

KOBAYASHI

PHARMACEUTICAL CO., LTD.

Summary of Consolidated Financial Results for the First Half Ended September 30, 2007

Note: This document has been prepared as a guide for 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.

Kobayashi Pharmaceutical Co., Ltd. (4967)

Exchange Listed: Tokyo and Osaka, First Section

Principal Office: Osaka, Japan

Homepage: <http://www.kobayashi.co.jp>

President and Representative Director: Yutaka Kobayashi

Contact: Satoshi Yamane
General Manager, Public & Investor Relations Department

Telephone: +81-6-6222-0084

Date of the Board of Directors' meeting to approve financial statements: November 14, 2007

I. Consolidated Financial Results (April 1, 2007 – September 30, 2007)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended September 30,				FY Ended 3/31
	2007	%	2006	%	2007
Net Sales	130,470	(0.2)	130,721	4.5	257,022
Operating Income	9,144	0.1	9,133	5.4	18,029
Recurring Income	7,944	(0.8)	8,006	0.4	15,012
Net Income	4,668	(4.4)	4,881	37.2	8,297
Net Income per Share (yen)	112.90		118.16		200.77
Net Income per Share, diluted (yen).....	112.77		117.98		200.47
Note: Equity method investment profit and loss:	First half ended September 30, 2007 First half ended September 30, 2006 Fiscal year ended March 31, 2007..				82 million yen 107 million yen 187 million yen

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31
	2007	2006	2007
Total Assets	171,048	166,269	164,555
Shareholders' Equity	80,013	73,480	77,236
Shareholders' Equity Ratio	45.0%	42.4%	45.2%
Shareholders' Equity per Share (yen).....	1,862.33	1,705.79	1,799.87
Note: Equity (consolidated):	First half ended September 30, 2007 First half ended September 30, 2006 Fiscal year ended March 31, 2007		77,020 million yen 70,509 million yen 74,429 million yen

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(3) Cash Flows

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31,
	2007	2006	2007
Cash Flows from Operating Activities	2,452	1,723	8,833
Cash Flows from Investing Activities	(2,415)	999	(11,803)
Cash Flows from Financing Activities	(4,554)	(3,991)	(2,433)
Cash and Cash Equivalents at End of Period.....	14,633	23,235	19,090

2. Dividends

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. Consolidated Operating Outlook for FY 2008

(April 1, 2007 – March 31, 2008)

	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	229,000	(10.9)
Operating Income	18,500	2.6
Recurring Income	16,000	6.6
Net Income	8,750	5.5
Net Income per Share (yen)	211.57	

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.

4. Other

(1) Changes in Scope of Consolidation:

No

(2) Changes in principles, procedures and presentation of accounting treatment in preparing interim consolidated financial statements (changes described in "important items that are fundamental to preparation of interim consolidated financial statements")

(1) Changes resulting from revisions to accounting standards, etc.	No
(2) Changes other than (1)	No

(3) Number of shares issued (common shares)

	First half ended Sept. 30,		Fiscal Year
	2007	2006	2007
Number of shares issued end of fiscal period (including treasury stock)	42,525,000	42,525,000	42,525,000
Number of treasury shares at end of period	1,167,956	1,189,993	1,172,506

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Non-consolidated Financial Results (April 1, 2007 – September 30, 2007)

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended September 30,				FY Ended 3/31,
	2007	%	2006	%	2007
Net Sales	54,509	6.1	51,370	6.7	100,588
Operating Income	9,216	6.3	8,671	7.6	15,570
Recurring Income	8,417	5.2	7,997	5.7	13,655
Net Income	4,835	25.0	3,868	13.7	6,662
Net Income per Share (yen)	116.92		93.63		161.19
Net Income per Share (yen)	116.79		93.49		160.95

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31,
	2007	2006	2007
Total Assets	113,390	105,259	112,079
Shareholders' Equity	71,128	65,826	68,571
Shareholders' Equity Ratio	62.7%	62.5%	61.2%
Shareholders' Equity per Share (yen)	1,719.28	1,592.36	1,658.15

Note: Equity (consolidated):
 First half ended September 30, 2007 71,107million yen
 First half ended September 30, 2006 65,826 million yen
 Fiscal year ended March 31, 2007 68,571 million yen

Non-Consolidated Operating Outlook for FY 2008 (April 1, 2007 – March 31, 2008)

	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	106,000	5.4
Operating Income	16,000	2.8
Recurring Income	14,000	2.5
Net Income	8,500	27.6
Net Income per Share (yen)	205.52	

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.

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. Please refer to "Business Results" on page 5 and "Outlook for the Fiscal Year Ending March 31, 2007" on page 7 for more information.

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II. Business Results and Financial Position

1. Business Results

(1.) Overview of First Half (ended September 30, 2007)

	(Millions of Yen)					
	First Half Ended September 30, 2007		First Half Ended September 30, 2006		Change	
	Amount	%	Amount		Amount	%
Net Sales	130,470	100.0	130,721	100.0	(250)	(0.2)
Operating Income	9,144	7.0	9,133	7.0	10	0.1
Ordinary Income	7,944	6.1	8,006	6.1	(62)	(0.8)
Net Income	4,668	3.6	4,881	3.7	(212)	(4.4)

The Japanese economy continued its mild recovery during the interim under review, driven by improvements in corporate earnings and strong personal spending. However, there are still uncertainties over a slowdown in the US economy and a prolonged period of runaway oil prices.

In these conditions, the Kobayashi Pharmaceutical Group to fully exercised the spirit expressed in its management policy of "Creativity and Innovation." It cultivated latent customer needs by introducing new products and services that would create new markets, while invigorating existing markets by offering products and services with new added value..

The Group continued to make significant investments in advertising to reinforce its brand in Japan and overseas, while working to decrease costs by heavily reducing the cost of production while overhauling promotional costs. However, with the absence of contributions from the US subsidiary, the shares in which were sold in November last year, Interim consolidated sales declined by 250 million yen or 0.2% from the same period in the previous year, to 130,470 million yen.

Operating income stood at 9,144 million yen, up 10 million yen, or 0.1%, on the previous interim period, while ordinary income amounted to 7,944 million yen, an decrease of 62 million yen, or 0.8%, from the previous interim period. Net income was 4,668 million yen, a 4.4% decrease from the previous interim period.

(2). Segment Analysis

The following is a summary of performance by business segment during the current interim period.

