yen	Advertising	10,556 million yen	Salaries & bonuses	10,120 million yen	Rental charges	2,364 million yen	Commissions paid	3,279 million yen	Research & development	1,801 million yen	<p>1. The major components of selling, general & administrative expenses were as follows.</p> <table> <tr> <td>Sales promotion</td> <td style="text-align: right;">5,720 million yen</td> </tr> <tr> <td>Freight & storage</td> <td style="text-align: right;">10,976 million yen</td> </tr> <tr> <td>Advertising</td> <td style="text-align: right;">13,128 million yen</td> </tr> <tr> <td>Salaries & bonuses</td> <td style="text-align: right;">13,114 million yen</td> </tr> <tr> <td>Rental charges</td> <td style="text-align: right;">3,102 million yen</td> </tr> <tr> <td>Commissions paid</td> <td style="text-align: right;">4,612 million yen</td> </tr> <tr> <td>Research & development</td> <td style="text-align: right;">2,476 million yen</td> </tr> </table>	Sales promotion	5,720 million yen	Freight & storage	10,976 million yen	Advertising	13,128 million yen	Salaries & bonuses	13,114 million yen	Rental charges	3,102 million yen	Commissions paid	4,612 million yen	Research & development	2,476 million yen
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<p>2. Within extraordinary gains, gains on the sale of fixed assets comprise the following.</p> <table> <tr> <td>Equipment and vehicles</td> <td style="text-align: right;">1 million yen</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;">1 million yen</td> </tr> </table>	Equipment and vehicles	1 million yen	<u>Total</u>	1 million yen	<p>2. Within extraordinary gains, gains on the sale of fixed assets comprise the following.</p> <table> <tr> <td>Land</td> <td style="text-align: right;">917 million yen</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;">917 million yen</td> </tr> </table>	Land	917 million yen	<u>Total</u>	917 million yen	<p>2. Within extraordinary gains, gains on the sale of fixed assets comprise the following.</p> <table> <tr> <td>Land</td> <td style="text-align: right;">1,174 million yen</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">8 million yen</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;">1,183 million yen</td> </tr> </table>	Land	1,174 million yen	Other	8 million yen	<u>Total</u>	1,183 million yen																												
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<p>3. Within extraordinary losses, losses on the disposal of fixed assets comprise the following.</p> <table> <tr> <td>Buildings & structures</td> <td style="text-align: right;">34 million yen</td> </tr> <tr> <td>Machinery & equipment</td> <td style="text-align: right;">17 million yen</td> </tr> <tr> <td>Tools and vessels</td> <td style="text-align: right;">16 million yen</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">0 million yen</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;">68 million yen</td> </tr> </table>	Buildings & structures	34 million yen	Machinery & equipment	17 million yen	Tools and vessels	16 million yen	Other	0 million yen	<u>Total</u>	68 million yen	<p>3. Within extraordinary losses, losses on the disposal of fixed assets comprise the following.</p> <table> <tr> <td>Buildings & structures</td> <td style="text-align: right;">315 million yen</td> </tr> <tr> <td>Machinery & equipment</td> <td style="text-align: right;">10 million yen</td> </tr> <tr> <td>Tools and vessels</td> <td style="text-align: right;">16 million yen</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">1 million yen</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;">344 million yen</td> </tr> </table>	Buildings & structures	315 million yen	Machinery & equipment	10 million yen	Tools and vessels	16 million yen	Other	1 million yen	<u>Total</u>	344 million yen	<p>3. Within extraordinary losses, losses on the disposal of fixed assets comprise the following.</p> <table> <tr> <td>Buildings & structures</td> <td style="text-align: right;">345 million yen</td> </tr> <tr> <td>Machinery & equipment</td> <td style="text-align: right;">21 million yen</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">25 million yen</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">14 million yen</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;">407 million yen</td> </tr> </table>	Buildings & structures	345 million yen	Machinery & equipment	21 million yen	Land	25 million yen	Other	14 million yen	<u>Total</u>	407 million yen												
