

# KOBAYASHI

## PHARMACEUTICAL CO., LTD.

### **Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2006**

*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.

## Kobayashi Pharmaceutical Co., Ltd. (4967)

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## I. Items Relating to the Preparation of the First Quarter Consolidated Financial Results

Basis of preparation for quarterly consolidated financial statements: Basis of preparation for semi-annual consolidated financial statements.

Differences in accounting method from the previous fiscal year: Yes

The value of inventory for the first quarter is not based on physical inventory, but rather calculated in accordance with book inventory, using physical inventory value relating to the end of the previous consolidated fiscal year.

Changes in the scope of consolidation and equity method: Yes

Number of consolidated subsidiaries: (Newly consolidated) 2  
 (Excluded) 1

Number of companies for which equity method accounting has been adopted: (Newly consolidated) 0  
 (Excluded) 0

Audit involvement: No

## II. Consolidated Financial Results (April 1, 2006 – June 30, 2006)

### 1. Consolidated Operating Results

	Millions of Yen – Except Per Share Data and Percents				
	First Quarter ended June 30,				Year ended March 31,
	2006	%	2005	%	2006
Net Sales .....	62,668	2.0	61,414	14.9	246,852
Operating Income .....	3,609	(9.7)	3,998	39.3	16,879
Ordinary Income .....	3,106	(13.5)	3,591	44.3	15,151
Net Income .....	2,429	44.6	1,680	0.0	7,474
Net Income per Share (Yen).....	58.82		40.37		179.17
Net Income per Share, diluted (Yen) .....	58.73		—		179.01

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

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## Consolidated Business Results

Driven by improved corporate earnings and a firmer floor for consumer spending, Japan's economy in the first quarter embarked on a slow recovery trend. However, the future remained uncertain due to deceleration in the U.S. economy and ongoing increases in crude oil prices, among other factors.

In these circumstances the Group sought to cultivate fully the spirit of its "Creation and Innovation" management concept, develop latent customer needs by providing products and services to create new markets while offering new added-value products and services in markets in which the Group already maintains a presence.

As a result, net sales in the first quarter grew to 62,668 million yen, an increase of 2.0% from the previous fiscal year. Operating income was 3,609 million yen, a decrease of 9.7% from the previous year, and ordinary income was 3,106 million yen, a decrease of 13.5%. Net income for the first quarter registered at 2,429 million yen, an increase of 44.6%. This derived from 1,437 million yen in impairment losses accounted for as extraordinary losses in the same period the previous year.

Business results by segment were as follows.

## Summary of Results by Business Segment

### Consumer Products Operations

The Consumer Product Operations segment saw the introduction of 18 new products (excluding nutritional supplement foods) in the spring, including the internal preparation 'Nicol' for combustion of internal stomach fat and the household deodorant 'Cleair', which contributed to sales growth. There were also strong trends in the 'Shouyou' oral hygiene preparation and 'Inochi no Haha A', a female health aid marketed since June of last year.

As a result, segment sales increased 1,301 million yen, or 5.9%, from the previous year to 23,508 million yen.

In spite of reductions in manufacturing costs and other expenses, operating income decreased 693 million yen, or 17.1%, from the previous year to 3,358 million yen, due to aggressive advertising aimed at enhancing the Company's brands.

### Wholesale Operations

The Wholesale Operations segment faced a difficult business environment due to inclement weather that hurt the performance of summer products at drug stores, which are the Company's principal customers. However, segment sales rose 239 million yen or 0.6% over the previous period, to 41,246 million yen, as a result of the new consolidation of KS Tohoku in the current quarter.

As a result of declines in sales of health foods and summer products, though, the segment posted an operating loss of 175 million yen, a decline of 135 million yen compared to the previous year.

### Medical Devices Operations

Segment sales trended strongly due to domestic marketing of proprietary products and stress on the orthopedic surgery field, in which market expansion is foreseen. In the U.S., margins improved because of introduction of new customer administration systems and reduction of expenses in the indirect sector.