Consumer Products Operations

The Consumer Products segment launched "Keshimin Pen" medicated fleck treatment applicator and "Sarasaty Saralie" napkin, among other products, contributing to the creation of new markets and growth in existing markets. Sales of mainstay deodorizing air fresheners Bluelet and Shoshu Gen were firm, and efforts to nurture existing brands such as "Naisitoru 85," a product which helps the body to break down and burn intra-abdominal fat, "Inochi no Haha A," a health supplement for women, and "Shoyo," which prevents gumboils, also made contributions, boosting sales to 53,495 million yen, up 3,994 million yen, or 8.1%, on the same interim period in the previous year ("previous term".)

In addition to sales gains, cost-cutting achieved by drastic reductions in the cost of production and other measures succeeded in boosting operating income to 9,326 million yen, an increase of 887 million yen, or 10.5%, on the previous term.

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Sales by Category

(Millions of Yen)

	First Half Ended September 30, 2007		First Half Ended September 30, 2006		Change	
	Amount	%	Amount		Amount	%
Pharmaceuticals	11,073	20.7	9,760	19.7	1,312	13.5
Oral hygiene products	6,228	11.8	6,096	12.3	193	3.2
Sanitary products	7,400	13.8	6,914	14.0	486	7.0
Deodorizing air fresheners	16,970	31.7	16,449	33.2	521	3.2
Household sundries	2,251	4.2	2,258	4.6	(7)	(0.3)
Food products	5,969	11.2	5,376	10.9	593	11.0
Body warmers	3,541	6.6	2,647	5.3	894	33.8
Total	53,495	100.0	49,500	100.0	3,994	8.1

Note: Segment sales include internal sales and transfers among segments; the value of these totaled 15,522 million yen in the previous interim period and 17,068 million yen in the current interim period.

Wholesale Operations

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, insect repellents, insecticides, and other summer seasonal products pushed sales by 2,242 million yen to 88,261 million yen, an increase of 2.6%.

Price competition in the segment, however, decreased operating income to 12 million yen, less 185 million yen compared with the previous term.

Sales by Category

(Millions of Yen)

		First Half Ended September 30, 2007		First Half Ended September 30, 2006		Change	
		Amount	%	Amount		Amount	%
Drugs	Products	8,068	9.1	6,912	8.0	1,156	16.7
	Merchandising	32,957	37.3	32,041	37.3	916	2.9
Sanitary products	Products	11,264	12.8	10,307	12.0	957	9.3
	Merchandising	35,970	40.8	36,758	42.7	(788)	(2.1)
Total		88,261	100.0	86,019	100.0	2,242	2.6

Medical Devices Operations

Kobayashi Medical Division concentrated sales efforts on mainstay products, including electronic scalpels and other 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 fell to 5,064 million yen, less 3,640 million yen, or 41.8%, compared with the previous term.

Aggressive investment in the growth businesses of eVent Medical led to operating losses of 316 million yen, a 634 million yen swing compared with the previous term.

Equity in earnings of Medicon, Inc., an equity-method affiliate, declined to 78 million yen from 115 million yen.

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Sales by Category

(Millions of Yen)

	First Half Ended September 30, 2007		First Half Ended September 30, 2006		Change	
	Amount	%	Amount	Amount	%	Amount
Kobayashi Medical Division	4,085	80.7	3,809	43.8	275	7.2
Shield Healthcare Centers (3 companies)	--	--	4,362	50.1	(4,362)	--
eVent Medical	471	9.3	--	--	471	--
Others	507	10.0	532	6.1	(25)	(4.8)
Total	5,064	100.0	8,705	100.0	(3,640)	(41.8)

Other Operations

Other Operations (transportation, sales promotion, market research, etc.) are conducted on a financially independent basis by Kobayashi Pharmaceutical's subsidiaries in support of the Company's three principal businesses and to contribute to the profits of those businesses. The Group reviewed the transfer values of the materials and services these operations provide. Distribution was split off into Aoitari Distribution and Kobayashi Pharmaceutical Distribution in January 2007. Subsequently, Aoitari Distribution merged with Kobasyo in April 2007.

As a result, sales of Other Operations fell 2,581 million yen, or 38.8%, to 4,066 million yen. However, operating income rose by 22 million yen, or 13.2%, to 189 million yen. Segment sales include internal sales and transfers between segments, the value of which totaled 4,628 million yen in the previous interim period and 3,114 million yen in the current interim period.

(3) Projections for Fiscal Year 2007 (ending March 31, 2008)

(Millions of Yen)

	Fiscal Year Ending March 31, 2008 (Forecast)		Fiscal Year Ended March 31, 2007 (Actual)		Change	
	Amount	%	Amount	%	Amount	%
Net Sales	229,000	100.0	257,022	100.0	(28,022)	(10.9)
Operating Income	18,500	8.1	18,029	7.0	471	2.6
Ordinary Income	16,000	7.0	15,012	5.8	988	6.6
Net Income	8,750	3.8	8,297	3.2	453	5.5
Net Income per Share (yen)	211.57		200.77		10.8	5.4

Despite uncertainties, such as concerns about a slowdown in the US economy, the Japanese economy continues to improve, supported by improved corporate profitability and increased consumer spending. Against this, the Kobayashi Group will continue to strive towards achieving the strongest position in each of its business segments through strengthening the foundations of existing businesses and existing brands along with pursuing new strategies for expanding business.

Kobasyo, which operates the wholesale segment, will become a wholly owned subsidiary of Mediceo Paltac Holdings in January 2008 via a stock swap. The wholesale segment is therefore expected to be removed from consolidated accounts from the fourth quarter of the current fiscal year.

As a result, Kobayashi is forecasting sales of 229,000 million yen for the fiscal year through March 2008, an expected decrease of 10.9%. In terms of profits, the Group will continue with cost reduction measures, and is forecasting operating income of 18,500 million yen, an increase of 471 million yen, or 2.6%, ordinary income of 16,000 million yen, an increase of 988 million yen, or 6.6%, and net income of 8,750 million yen, with 453 million yen, 5.5%, expected growth.

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Consumer Products Operations

In a bid to grow sales further in the current stable pricing environment, nine new products aimed at the potential needs of consumers were launched this autumn, including "Naripitan", an internal medicine to improve tinnitus conditions and "Toilet Shoshu Shabon", a deodorizer that gives toilet bowls a refreshing clean scent. Efforts also continue to be made to actively grow sales of existing core brands. We forecast that these efforts will pay off with 111,00 million yen in sales, up 8,497 million yen, or 8.3%, compared to the previous fiscal period. We estimate that cuts in costs such as unit costs and aggressive investment in advertising to enhance our brands will boost operating income 11.7%, or 1,940 million yen, to 18,500 million yen.