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<p>4. R&D expenses included in general, selling & administrative expenses and manufacturing expenses in period 1,986 million yen</p>	<p>4. R&D expenses included in general, selling & administrative expenses and manufacturing expenses in period 1,801 million yen</p>	<p>4. R&D expenses included in general, selling & administrative expenses and manufacturing expenses in period 2,476 million yen</p>																																										

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<p>5. Proceeds on trade rights transfer</p> <p>Same as right</p>	<p>5. Proceeds on trade rights transfer</p> <p>The company arrived at the basic agreement to the effect to cancel a joint relation between Medtronic Sofamor Danek in the United States that was originally the joint investment on March 27, 2002 regards Kobayashi Sofamor Danek Ltd., a company for which equity method accounting was adopted. It is scheduled for the share stocks to be sold off based on this mutual agreement in April, 2002, and to accept value of goodwill transfer as being divided into seven years from the period on March, 2003, and to sum it up to the extraordinary gain as proceeds of goodwill transfer.</p> <p>Summary of the agreement of goodwill transfer</p> <p>(1) Goodwill to be transferred: Sales of medical equipment</p> <p>(2) Date of the transfer: April 1, 2002</p> <p>(3) Price of the transfer and receiving method: 58 million US dollars over seven years</p> <p>(4) Receiving schedule and amount:</p> <table border="1" data-bbox="616 1108 999 1435"> <tr> <td>April 17, 2002</td> <td>3 million dollars</td> </tr> <tr> <td>April 3, 2003</td> <td>6 million dollars</td> </tr> <tr> <td>April 5, 2004</td> <td>7 million dollars</td> </tr> <tr> <td>April 4, 2005</td> <td>10 million dollars</td> </tr> <tr> <td>April 3, 2006</td> <td>10 million dollars</td> </tr> <tr> <td>April 3, 2007</td> <td>11 million dollars</td> </tr> <tr> <td>April 3, 2008</td> <td>11 million dollars</td> </tr> </table>	April 17, 2002	3 million dollars	April 3, 2003	6 million dollars	April 5, 2004	7 million dollars	April 4, 2005	10 million dollars	April 3, 2006	10 million dollars	April 3, 2007	11 million dollars	April 3, 2008	11 million dollars	<p>5. Proceeds on trade rights transfer</p> <p>Same as left.</p>
April 17, 2002	3 million dollars															
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6. Impairment losses				6. Impairment losses				6. Impairment losses			
The Group recorded impairment losses for each of the asset groups listed below. (Unit: millions of yen)				The Group recorded impairment losses for each of the asset groups listed below. (Unit: millions of yen)				The Group recorded impairment losses for each of the asset groups listed below. (Unit: millions of yen)			
Location	Type	Kind	Impairment loss	Location	Type	Kind	Impairment loss	Location	Type	Kind	Impairment loss
Osaka and other	Manufacturing facilities	Machinery and equipment	1	Osaka and other	Manufacturing facilities	Machinery and equipment	5	Osaka and other	Manufacturing facilities	Machinery and equipment	36
Same as above	Same as above	Lease	14	Same as above	Same as above	Lease	27	Same as above	Same as above	Lease	86
Total			15	Total			33	Total			123
The Group is grouping the assets for each operating division into basic, minimum units producing cash flow.				The Group is grouping the assets for each operating division into basic, minimum units producing cash flow.				The Group is grouping the assets for each operating division into basic, minimum units producing cash flow.			
Also, the headquarters and distribution center are treated as joint assets.				Also, the headquarters and distribution center are treated as joint assets.				Also, the headquarters and distribution center are treated as joint assets.			
As the manufacturing facilities are not expected to be used much in the future, the book value has been reduced to the recoverable amount. The amount by which it was decreased has been recorded as an impairment loss, of 15 million yen under extraordinary losses.				As the manufacturing facilities are not expected to be used much in the future, the book value has been reduced to the recoverable amount. The amount by which it was decreased has been recorded as an impairment loss, of 33 million yen under extraordinary losses.				As the manufacturing facilities are not expected to be used much in the future, the book value has been reduced to the recoverable amount. The amount by which it was decreased has been recorded as an impairment loss, of 123 million yen under extraordinary losses.			
The recoverable amount of this asset was assessed based on its utility value.				The recoverable amount of this asset was assessed based on its utility value.				The recoverable amount of this asset was assessed based on its utility value.			