As a result, segment sales increased by 448 million yen or 11.8% over the previous year, to 4,256 million yen, and operating income increased by 360 million yen over the previous year to 318 million yen.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## 2. Consolidated Financial Position

	Millions of Yen – Except Per Share Data and Percents		
	As of June 30,		As of March 31,
	2006	2005	2006
Total Assets .....	160,206	149,996	151,945
Shareholders' Equity .....	70,519	60,985	66,811
Shareholders' Equity Ratio .....	44.0%	40.7%	44.0%
Shareholders' Equity per Share (Yen).....	1,706.88	1,465.28	1,617.10

## 3. Consolidated Cash Flows

	Millions of Yen		
	As of June 30,		As of March 31,
	2006	2005	2006
Cash Flows from Operating Activities.....	(1,155)	(283)	13,159
Cash Flows from Investing Activities .....	2,981	518	(6,414)
Cash Flows from Financing Activities.....	(2,499)	888	(1,419)
Cash and Cash Equivalents at End of Year.....	23,761	20,170	24,436

## Changes in Financial Position

Kobayashi Pharmaceutical Group's financial position in the first quarter of fiscal 2006 was as follows.

Compared to the end of the previous fiscal year, total assets increased by 8,260 million yen but a gain of 3,707 million yen in net assets resulted in no change in the equity capital ratio of 44%. By existing standards, the ratio was 42.2%.

Among the principal factors in the increase were gains of 5,849 million yen in current assets (trade notes and accounts receivable) and 2,116 million yen in inventories due to new subsidiary consolidation. Similarly, current liabilities (trade notes and accounts payable) increased by 7,517 million yen and short-term borrowings by 1,356 million yen.

### Cash Flows from Operating Activities

Cash used in operating activities was 1,155 million yen. Although net income in the first quarter before tax and other adjustments was 4,767 million yen, corporate and other tax payments amounted to 4,012 million yen.

### Cash Flows from Investing Activities

Net cash used in investing activities was 2,981 million yen. This included 330 million yen for the acquisition of tangible fixed assets, but proceeds from the sale of tangible fixed assets and transfer of goodwill amounted to 1,160 million yen and 1,127 million yen, respectively.

### Cash Flows from Financing Activities

Net cash used in financing activities totaled 2,499 million yen, due to 1569 million yen in dividend and other payments.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## III. Projections for the Year Ending March 31, 2007 (April 1, 2006 – March 31, 2007)

Consolidated	Millions of Yen – Except Per Share Data	
	Full Year	Interim
Net Sales .....	268,000	135,000
Ordinary Income .....	16,000	8,000
Net Income .....	8,600	4,500
Net Income per Share (Yen)	207.19	—

Results for the first quarter of the current fiscal year changed roughly in line with forecasts. Therefore, the Company has not revised the interim or full-year earnings projections that were announced on May 15, 2006.

\* The projections shown above are prepared based on information available as of the issuing date of this report, and therefore the actual results may differ from the projected figures due to various unknown factors.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## IV. Consolidated Financial Statements (April 1, 2006 – June 30, 2006)

## 1. Consolidated Balance Sheets

	Millions of Yen					
	As of June 30,			As of March 31,		
	2006	%	2005	%	2006	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and time deposits .....	23,262		20,170		24,436	
Trade notes and accounts receivable .....	53,551		53,534		47,702	
Inventories .....	19,639		19,818		17,523	
Deferred tax assets .....	2,705		2,525		2,819	
Other current assets .....	7,827		7,390		6,994	
Allowance for doubtful accounts .....	(638)		(594)		(569)	
<b>Total Current Assets .....</b>	<b>106,346</b>	<b>66.4</b>	<b>102,846</b>	<b>68.6</b>	<b>98,906</b>	<b>65.1</b>
<b>Fixed Assets</b>						
<b>Tangible Fixed Assets:</b>						
Buildings and structures .....	11,285		12,052		11,444	
Land .....	8,665		8,490		8,487	
Other .....	2,864		2,775		2,856	
<b>Total Tangible Fixed Assets .....</b>	<b>22,815</b>	<b>14.2</b>	<b>23,318</b>	<b>15.5</b>	<b>22,788</b>	<b>15.0</b>
<b>Intangible Assets</b>						
Goodwill .....	972		1,197		1,052	
Trademark rights .....	1,374		1,532		1,414	
Software .....	1,092		905		1,162	
Consolidation adjustments account ..	2,666		2,974		2,597	
Other .....	298		294		293	
<b>Total Intangible Fixed Assets .....</b>	<b>6,403</b>	<b>4.0</b>	<b>6,905</b>	<b>4.6</b>	<b>6,520</b>	<b>4.3</b>
<b>Investments and Other Assets</b>						
Investments in securities .....	16,590		9,088		15,609	
Deferred tax assets .....	2,080		2,764		2,291	
Other assets .....	7,565		6,947		7,424	
Allowance for investment liability loss .....	(252)		(188)		(252)	
Allowance for doubtful receivables ...	(1,343)		(1,685)		(1,343)	
<b>Total Investments and Other Assets .....</b>	<b>24,640</b>	<b>15.4</b>	<b>16,926</b>	<b>11.3</b>	<b>23,730</b>	<b>15.6</b>
<b>Total Fixed Assets .....</b>	<b>53,859</b>	<b>33.6</b>	<b>47,149</b>	<b>31.4</b>	<b>53,038</b>	<b>34.9</b>
<b>Total Assets .....</b>	<b>160,206</b>	<b>100.0</b>	<b>149,996</b>	<b>100.0</b>	<b>151,945</b>	<b>100.0</b>

## KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen					
	As of June 30,				As of March 31,	
	2006	%	2005	%	2006	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade notes and accounts payable...	56,739		56,812		49,221	
Short-term loans payable.....	2,728		2,330		1,371	
Accrued expenses .....	12,420		9,963		11,950	
Allowance for bonuses payable .....	3,172		2,984		2,082	
Accrued income taxes.....	2,621		2,435		4,664	
Reserve for unsold goods.....	561		411		616	
Other current liabilities .....	1,304		2,218		2,132	
<b>Total Current Liabilities.....</b>	<b>79,547</b>	<b>49.7</b>	<b>77,156</b>	<b>51.4</b>	<b>72,040</b>	<b>47.4</b>
<b>Fixed Liabilities</b>						
Long-term loans payable .....	237		318		261	
Provision for retirement benefits.....	7,087		6,524		7,065	
Provision for allowances for directors and corporate auditors .....	1,260		1,264		1,358	
Other long-term liabilities .....	1,552		929		1,490	
<b>Total Fixed Liabilities .....</b>	<b>10,138</b>	<b>6.3</b>	<b>9,036</b>	<b>6.0</b>	<b>10,175</b>	<b>6.7</b>
<b>Total Liabilities .....</b>	<b>89,686</b>	<b>56.0</b>	<b>86,193</b>	<b>57.4</b>	<b>82,215</b>	<b>54.1</b>
<b>Net Assets</b>						
<b>Shareholders' Equity</b>						
Common stock.....	3,450	2.2	—	—	—	—
Capital surplus .....	4,198	2.6	—	—	—	—
Earned surplus.....	60,906	38.0	—	—	—	—
Cost of treasury stock.....	(3,407)	(2.1)	—	—	—	—
<b>Total Shareholders' Equity .....</b>	<b>65,147</b>	<b>40.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Appraisal and Translation Differences</b>						
Net unrealized holdings or securities.....	2,797	1.7	—	—	—	—
Foreign currency translation adjustment .....	(308)	(0.2)	—	—	—	—
<b>Total Appraisal and Translation Differences .....</b>	<b>2,488</b>	<b>1.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Minority Interests.....</b>	<b>2,882</b>	<b>1.8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Assets .....</b>	<b>70,519</b>	<b>44.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Liabilities and Net Assets.....</b>	<b>160,206</b>	<b>100.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Millions of Yen

# KOBAYASHI PHARMACEUTICAL CO., LTD.

	As of June 30,				As of March 31,	
	2006	%	2005	%	2006	
<b>Shareholders' Equity</b>						
<b>Minority Interests</b>						
Minority interests.....			2,817	1.9	2,917	1.9
<b>Shareholders' Equity</b>						
Common stock.....	—	—	3,450	2.3	3,450	2.3
Capital surplus .....	—	—	4,183	2.8	4,191	2.8
Earned surplus.....	—	—	54,264	36.2	60,086	39.5
Net unrealized holding gains on securities.....	—	—	1,975	1.3	2,856	1.9
Foreign currency translation adjustments.....	—	—	(552)	(0.4)	(293)	(0.2)
Cost of treasury stock.....	—	—	(2,334)	(1.5)	(3,480)	(2.3)
<b>Total Shareholders' Equity.....</b>	<b>—</b>	<b>—</b>	<b>60,985</b>	<b>40.7</b>	<b>66,811</b>	<b>44.0</b>
<b>Total Liabilities, Minority Interest and Shareholders' Equity .....</b>	<b>—</b>	<b>—</b>	<b>149,996</b>	<b>100.0</b>	<b>151,945</b>	<b>100.0</b>



## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 2. Consolidated Statements of Income

	Millions of Yen							
	As of June 30,				As of March 31,		Y/Y Change	
	2006	%	2005	%	2006	%	Amount	%
<b>Net Sales</b> .....	<b>62,668</b>	<b>100.0</b>	<b>61,414</b>	<b>100.0</b>	<b>246,852</b>	<b>100.0</b>	<b>1,254</b>	2.0
Cost of sales .....	42,330	67.5	42,486	69.2	167,239	67.7	(156)	(0.4)
Gross profit .....	20,338	32.5	18,928	30.8	79,613	32.3	1,410	7.5
Selling, general and administrative expenses .....	16,729	26.7	14,929	24.3	62,734	25.5	1,800	12.1
<b>Operating Income</b> .....	<b>3,609</b>	<b>5.8</b>	<b>3,998</b>	<b>6.5</b>	<b>16,879</b>	<b>6.8</b>	<b>(389)</b>	(9.7)
Other Income and Expenses								
Other income .....								
Interest received .....	27		16		83		11	
Dividends earned .....	37		28		72		8	
Royalties received .....	96		84		544		12	
Investment income due to equity method .....	188		89		458		98	
Loss on exchange (Loss from fluctuation of foreign exchange rate) .....	—		16		—		(16)	
Miscellaneous income .....	137		151		738		(13)	
<b>Other Income</b> .....	<b>487</b>	<b>0.8</b>	<b>386</b>	<b>0.6</b>	<b>1,897</b>	<b>0.8</b>	<b>100</b>	26.1
Other Expenses								
Interest expenses .....	18		20		93		(2)	
Sales discount .....	265		245		1,117		20	
Inventory appraisal loss .....	517		465		2,105		52	
Loss on exchange .....	33		—		21		33	
Miscellaneous expenses .....	154		62		287		92	
<b>Other Expenses</b> .....	<b>989</b>	<b>1.6</b>	<b>793</b>	<b>1.3</b>	<b>3,625</b>	<b>1.5</b>	<b>196</b>	24.7
<b>Ordinary Income</b> .....	<b>3,106</b>	<b>5.0</b>	<b>3,591</b>	<b>5.8</b>	<b>15,151</b>	<b>6.1</b>	<b>(485)</b>	(13.5)
Extraordinary Gain and Loss								
Gains on sales of fixed assets ..	620		3		53		617	
Goodwill transfer benefit .....	1,127		1,065		1,065		62	
Other extraordinary gains .....	3		3		653		0	
<b>Extraordinary Gains</b> .....	<b>1,752</b>	<b>2.8</b>	<b>1,071</b>	<b>1.7</b>	<b>1,771</b>	<b>0.7</b>	<b>680</b>	<b>63.5</b>
Losses on sales and disposal of fixed assets .....	4		4		133		0	
Inventory appraisal loss .....	79		70		654		9	
Allowance for doubtful receivables transfer amount ....	—		—		64		—	
Affiliate restructuring expenses .....	—		—		25		—	
Impairment loss .....	—		1,437		1,655		(1,437)	
Other extraordinary losses .....	7		9		380		(1)	
<b>Extraordinary Losses</b> .....	<b>91</b>	<b>0.2</b>	<b>1,521</b>	<b>2.4</b>	<b>2,913</b>	<b>1.1</b>	<b>(1,430)</b>	(94.0)

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# KOBAYASHI PHARMACEUTICAL CO., LTD.