(Millions of Yen)

	Fiscal Year Ending March 31, 2008 (Forecast)	Fiscal Year Ended March 31, 2007 (Actual)	Change	
	Amount	Amount	Amount	%
Net Sales	111,0000	102,503	8,497	8.3
Operating Income	18,500	16,560	1,940	11.7

Note: Segment sales include internal sales and transfers among segments; the value of these totaled 30,785 million yen in the previous interim period and 27,400 million yen in the current interim period.

Wholesale Operations

We are making efforts to improve efficiency by further expanding the scale of the wholesale operations to meet the widening geographical reach of drugstores, our principal customers. In addition, we are strengthening our differentiated product lineup and are aggressively developing new categories, such as doctor's cosmetic and dry syndrome.

Kobasyo, which operates the wholesale segment, will become a wholly owned subsidiary of Mediceo Paltac Holdings in January 2008 via a stock swap. The wholesale segment is therefore expected to be removed from consolidated accounts from the fourth quarter of the current fiscal year. Accordingly, we estimate that sales will decrease 32,840 million yen, or 19.9%, to 132,000 million yen, and operating income will fall 323 million yen, or 69%, to 100 million yen compared to fiscal year 2005.

(Millions of Yen)

	Fiscal Year Ending March 31, 2008 (Forecast)	Fiscal Year Ended March 31, 2007 (Actual)	Change	
	Amount	Amount	Amount	%
Net Sales	132,000	164,840	(32,840)	(19.9)
Operating Income	100	323	(223)	(69.0)

Medical Devices Operations

The Kobayashi Medical Company will further expand product lines from overseas manufacturers in areas such as surgical operating rooms, orthopedics and, at the same time, actively pursue the development of the company's own Kobamed brand of products. However, the Company forecasts sales of the Medical Devices Operation will decrease 5,196 million yen or 31.5%, compared with fiscal year 2006, to 11,300 million yen. We forecast that operating income will decrease 961 million yen, to a 400 million yen loss due to the impact of a decline in NHI reimbursement prices.

(Millions of Yen)

	Fiscal Year Ending March 31, 2008 (Forecast)	Fiscal Year Ended March 31, 2007 (Actual)	Change	
	Amount	Amount	Amount	%
Net Sales	11,300	16,496	(5,196)	(31.5)
Operating Income	(400)	561	(961)	--

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2. Financial Position

(1) Summary of Cash Flows in the First Half (FY2006, ending March 31, 2007)

Consolidated Financial Position			(Millions of Yen)
	First Half Ended September 30, 2007	Fiscal Year Ended March 31, 2007	Change
Total Assets	171,048	164,555	6,492
Shareholders' Equity	80,013	77,236	2,777
Equity Ratio (%)	45.0%	45.2%	(0.2%)
Shareholders' Equity per Share (yen)	1,862.33	1,799.87	62.46

Consolidated Cash Flows			(Millions of Yen)
	First Half Ended September 30, 2007	First Half Ended September 30, 2006	Change
Cash Flow from Operating Activities	2,452	1,723	729
Cash Flow from Investing Activities	(2,415)	999	(3,414)
Free Cash Flow	37	2,722	(2,684)
Cash Flow from Financing Activities	(4,554)	(3,911)	(642)
Balance of Cash and Cash Equivalents At End of Period	14,633	23,235	(8,602)

Total assets increased 6,492 million yen compared with the end of the previous fiscal year, primarily due to an increase of 6,760 million yen in notes receivable and accounts receivable among current assets resulting from the formation of new parent-subsidiary consolidations, and an increase of 2,002 million yen in inventories. Under current liabilities, notes payable and accounts payable increased by 7,253 million yen. Net assets, including minority stockholders' interest, increased 2,777 million yen compared to the end of the previous fiscal year. As a result, the shareholders' equity ratio fell by 0.2 points.

Cash Flow from Operating Activities

Net cash provided by total operating activities increased 729 million yen to 2,452 million yen compared to the previous interim period. This was primarily attributable to a 1,195 million yen decrease in net income before taxes and other adjustments. An improvement in the balance of operating capital and other factors reduced accounts receivable by 1,584 million yen.

Cash Flow from Investing Activities

Net cash used in investing activities totaled 2,415 million yen, an increase of 3,414 million yen over the previous interim period. This was due to the generation of 1,108 million yen in revenues from the sale of tangible fixed assets and a net increase in marketable securities acquisitions of 1,501 million yen in the previous interim period.

Cash Flow from Financing Activities

Net cash resulting from financing operations totaled 4,554 million yen, an increase of 642 million yen compared to the previous interim period, owing to increased dividends paid.

Accordingly, the term-end balance of cash and cash equivalents decreased 8,602 million yen from the previous interim period to 14,633 million yen.

Note: The following formula was used to calculate free cash flow:

Free cash flow = Cash flow from operating activities + cash flow from investing activities

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(2) Full Year Forecast (FY2007, ending March 31, 2008)

Although the economy continues to recover, the operating environment remains severe. Accordingly, we will strive to reduce inventories and accounts receivable so as to improve the efficiency of investment capital. Stable investments in plants and equipment are expected to average those of the previous fiscal year. We assumed the same financial activities as of last year.

Cash flow from financing activities is forecast to remain level with the previous fiscal year.

(3) Cash Flow Indicator Trends

	As of Sept. 30,	As of March 31,			
	2007	2007	2006	2005	2004
Equity Ratio (%)	45.0	45.2	44.0	44.7	42.4
Equity Ratio at Market Value Basis (%)	98.6	112.3	113.9	90.5	91.8
Debt Repayment Period (years)	—	0.4	0.1	0.3	0.8
Interest Coverage Ratio (times)	64.6	125.1	140.6	96.7	90.5

Notes:

1. Each index is calculated by relevant formulas with financial figures quoted from the consolidated balance sheet.

- Equity ratio = (Shareholder's equity – minority shareholders' portion) ÷ total assets
- Equity ratio at market value basis = Total market value of listed shares ÷ total assets
- Liability maturity = Interest-bearing debt ÷ cash flows from operating activities (No information for the interim period)
- Interest coverage ratio = Cash flows from operating activities ÷ interest payment (No information for the interim period)

2. Consolidated financial figures constitute the basis for calculating these indicators.

3. Market capitalization is calculated by multiplying a closing price of a share at the year-end (end of interim period) by the number of shares issued after deduction of own shares at the year-end (end of interim period).