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(3) Consolidated Statement of Cash Flows

Current third quarter (April 1, 2007 to Dec. 31, 2007)	Previous third quarter (April 1, 2006 to Dec. 31, 2006)	Previous financial year (April 1 2006 to March 31, 2007)																				
<p>1. A reconciliation of cash and time deposits in the consolidated balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the third half is as follows:</p> <p style="text-align: right;">(As of December 31, 2007)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Cash & time deposits</td> <td style="text-align: right;">13,750 million yen</td> </tr> <tr> <td>Time deposits with original maturity of more than 3 months</td> <td style="text-align: right;">— million yen</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash & cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">13,750 million yen</td> </tr> </table>	Cash & time deposits	13,750 million yen	Time deposits with original maturity of more than 3 months	— million yen	Cash & cash equivalents	13,750 million yen	<p>1. A reconciliation of cash and time deposits in the consolidated balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the third half is as follows:</p> <p style="text-align: right;">(As of December 31, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Cash & time deposits</td> <td style="text-align: right;">16,390 million yen</td> </tr> <tr> <td>Time deposits with original maturity of more than 3 months</td> <td style="text-align: right;">— million yen</td> </tr> <tr> <td>Marketable securities whose maturity falls within three months of the date of acquisition</td> <td style="text-align: right;">599 million yen</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash & cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">16,989 million yen</td> </tr> </table>	Cash & time deposits	16,390 million yen	Time deposits with original maturity of more than 3 months	— million yen	Marketable securities whose maturity falls within three months of the date of acquisition	599 million yen	Cash & cash equivalents	16,989 million yen	<p>1. A reconciliation of cash and time deposits in the consolidated balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the financial year is as follows:</p> <p style="text-align: right;">(As of March 31, 2007)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Cash & time deposits</td> <td style="text-align: right;">18,091 million yen</td> </tr> <tr> <td>Time deposits with original maturity of more than 3 months</td> <td style="text-align: right;">999 million yen</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash & cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">19,090 million yen</td> </tr> </table>	Cash & time deposits	18,091 million yen	Time deposits with original maturity of more than 3 months	999 million yen	Cash & cash equivalents	19,090 million yen
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<p>2. _____</p>	<p>2. _____</p>	<p>2. Assets and liabilities of company made a new consolidated subsidiary due to share acquisition</p> <p>(1) KS Tohoku was made a new consolidated subsidiary with the acquisition of its shares</p> <p style="text-align: right;">(As of April 1, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Current assets</td> <td style="text-align: right;">4,478 million yen</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">966 million yen</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">5,445 million yen</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">5,222 million yen</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">417 million yen</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">5,639 million yen</td> </tr> </table>	Current assets	4,478 million yen	Fixed assets	966 million yen	Total assets	5,445 million yen	Current liabilities	5,222 million yen	Fixed liabilities	417 million yen	Total liabilities	5,639 million yen								
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Fixed liabilities	417 million yen																					
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		<p>(2) HEATMAX Inc. was made a new consolidated subsidiary with the acquisition of its shares. Its assets and liabilities at the time of consolidation are outlined below.</p> <p>HEATMAX Inc. includes MEDHEAT Inc., and THERMOMAX Inc.</p> <p style="text-align: right;">(As of November 30, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Current assets</td> <td style="text-align: right;">1,601 million yen</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">7,815 million yen</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">9,417 million yen</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">494 million yen</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">10 million yen</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">504 million yen</td> </tr> </table>	Current assets	1,601 million yen	Fixed assets	7,815 million yen	Total assets	9,417 million yen	Current liabilities	494 million yen	Fixed liabilities	10 million yen	Total liabilities	504 million yen								
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		<p>(3) eVent Medical Ltd was made a new consolidated subsidiary with the acquisition of its shares. Its assets and liabilities at the time of consolidation are outlined below.</p> <p>eVent Medical Ltd includes eMed Ltd., and eVent Medical Inc.</p> <p>(As of November 3, 2006)</p> <table> <tr> <td>Current assets</td> <td>100 million yen</td> </tr> <tr> <td>Fixed assets</td> <td>70 million yen</td> </tr> <tr> <td>Total assets</td> <td>171 million yen</td> </tr> <tr> <td>Current liabilities</td> <td>791 million yen</td> </tr> <tr> <td>Total liabilities</td> <td>791 million yen</td> </tr> </table>	Current assets	100 million yen	Fixed assets	70 million yen	Total assets	171 million yen	Current liabilities	791 million yen	Total liabilities	791 million yen		
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Total liabilities	791 million yen													
<p>3. _____</p>	<p>3. _____</p>	<p>3. Assets and liabilities of company split off the subsidiary due to transferred of its shares</p> <p>Shield California Healthcare Centers, Inc. was split off consolidated subsidiary transferred of its shares</p> <p>Shield California Healthcare Centers, Inc. includes Shield Denver Healthcare Centers, Inc., and Shield Distribution Incorporated.</p> <p>(As of November 1, 2006)</p> <table> <tr> <td>Current assets</td> <td>2,794 million yen</td> </tr> <tr> <td>Fixed assets</td> <td>909 million yen</td> </tr> <tr> <td>Total assets</td> <td>3,704 million yen</td> </tr> <tr> <td>Current liabilities</td> <td>597 million yen</td> </tr> <tr> <td>Fixed liabilities</td> <td>312 million yen</td> </tr> <tr> <td>Total liabilities</td> <td>910 million yen</td> </tr> </table>	Current assets	2,794 million yen	Fixed assets	909 million yen	Total assets	3,704 million yen	Current liabilities	597 million yen	Fixed liabilities	312 million yen	Total liabilities	910 million yen
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