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	Millions of Yen							
	As of June 30,				As of March 31,		Y/Y Change	
	2006	%	2005	%	2006	%	Amount	%
<b>Income Before Income Taxes in the Current Quarter .....</b>	<b>4,767</b>	<b>7.6</b>	<b>3,142</b>	<b>5.1</b>	<b>14,009</b>	<b>5.7</b>	<b>1,625</b>	<b>51.7</b>
<b>Corporate Income, Local and Business Taxes .....</b>	<b>1,969</b>	<b>3.1</b>	<b>2,050</b>	<b>3.3</b>	<b>7,240</b>	<b>2.9</b>	<b>(80)</b>	<b>(3.9)</b>
<b>Adjustments to Income Taxes ..</b>	<b>409</b>	<b>0.7</b>	<b>(626)</b>	<b>(1.0)</b>	<b>(959)</b>	<b>(0.3)</b>	<b>1,035</b>	<b>—</b>
<b>Minority Interests in Net Income of Consolidated Subsidiaries. ....</b>	<b>(40)</b>	<b>(0.1)</b>	<b>37</b>	<b>0.1</b>	<b>253</b>	<b>0.1</b>	<b>(78)</b>	<b>—</b>
<b>Net Income in the Current Quarter .....</b>	<b>2,429</b>	<b>3.9</b>	<b>1,680</b>	<b>2.7</b>	<b>7,474</b>	<b>3.0</b>	<b>748</b>	<b>44.6</b>

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 3. Consolidated Statements of Changes to Shareholders' Equity

			Millions of Yen
			April 1, 2005 to March 31, 2006
<b>Shareholders' equity</b>			
Common stock	Balance at end of previous period		3,450
	Change during current period	Issuance of new stock	—
	Balance at end of first quarter		3,450
Capital surplus	Balance at end of previous period		4,191
	Change during current period	Gain on disposal of treasury stock	6
	Balance at end of first quarter		4,198
Earned surplus	Balance at end of previous period		60,086
	Change during current period	Dividends	(1,609)
		First quarter consolidated net income	2,429
	Balance at end of first quarter		60,906
Cost of treasury stock	Balance at end of previous period		(3,480)
	Change during current period	Acquisition and disposal of treasury stock	72
	Balance at end of first quarter		(3,407)
Total shareholders' equity	Balance at end of previous period		64,248
	Change during current period		899
	Balance at end of first quarter		65,147
<b>Appraisal and translation differences</b>			
Net unrealized holdings or securities	Balance at end of previous period		2,856
	Change during current period		(59)
	Balance at end of first quarter		2,797
Foreign currency translation adjustment	Balance at end of previous period		(293)
	Change during current period		(14)
	Balance at end of first quarter		(308)
Minority interests	Balance at end of previous period		2,917
	Change during current period		(35)
	Balance at end of first quarter		2,882

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## 4. Consolidated Statements of Retained Earnings

	Millions of Yen	
	April 1, 2006 to June 30, 2006	April 1, 2005 to March 31, 2006
<b>Capital Surplus</b>		
I. Beginning balance of capital surplus .....	4,183	4,183
II. Increase in capital surplus .....	0	8
Gain or loss on disposal of treasury stock .....	0	8
III. Ending balance of capital surplus.....	4,183	4,191
<b>Earned Surplus</b>		
I. Beginning balance of earned surplus .....	53,585	53,585
II. Increase in earned surplus .....	2,096	7,972
Net income.....	1,680	7,474
Difference due to change in equity .....	416	497
III. Decrease in earned surplus.....	1,417	1,470
Cash dividends paid .....	1,373	1,373
Directors' bonuses .....	44	44
Decrease in adjustment associated with change in scope of consolidation .....	—	52
IV. Ending balance of earned surplus.....	54,264	60,086

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## 5. Consolidated Statements of Cash Flows