4. Cash flow from operating activities uses the figures for cash flow from operating activities in the consolidated (consolidated interim) cash flow statement. Interest-bearing debt includes all debts that incur interest payments out of the liabilities accounted for in the consolidated balance sheet. "Interest payment" in the consolidated (consolidated interim) statement of cash flow is used.

4. Profit Distribution and Fiscal 2008 Dividends

Kobayashi Pharmaceutical regards the distribution of profits to shareholders as one of the Company's most important management policies, and will continue to focus on strengthening this area. For this reason, we ensure that adequate internal reserves for high-growth-oriented business development and strengthening the corporate structure are preserved. At the same time, the Company intends to promote a dividend policy that will reflect consolidated results while maintaining a basic policy of providing stable dividend payments. Internal reserves will be utilized for M&A to grow the consumer products and the medical devices operations and for vigorous investment in expansion overseas.

Based on this policy, the common dividend is expected to 54.00 yen per share in the fiscal year ending March 2008 (an interim dividend of 27 yen and a year-end dividend of 27 yen per share). An interim dividend will be paid out from the current fiscal year.

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4. Risk Factors

(1) Highly Competitive Business Environment

The Kobayashi Pharmaceutical Group aims to differentiate itself from rival companies by developing new products and services that satisfy customer needs. This is crucial as the Group's main products target retail consumers. However, we are susceptible to intensifying price-based competition triggered by the launch of competing products by rivals. In response, we may have to increase development costs for new products, or advertising and sales promotion expenses to stimulate demand. These and other factors could affect the Group's operating results and financial position.

(2) Highly Susceptible to Sales of New Products

The Group pursues aggressive product development activities as part of its strategy for spurring growth, launching new products every year in the spring and fall. However, delays in developing or bringing new products to market, sales of competing products, and other factors may have an impact on sales of the Group's new products, which could in turn affect the Group's operating results and financial position.

(3) Risk Concerning Inability to Reap Anticipated Benefits of Mergers or Alliances

While enhancing product lineups through M&As and business alliances, the Group is striving to expand sales regions in pursuit of a broader range of new markets both in Japan and overseas. However, these M&As and alliances are subject to uncertainties. The Group may be unable to reap the anticipated benefits of M&As and alliances or may be forced to change its business strategies, due to unforeseen post-merger or alliance events. This could affect the Group's operating results and financial position.

(4) Legal Constraints

The Group's businesses are subject to the Pharmaceutical Affairs Law as well as other relevant laws and regulations. The Medical Devices Operation is particularly susceptible to reductions in NHI reimbursement prices. These and other factors could affect the Group's operating results and financial position.

(5) Quality Risk

The Group's product line includes pharmaceutical products, quasi-drugs, cosmetic products, medical equipment, and foods. Substandard products may cause consumers and patients to have health damage, causing substantial financial damage to the Group. This could affect the Group's operating results and financial position.

(6) Changes in Raw Material Prices

The Group's Consumer Products Operation is exposed to the risk of changes in raw material prices. Despite ongoing cost reductions, the Group's operating results and financial condition may be affected by a sharp rise in raw material prices triggered by surging crude oil prices and other factors.

(7) Impact of Inclement Weather

Sales of some of the Group's products, such as body warmers, hay fever-related products, and cold remedies, are highly susceptible to seasonal factors, such as temperatures and airborne pollen counts, which could have a large impact on sales. Trends in sales of these products could therefore affect the Group's operating results and financial position.

(8) Overseas Business Risk

The Group's trading transactions, principally the import of medical devices, are subject to fluctuations in exchange rates. However, the Group reduces their impact on operating results mainly by hedging foreign currency risk through forward exchange transactions. The Group does not engage in derivative transactions for speculative purposes. Line items denominated in foreign currencies, including the sales, expenses, assets and

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liabilities, of overseas subsidiaries, are converted into yen for the purpose of preparing consolidated financial statements. In the event of a large change in the prevailing exchange rate on the conversion date, there will be a substantial corresponding change in the yen value of such line items. The Group is also exposed to the risk of changes in regulations by foreign governments, as well as economic conditions. These and other factors could affect the Group's operating results and financial position.

(9) Information Management and System Risk

The Group holds large volumes of information mainly as part of its mail-order shopping businesses, including personal information. For this reason, the Group has established an internal information management system in conjunction with enhancing in-house training programs and information management. However, the Group's operating results and financial position could be affected by a loss of public trust caused by a leak of information.

(10) Intellectual Property Risk

Third-party infringement of intellectual property rights, including the Group's brands and related trademarks, may result in large damages to the Group. Furthermore, the inadvertent infringement of the intellectual property rights of a third party by the Group may also have adverse consequences. These and other factors could impact the Group's operating results and financial position.

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III. Kobayashi Pharmaceutical Group Operation

1. Kobayashi Group Overview

The Kobayashi Group consists of Kobayashi Pharmaceutical, Co., Ltd. 37 subsidiaries and 3 affiliates. Its operations are Consumer Products Operations, Wholesale Operations, Medical Devices Operations and Other Operations. The relationship between the Company and its affiliates with regards to these businesses and segments are specified in the following chart:

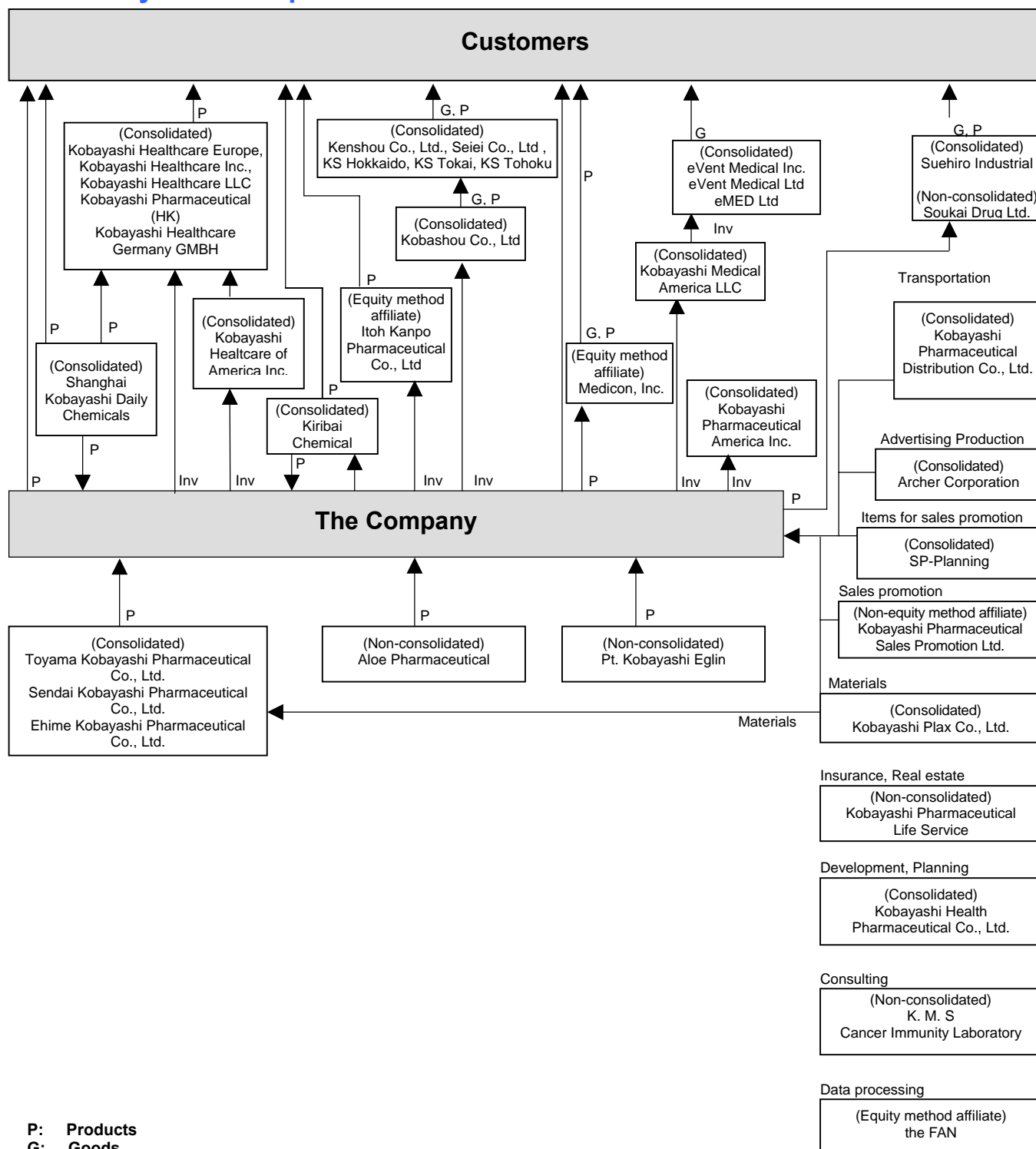
Products	Type	Main companies
Consumer Product Operation	Pharmaceuticals	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Itoh Kanpo Pharmaceutical Co.,Ltd. Kobayashi Healthcare LLC Aloe Pharmaceutical (6 companies)
	Oral hygiene products	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Kobayashi Plax Co., Ltd. (4 companies)
	Deodorizing air fresheners	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Shanghai Kobayashi Daily Chemicals Co., Ltd. Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. (5 companies)
	Household sundries	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Ehime Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Kiribai Chemical Co. Ltd. Itoh Kanpo Pharmaceutical Co.,Ltd Kobayashi Healthcare LLC. Kobayashi Healthcare Europe, Ltd. Kobayashi Healthcare Germany, GmbH HEATMAX Inc. MEDHEAT Inc. THERMOMAX Inc. Shanghai Kobayashi Daily Chemicals Co., Ltd. Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. (14 companies)
	Integration of US affiliated company	Kobayashi Healthcare of America Inc. (1 company)
Wholesale Operation	Pharmaceuticals	Kenshou Co., Ltd. Kobashou Co., Ltd. Seiei KS Hokkaido KS Tokai KS Tohoku (6 companies)
	Household sundries, and foods	Kenshou Co., Ltd. Kobashou Co., Ltd. Seiei KS Hokkaido KS Tokai KS Tohoku (6 companies)
Medical Devices Operation	Importing and sale of medical devices	Kobayashi Pharmaceutical Co., Ltd. Medicon, Inc. (2 companies)
	Production and sale of medical devices	Toyama Kobayashi Pharmaceutical Co., Ltd. Pt. Kobayashi Eglin Shanghai Kobayashi Daily Chemicals Co., Ltd. eVent Medical Ltd (4 companies)
	Sale of medical devices	eVent Medical Inc. eMed Ltd. (2 companies)

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Integration of US affiliated company	Kobayashi Medical America LLC (1 company)
	Medical Business Research	Kobayashi Pharmaceuticals of America Incorporated Kobayashi Medical America LLC (2 companies)
Other Operations	Transport	Kobayashi Pharmaceutical Physical Distribution Co., Ltd. (1 company)
	Manufacturing and sales of plastic containers	Kobayashi Plax Co., Ltd. (1 company)
	Insurance agency	Kobayashi Pharmaceutical Life Service Co., Ltd. (1 company)
	Advertising, planning and creation	Archer Corporation (1 company)
	Displays and model production	SP-Planning (1 company)
	Pharmaceutical products and daily goods, marketing and sales promotional activities	Kobayashi Pharmaceutical Sales Promotion of Ltd. Archer Corporation (2 companies)
	Retail and Information services	Soukai Drug Ltd. Suehiro Industrial Other 4 companies (6 companies)

KOBAYASHI PHARMACEUTICAL CO., LTD.

2. Kobayashi Group Business Flow



Consumer Products Operation

Wholesale Operation

Medical Devices Operation

Other Operations

KOBAYASHI PHARMACEUTICAL CO., LTD.