	Millions of Yen		
	First Quarter ended June 30,		Year ended
	2006	2005	March 31, 2006
<b>I. Cash flows from operating activities</b>			
Income before income taxes and minority interests .....	4,767	3,142	14,009
Depreciation .....	654	673	2,813
Impairment loss .....	—	1,437	1,655
Amortization of consolidation adjustment account.....	125	125	599
Provision for allowance of doubtful accounts.....	42	(131)	(531)
Accrued severance indemnities, net.....	22	50	591
Interest and dividend income .....	(65)	(44)	(156)
Interest expenses.....	18	20	93
Equity in earnings of affiliates .....	(188)	(89)	(458)
Losses on disposal of inventory evaluation .....	597	535	2,759
Gain on sale of goodwill .....	(1,127)	(1,065)	(1,065)
Gain on sale of fixed assets.....	(620)	—	—
Loss on disposal of fixed assets .....	4	4	133
Increase (decrease) in trade notes and accounts receivable .....	(3,258)	(9,263)	(1,190)
Increase (decrease) in inventories.....	(2,214)	(4,554)	(4,417)
Increase (decrease) in trade notes and accounts payable..	4,609	13,246	3,943
Others .....	(556)	(1,405)	702
<b>Subtotal .....</b>	<b>2,810</b>	<b>2,681</b>	<b>19,483</b>
Interest and dividends received .....	65	44	156
Interest paid .....	(18)	(20)	(93)
Income taxes paid .....	(4,012)	(2,988)	(6,387)
<b>Net cash used in operating activities.....</b>	<b>(1,155)</b>	<b>(283)</b>	<b>13,159</b>
<b>II. Cash flows from investing activities</b>			
Purchases of property, plant and equipment .....	(330)	(165)	(1,391)
Proceeds from sales of property, plant and equipment .....	1,160	3	300
Purchases of intangible assets .....	(24)	(347)	(894)
Purchases of investment securities .....	(79)	(18)	(6,489)
Proceeds from redemption of investment securities.....	500	—	1,005
Purchases of investments and other assets .....	(48)	(90)	(437)
Proceeds from sale of investments and other assets .....	40	59	214
Net increase in short-term loans receivable .....	(97)	11	139
Payment of long-term loans .....	(29)	(20)	(23)
Proceeds from long-term loans receivable .....	11	3	35
Proceed from acquisition of shares of newly consolidated subsidiaries .....	871	—	47
Proceeds from sale of goodwill .....	1,127	1,065	1,065
Others.....	(119)	17	14
<b>Net cash from investing activities .....</b>	<b>2,981</b>	<b>518</b>	<b>(6,414)</b>

(Continued on next page)

## KOBAYASHI PHARMACEUTICAL CO., LTD.

(Continued from previous page)

	Millions of Yen		
	First Quarter ended June 30,		Year ended
	2006	2005	March 31, 2006
<b>III. Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans.....	(607)	(361)	(930)
Payment of long-term debt.....	(402)	(23)	(629)
Proceeds from payments by minority shareholders.....	—	2,650	2,650
Purchase of treasury stock .....	(4)	(2)	(1,219)
Dividends paid.....	(1,569)	(1,373)	(1,373)
Others .....	84	—	83
<b>Net cash used in financing activities.....</b>	<b>(2,499)</b>	<b>888</b>	<b>(1,419)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>0</b>	<b>10</b>	<b>76</b>
<b>V. Net increase (decrease) in cash and cash equivalents .....</b>	<b>(675)</b>	<b>1,134</b>	<b>5,401</b>
<b>VI. Cash and cash equivalents at beginning of year .....</b>	<b>24,436</b>	<b>19,035</b>	<b>19,035</b>
<b>VI. Beginning of year adjustment associated with change in scope of consolidation.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>VIII. Cash and cash equivalents at end of year .....</b>	<b>23,761</b>	<b>20,170</b>	<b>24,436</b>

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## V. Segment Information

## 1. Segment Information by Business Category

## Current Consolidated First Quarter (April 1, 2006 – June 30, 2006)

(Millions of Yen)

	Consumer Products Operations	Wholesale Operations	Medical Operations	Other Operations	Total	Eliminations	Consolidated
Sales and operating income							
I. Sales to third parties	16,193	41,245	4,256	973	62,668	—	62,668
II. Inter-group sales and transfers	7,315	0	—	2,309	9,624	(9,624)	—
Total net sales	23,508	41,246	4,256	3,282	72,293	(9,624)	62,668
III. Operating expenses	20,149	41,421	3,938	3,171	68,681	(9,621)	59,059
IV. Operating income (loss)	3,358	(175)	318	111	3,612	(3)	3,609

## Previous Consolidated First Quarter (April 1, 2005 – June 30, 2005)

(Millions of Yen)

	Consumer Products Operations	Wholesale Operations	Medical Operations	Other Operations	Total	Eliminations	Consolidated
Sales and operating income							
I. Sales to third parties	15,626	41,007	3,808	972	61,414	—	61,414
II. Inter-group sales and transfers	6,580	—	—	2,222	8,803	(8,803)	—
Total net sales	22,207	41,007	3,808	3,195	70,218	(8,803)	61,414
III. Operating expenses	18,155	41,048	3,850	3,038	66,093	(8,677)	57,415
IV. Operating income (loss)	4,051	(40)	(42)	156	4,125	(126)	3,998

## Previous Consolidated Fiscal Year (April 1, 2005 – March 31, 2006)

(Millions of Yen)