3. Kobayashi Group Relationships

Company Name	Address	Capital (Million Yen)	Business Contents	Voting rights ownership ratio	Con-current Officers	Fund support	Business relationship	Lease of Facilities	Business Corporation
Toyama Kobayashi Pharmaceutical Co., Ltd.	Toyama	100	Pharmaceuticals and other manufacturing	100.0	Yes	Yes	Manufacturing of the Company's products	Leases of land, buildings, & facilities	-
Sendai Kobayashi Pharmaceutical Co. Ltd.	Sendai	200	Pharmaceuticals and other manufacturing	100.0	Yes	Yes	Manufacturing of the Company's products	Leases of land, buildings, & facilities	-
Ehime Kobayashi Pharmaceutical Co., Ltd.	Ehime	77	Hygienic and paper goods manufacturing	100.0	Yes	Yes	Manufacturing of the Company's products	-	-
Kiribai Chemical Co., Ltd.	Osaka	49	Manufacturing sales of heating pad	100.0	Yes	-	-	-	-
Kobayashi Plax Co., Ltd.	Toyama	95	Synthetic resin products manufacturing	100.0	Yes	Yes	Manufacturing of the Company's products, & materials	-	-
Kobashou Co., Ltd.	Tokyo	4,297	Pharmaceutical products wholesaling	74.2	Yes	-	Sale of the Company's products	Leases of land & buildings	-
Kenshou Co., Ltd.	Tokyo	465	Pharmaceutical products wholesaling	44.1 (44.1)	-	-	Sale of the Company's products	-	-
KS Hokkaido	Sapporo	10	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	-
KS Tokai	Nagoya	10	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	-
KS Tohoku	Sendai	10	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	-
Seiei	Kagawa	300	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	-
Archer Corporation	Tokyo	10	Advertising, planning and creation	100.0	Yes	Yes	Advertising, planning and Marketing	-	-
SP-Planning	Osaka	10	SP tools production	100.0	Yes	-	Production of the Company's SP tools	Leases of buildings	-
Suehiro Industrial	Osaka	15	Retail sales of daily necessities etc.	100.0	Yes	-	Sale of the Company's products	Leases of buildings	-
Kobayashi Pharmaceutical Life Service Co., Ltd.	Osaka	10	Insurance agency and real estate management	100.0	Yes	Yes	Real estate management	Leases of buildings	-
Kobayashi Pharmaceuticals of America Incorporated	California USA	US\$ 1	Kobayashi Group U.S. Management	100.0	Yes	Yes	-	-	-
Kobayashi Medical America LLC	California USA	US\$ 23,000,000	Medical business research	100.0 (100.0)	Yes	-	Marketing of the Company's products	-	-
Kobayashi Healthcare LLC	Pennsylvania USA	US\$ 5,110,000	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Kobayashi Healthcare Europe, Ltd.	London UK	£ 14,081	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Kobayashi Healthcare Germany GMBH	Dusseldorf Germany	EUR 974,000	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Shanghai Kobayashi Daily Chemicals Co., Ltd.	Shanghai	RMB 141,428,621	Daily goods manufacturing and sales	100.0	Yes	-	Manufacturing and sales of the Company's products	-	-
Kobayashi Pharmaceutical (Hong Kong) Co., Ltd	Hong Kong	HK\$1,570,000	Daily goods sales	100.0	-	-	Manufacturing and sales of the Company's products	-	-
Kobayashi Health Pharmaceutical Co., Ltd.	Osaka	100	Manufacturing and sales of health foods	51.0	Yes	-	Manufacturing and sales of the Company's products	-	-
Kobayashi Pharmaceutical Physical Distribution Co., Ltd.	Osaka	10	Transport	100.0	Yes	Yes	Transport and storage of the Company's products	-	-

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Continued)

Company Name	Address	Capital (Million Yen)	Business Contents	Voting rights ownership ratio	Con-current Officers	Fund support	Business relationship	Lease of Facilities	Business Corporation
Kobayashi Healthcare of America Inc.	Georgia USA	US\$ 6,100	Kobayashi Group U.S. Management	100.0	Yes	-	-	-	-
eVent Medical Ltd	Galway Ireland	EUR 2,666	Manufacture and sales of respirators	100.0	-	-	-	-	-
eMED Ltd.	Galway Ireland	EUR 127	Medical equipment sales	100.0	-	-	-	-	-
eVent Medical Inc.	California USA	US\$ 100	Medical equipment sales	100.0	Yes	-	-	-	-
HEATMAX Inc.	Georgia USA	US\$ 1,230,000	Manufacture and sales of daily goods	100.0	Yes	-	-	-	-
MEDHEAT Inc.	Georgia USA	US\$ 10	Manufacture and sales of daily goods	100.0	-	-	-	-	-
THERMOMAX Inc.	Georgia USA	US\$ 0	Manufacture and sales of daily goods	100.0	-	-	-	-	-
Medicon, Inc.	Osaka	160	Medical equipment and device import and marketing	50.0	Yes	-	Sales of the company's products	-	-
Itoh Kanpo Pharmaceutical Co. Ltd.	Osaka	2,085	Daily goods sales	33.4	Yes	-	-	-	-

Notes:

1. Special subsidiary companies are Kobashou Co., Ltd., Toyama Kobayashi Co. Ltd., KHL, KMA , Kenshou Co. Ltd., and Shanghai Kobayashi Daily Chemicals Co., Ltd.
2. None of the companies listed above issue a securities report.
3. Figures in the "voting rights/ownership ratio" column include indirect ownership ratios.
4. Aotiori Distribution Co., Ltd. merged with Kobashou, Inc. during the current interim consolidated fiscal period; it is therefore no longer an affiliated company.

KOBAYASHI PHARMACEUTICAL CO., LTD.

IV. Management Policies

1. Basic Management Policy
2. Management Indicators Serving as Goals
3. Medium to Long-term Corporate Management Strategy
4. Issues the Company Must Address

Disclosure has been omitted since there have been no significant changes in the content disclosed in the financial statements for fiscal year ended March 2007 (disclosed on May 14, 2007).

The financial statements may be viewed at the following URL:

Corporate Home Page:

<http://www.kobayashi.co.jp/ir/finance/index.html>

(Tokyo Stock Exchange home page (search page for corporate information))

<http://www.tse.or.jp/listing/compsearch/index.html>

KOBAYASHI PHARMACEUTICAL CO., LTD.

V. Consolidated Financial Statements (April 1, 2007 – September 30, 2007)

1. Consolidated Balance Sheets

	Millions of Yen					
	As of September 30,				As of March 31,	
	2007	%	2006	%	2007	
Assets						
Current Assets						
Cash and time deposits.....	13,634		23,235		18,091	
Trade notes and accounts receivable	58,100		58,879		51,340	
Investment securities.....	4,995		1,199		3,795	
Inventories	21,849		19,871		19,846	
Deferred income taxes	2,784		2,558		2,953	
Other current assets.....	6,680		7,529		6,261	
Allowance for doubtful accounts.....	(145)		(607)		(186)	
Total Current Assets	107,899	63.1	112,666	67.8	102,102	62.0
Fixed Assets:						
Tangible Assets						
Buildings and Structures	11,062		11,159		11,214	
Land	8,667		8,665		8,667	
Other	2,737		2,846		2,397	
Total Tangible Assets	22,467	13.1	22,672	13.6	22,279	13.5
Intangible Assets						
Goodwill	12,130		3,228		11,870	
Trademark.....	1,169		1,333		1,251	
Software.....	1,119		1,121		1,178	
Other	301		300		302	
Total Intangible Assets	14,721	8.6	5,983	3.6	14,602	8.9
Investments and Other Assets						
Investments in securities	17,916		17,191		17,965	
Deferred tax assets	2,165		1,836		1,767	
Other assets	6,783		7,151		7,104	
Allowance for investment liability loss	(119)		(287)		(289)	
Allowance for doubtful receivables.....	(785)		(944)		(976)	
Total Investments and Other Assets	25,960	15.2	24,947	15.0	25,571	15.6
Total Fixed Assets	63,149	36.9	53,602	32.2	62,453	38.0
Total Assets	171,048	100.0	166,269	100.0	164,555	100.0

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen					
	As of September 30,				As of March 31,	
	2007	%	2006	%	2007	
Liabilities						
Current Liabilities						
Trade notes and accounts payable.....	58,613		58,044		51,539	
Short-term loans payable.....	771		1,268		3,205	
Accrued expenses	12,661		13,007		12,437	
Accrued income taxes	4,042		4,809		4,505	
Allowance for bonus payable.....	2,255		2,162		2,109	
Reserve for adjustment of returned goods	734		670		902	
Other current liabilities	2,285		2,626		2,507	
Total Current Liabilities	81,365	47.6	82,589	49.7	77,028	46.8
Fixed Liabilities						
Long term loans payable	142		209		207	
Provision for retirement benefits.....	6,473		7,286		7,559	
Provision for allowances for directors and corporate auditors.....	1,428		1,351		1,399	
Other long-term liabilities	1,624		1,351		124	
Total Fixed Liabilities	9,669	5.6	10,199	6.1	10,291	6.3
Total Liabilities	91,035	53.2	92,788	55.8	87,319	53.1
Net Assets						
Shareholders' Equity						
Common stock	3,450	2.0	3,450	2.1	3,450	2.1
Capital surplus.....	4,207	2.4	4,203	2.5	4,206	2.5
Earned surplus	69,376	40.6	63,359	38.1	66,775	40.6
Treasury stock	(3,299)	(1.9)	(3,357)	(2.0)	(3,311)	(2.0)
Total Shareholders' Equity	73,734	43.1	67,655	40.7	71,120	43.2
Appraisal and Translation Differences						
Unrealized holding gains on other securities	2,432	1.4	2,881	1.7	2,815	1.7
Gain/ loss on deferred hedge	160	0.1	341	0.2	291	0.2
Foreign currency translation adjustments	692	(0.4)	(369)	(0.2)	201	0.1
Total Appraisal and Translation Differences.....	3,285	1.9	2,853	1.7	3,308	2.0
Stock Acquisition Rights	21	0.0	—	—	—	—
Minority Interests	2,971	1.8	2,971	1.8	2,806	1.7
Total Net Assets.....	80,013	46.8	73,480	44.2	77,236	46.9
Total Liabilities and Net Assets	171,048	100.0	166,269	100.0	164,555	100.0

KOBAYASHI PHARMACEUTICAL CO., LTD.

2. Consolidated Income Statement

	Millions of Yen					
	First Half Ended September 30,				Year Ended March 31,	
	2007	%	2006	%	2007	%
Net Sales	130,470	100.0	130,721	100.0	257,022	100.0
Cost of sales	88,348	67.8	88,285	67.5	172,304	67.0
Gross profit	42,086	32.2	42,435	32.5	84,717	33.0
Selling, general, & administrative expenses	32,941	25.2	33,301	25.5	66,688	26.0
Operating Income	9,144	7.0	9,133	7.0	18,029	7.0
Other Income and Expenses:						
Other Income						
Interest received	86		58		86	
Dividends earned	57		44		91	
Loyalty received	213		202		539	
Investment income due to equity method	82		107		187	
Miscellaneous income	424		354		692	
Total Other Income	864	0.6	767	0.7	1,597	0.6
Other Expenses						
Interest expenses	40		36		70	
Sales discount	600		576		1,260	
Loss on disposal or write-off of inventories	1,248		1,124		3,018	
Loss on foreign exchange	69		57		92	
Miscellaneous expenses	105		100		171	
Total Other Expenses	2,064	1.6	1,894	1.5	4,613	1.8
Ordinary Income	7,944	6.1	8,006	6.1	15,012	5.8
Extraordinary Gain and loss						
Gain on sales of fixed assets	1		917		1,183	
Gain on transfer of goodwill	1,227		1,127		1,127	
Gain on transition to defined contribution pension plan	215		--		--	
Other extraordinary gains	65		181		518	
Extraordinary Gains	1,559	1.7	2,226	1.2	2,829	1.1
Losses on sales and disposal of fixed assets	30		340		407	
Loss on disposal or write-offs of inventories	519		274		583	
Allowance for investment loss liability transfer	119		35		37	
Impairment loss	15		33		123	
Other extraordinary losses	502		36		652	
Extraordinary Losses	1,186	0.9	719	0.5	1,804	0.7

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen					
	First Half Ended September 30,				Year Ended March 31,	
	2007	%	2006	%	2007	%
Income Before Income Taxes	8,318	6.4	9,513	7.3	16,038	6.2
Corporate Income, Local and Business Taxes.... ..	3,749	2.9	3,987	3.1	7,452	2.9
Adjustments to Income Taxes	(83)	(0.1)	601	0.5	408	0.1
Minority Interest in Net Income of Consolidated Subsidiaries.....	(16)	0.0	42	0.0	(119)	0.0
Net Income.....	4,668	3.6	4,881	3.7	8,297	3.2

KOBAYASHI PHARMACEUTICAL CO., LTD.