	Consumer Products Operations	Wholesale Operations	Medical Operations	Other Operations	Total	Eliminations	Consolidated
Sales and operating income							
I. Sales to third parties	68,869	156,933	17,126	3,923	246,852	—	246,852
II. Inter-group sales and transfers	25,907	0	—	9,053	34,961	(34,961)	—
Total net sales	94,776	156,934	17,126	12,976	281,814	(34,961)	246,852
III. Operating expenses	79,330	156,498	16,543	12,573	264,946	(34,973)	229,973
IV. Operating income	15,446	435	582	402	16,867	11	16,879

## Notes:

## 1. 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.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## 2. Main products of each business segment

- Consumer Products Operations: household pharmaceuticals, oral and other various hygiene products, air fresheners and deodorizers, household sundries, food, *kairo* (pocket warmers)
- Wholesale Operations: Household pharmaceuticals, household sundries, food
- Medical Devices Operations: Medical devices, medical facilities
- Other Operations: Transport, manufacturing and sales of synthetic resin products, insurance, real estate, advertising

## 2. Segment Information by Area

This information has been omitted because domestic sales represented more than 90% of the total sales of all segments for both the current period and the same period in the previous consolidated fiscal year.

## 3. Overseas Sales

Overseas sales have been omitted from this report because they accounted for less than 10% of total consolidated sales.



# KOBAYASHI PHARMACEUTICAL CO., LTD.

## VI. Notes to the Quarterly Consolidated Financial Statements

### 1. Principles of Consolidation

1. Number of consolidated subsidiaries 27 companies

Names of major consolidated subsidiaries

Kobasyou Co., Ltd., Kobayashi Pharmaceutical of Toyama Co., Ltd., Kobayashi Pharmaceutical of Sendai Co., Ltd., Kobayashi Pharmaceutical of Ehime Co., Ltd., Kobayashi Plax Co., Ltd., Aitori Physical Distribution, Suehiro Industrial, Archer Corporation, SP-Planning, Kiribai Chemical Co., Ltd., Kenshou Co., Ltd., KS Hokkaido, KS Tokai, KS Tohoku, Seiei, Kobayashi Kenko Iyaku, Shield California Centers, Inc., Shield Denver Centers, Inc., Shield Distribution Incorporated, Kobayashi Healthcare Inc., Kobayashi Healthcare LLC, Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare 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.

The scope of consolidation in the first quarter included KS Tohoku, which became a wholly owned subsidiary, and the newly established subsidiary Kobayashi Kenko Iyaku, Bluebird Development LLC was liquidated and therefore eliminated from the scope of consolidation.

2. Names of major non-consolidated subsidiaries

Kobayashi Sales Promotion Co., Ltd., Uomasa Co., Ltd., PT Kobayashi Eglin, K.M.S, Sokai Drug Ltd., Cancer Immunity Information Laboratory, Aloe Pharmaceutical Co., Ltd.

Reason for exclusion from the scope of consolidation

All seven non-consolidated subsidiaries are small companies, and their combined total assets, sales, net profit (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no significant impact on consolidated financial statements.

### 2. Application of Equity Method

1. Number of affiliate companies accounted for by equity method 2 companies

Names of major companies: Medicon, Inc. and Itoh Kanpo Pharmaceutical Co., Ltd.

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.
3. Reason why the equity method is not applied

These companies have been excluded from the application of the equity method because they have a minimal impact on consolidated net and retained earnings, and have little significance in terms of overall Group earnings.

4. Among the companies accounted for by the equity method, when the first-quarter account settlement date differs from the consolidated first-quarter account settlement date, first-quarter financial statements relating to each company's first-quarter accounting period were used.

### 3. Fiscal Years of Consolidated Subsidiaries

Consolidated subsidiaries Shield California Healthcare Centers, Inc., Shield Denver Healthcare Center, Inc., Shield Distribution Incorporated, Kobayashi Healthcare Inc., Kobayashi Healthcare LLC, Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany, GmbH, Kobayashi Pharmaceuticals of America Inc., Shanghai Kobayashi Daily Chemicals Co., Ltd. (China) and Kobayashi Pharmaceutical (Hong Kong)

# KOBAYASHI PHARMACEUTICAL CO., LTD.

Co., Ltd. have a first-quarter account settlement date of March 31. When preparing first-quarter consolidated financial statements, first-quarter financial statement as of that date were used, and in the case of important transactions that occurred between that date and the first-quarter consolidated account settlement date, necessary adjustments were made on a consolidated basis.