4. Consolidated Statements of Changes to Shareholders' Equity

(1) Current Interim Period (March 31, 2007 – September 30, 2007)

(Millions of Yen)

Current Interim	Shareholders' Equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	3,450	4,206	66,775	(3,311)	71,120
Fluctuations in the interim period					
Dividends*			(2,067)		(2,067)
Directors' bonuses*			4,668		4,668
Interim net income			4,881		4,881
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock		1		14	15
Fluctuations other than shareholders' equity in the interim period (net)					
Total fluctuation in the interim period	—	1	2,601	11	2,614
Balance as of Sept 31, 2007	3,450	4,207	69,376	(3,299)	73,734

	Appraisal and Translation Differences				Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Foreign exchange translation adjustments	Total appraisal and translation differences			
Balance as of March 31, 2007	2,815	291	201	3,308	--	2,806	77,237
Fluctuations in the interim period							
Directors' bonuses*							(2,067)
Interim net income							4,668
Acquisition of treasury stock							(2)
Disposal of treasury stock							15
Fluctuations other than shareholders' equity in the interim period (net)	(382)	(131)	491	(22)	21	165	163
Total fluctuation in the interim period	(382)	(131)	491	(22)	21	165	2,777
Balance as of Sept 31, 2007	2,432	160	692	3,285	21	2,971	80,013

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Previous Interim Period (March 31, 2006 – September 30, 2006)

(Millions of Yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	3,450	4,191	60,086	(3,480)	64,248
Fluctuations in the interim period					
Dividends*			(1,569)		(1,569)
Directors' bonuses*			(40)		(40)
Interim net income			4,881		4,881
Acquisition of treasury stock				(12)	(12)
Disposal of treasury stock		11		135	147
Fluctuations other than shareholders' equity in the interim period (net)					
Total fluctuation in the interim period	—	11	3,272	123	3,406
Balance as of Sept 30, 2006	3,450	4,203	63,359	(3,357)	67,655

	Appraisal and Translation Differences				Minority interests	Total net assets
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Foreign exchange translation adjustments	Total appraisal and translation differences		
Balance as of March 31, 2006	2,856	—	(293)	2,562	2,917	69,729
Fluctuations in the interim period						
Dividends*						(1,569)
Directors' bonuses*						(40)
Interim net income						4,881
Acquisition of treasury stock						(12)
Disposal of treasury stock						147
Fluctuations other than shareholders' equity in the interim period (net)	24	341	(75)	290	54	344
Total fluctuation in the interim period	24	341	(75)	290	54	3,751
Balance as of Sept 30, 2006	2,881	341	(369)	2,853	2,971	73,480

* Note: These figures refer to disposal of profit at the General Shareholders' Meeting held in June 2006.

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Previous Fiscal Year (April 1, 2006 – March 31, 2007)

(Millions of Yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance as of April 1, 2006	3,450	4,191	60,086	(3,480)	64,248
Fluctuations in the fiscal year					
Dividends*			(1,569)		(1,569)
Directors' bonuses*			(40)		(40)
Interim net income			8,297		8,297
Acquisition of treasury stock				(10)	(10)
Disposal of treasury stock		14		179	194
Fluctuations other than shareholders' equity in the interim period (net)					
Total fluctuation in the fiscal year	—	14	6,668	169	6,872
Balance as of March 31, 2007	3,450	4,206	66,775	(3,311)	71,120

	Appraisal and Translation Differences				Minority interests	Total net assets
	Unrealized holding gains on other securities	Gain/ loss on deferred hedge	Foreign exchange translation adjustments	Total appraisal and translation differences		
Balance as of April 1, 2006	2,856	—	(293)	2,562	2,917	69,729
Fluctuations in the fiscal year						
Dividends*						(1,569)
Directors' bonuses*						(40)
Interim net income						8,297
Acquisition of treasury stock						(10)
Disposal of treasury stock						194
Fluctuations other than shareholders' equity in the interim period (net)	(41)	291	495	745	(110)	634
Total fluctuation in the fiscal year	(41)	291	495	745	(110)	7,506
Balance as of March 31, 2007	2,815	291	201	3,308	2,806	77,236

* Note: These figures refer to disposal of profit at the General Shareholders' Meeting held in June 2006.

KOBAYASHI PHARMACEUTICAL CO., LTD.

5. Consolidated Statement of Cash Flows

	Millions of Yen		
	First Half Ended September 30,		Year Ended March 31,
	2007	2006	2007
I. Cash flow from operating activities:			
Income before income taxes and minority interests	8,318	9,513	16,038
Depreciation	1,220	1,198	2,782
Impairment losses	15	33	123
Amortization of goodwill	643	406	592
Provision for allowance of doubtful accounts.....	(233)	(380)	(773)
Accrued severance indemnities, net	(1,086)	221	494
Interest and dividend income	(144)	(102)	(177)
Interest expenses.....	40	36	70
Equity in earnings of affiliates	(82)	(107)	(187)
Losses on disposal of inventory evaluation	1,786	1,399	3,602
Gain on sale of goodwill	(1,277)	(1,127)	(1,127)
Loss on sales of investment securities	30	340	407
Gain on sale of fixed assets	—	(917)	(917)
Provision for investment losses.....	119	35	37
Increase (decrease) in trade notes and accounts receivable ..	(6,510)	(8,094)	332
Increase (decrease) in inventories.....	(3,720)	(3,292)	(4,762)
Increase (decrease) in trade notes and accounts payable.....	7,134	5,937	(1,053)
Others.....	389	382	1,010
Subtotal	6,624	5,480	16,490
Interest and dividends received	144	102	177
Interest paid.....	(37)	(36)	(70)
Income taxes paid	(4,277)	(3,823)	(7,763)
Net cash provided by operating activities	2,452	1,723	8,833
II. Cash flow from investing activities:			
Payments for purchases of securities	(5,300)	(699)	(4,092)
Proceeds from redemption of securities	4,601	1,502	2,800
Payments for purchases of investment securities	(1,017)	(1,905)	(2,021)
Payments for purchases of property, plant and equipment ...	(900)	(642)	(1,478)
Proceeds from sales of property, plant and equipment	1	1,108	1,490
Payments for purchases of intangible assets	(793)	(160)	(469)
Payments for investments and other assets	(160)	(288)	(1,355)
Proceeds from sales of investments and other assets	—	187	—
Increase in short term loans receivable	(100)	(136)	0
Disbursement for long term loans payable	(55)	(27)	(62)
Proceeds from collection of long term loans.....	30	25	36
Proceed from acquisition of shares of newly consolidated subsidiaries	—	871	—
Proceeds from sale of goodwill	1,277	1,127	1,127
Others.....	0	36	(7,780)
Net cash used in investing activities	(2,415)	999	(11,803)

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen		
	First Half Ended September 30,		Year Ended March 31,
	2007	2006	2007
III. Cash flow from financing activities:			
Increase (decrease) in short-term loans, net	(2,425)	(2,064)	(556)
Proceeds from long-term debt.....	(72)	(418)	(494)
Proceeds from sales of treasury stock	13	147	194
Payments for purchase of treasury stock.....	(2)	(6)	(8)
Dividends paid.....	(2,067)	(1,569)	(1,569)
Net cash used in financing activities	(4,554)	(3,911)	(2,433)
IV. Effect of exchange rate changes on cash and cash equivalents	59	(12)	56
V. Net increase in cash and cash equivalents	(4,457)	(1,201)	(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	14,633	23,235	19,090