In addition, as the account settlement date of the consolidated subsidiary Kiribai Chemical Co., Ltd. is September 30, first-quarter financial statements based on a provisional settlement of accounts that was conducted as of the first-quarter consolidated account settlement date were used.

## 4. Accounting Standards

### (1) Valuation criteria and valuation methods for major assets

#### 1) Marketable securities

Other marketable securities

With fair market value:

Market value method based on quoted market price on first-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.)

Without fair market value:

Principally stated at cost determined by the total cost method

#### 2) Derivatives

Market value method

#### 3) Inventories

##### 1. Inventories

a. Commodities and raw materials:

Stated principally at cost determined by the moving average method

b. Finished goods, work in process and supplies:

Principally stated at cost determined by the total average method

### (2) Methods of depreciation for major depreciable assets

#### 1) Property, plant and equipment

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 March 31, 1998 (excluding equipment belonging to buildings).

#### 2) Investments and other assets

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.

### (3) Criteria for appropriation of important reserves

#### 1) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio. In addition, an estimate of uncollectible amounts from certain specific doubtful receivables is provided.

Overseas consolidated subsidiaries post an estimate of uncollectible amounts in accordance with the actual state of loans.

#### 2) Allowance for bonuses

The Company and its domestic consolidated subsidiaries post an estimated allowance to provide for the payment of bonuses to employees.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## 3) Reserve for sales returns

The Company and seven domestic consolidated subsidiaries post an estimated amount of sales return losses to provide for sales return losses.

## 4) Reserve for retirement allowances

To provide for employees' accrued retirement benefits, the Company and two of its domestic consolidated subsidiaries charged to income the amount recognized as having been incurred at the end of the first-quarter 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. Other domestic consolidated subsidiaries posted 100% of the payment amount required at term-end. In addition, some overseas consolidated subsidiaries have adopted defined contribution pension plans. Actuarial 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 year following.

## 5) Provision for directors' retirement allowances

To provide for the provision of retirement allowances for directors, the Company and four domestic consolidated subsidiaries posted a payment amount required at the end of the consolidated first quarter based on internal regulations.

## (4) Method of accounting for major lease transactions

Finance leases, except for those that 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.

## (5) Derivatives and hedging activities

### 1) Hedge accounting methods

The Company uses deferral hedge accounting. In the case of forward foreign exchange contracts, appropriation treatment is adopted if conditions for appropriation are fulfilled.

### 2) Hedging measures and hedged items

#### Hedging instruments

Forward foreign exchange contracts, interest-rate swaps

#### Hedged items

Foreign currency-denominated liabilities and foreign currency-denominated options, loans

### 3) Hedging policy

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.

In the case of interest-rate swaps, the Company's policy is to hedge within the range of the applicable liability in order to reduce the interest rate risk.

### 4) Method of evaluating effectiveness of hedging

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.

The Company does not evaluate the effectiveness of hedging interest-rate swaps.

## (6) Other important items forming the basis for preparation of consolidated financial statements

Method of accounting for consumption tax, etc:

The Company adopts the tax exclusion method.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## **5. Amortization of consolidation adjustment accounts**

The consolidation adjustment accounts are amortized over ten years in the case of Kiribai Chemical Co., Ltd.

## **6. Scope of funds in consolidated cash flow statements**

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.

# KOBAYASHI PHARMACEUTICAL CO., LTD.

## VII. Notes to Consolidated Financial Statements

### Consolidated Balance Sheets

End of Current Consolidated First Quarter (As of June 30, 2006)	End of Previous Consolidated First Quarter (As of June 30, 2005)	Previous Fiscal Year (As of March 31, 2006)
1 Accumulated depreciation of property, plant and equipment amounts to 18,820 million yen.	1 Accumulated depreciation of property, plant and equipment amounts to 19,185 million yen.	1 Accumulated depreciation of property, plant and equipment amounts to 19,026 million yen.
2 The main assets and liabilities relating to non-consolidated subsidiaries and affiliated companies are as follows:	2 The main assets and liabilities relating to non-consolidated subsidiaries and affiliated companies are as follows:	2 The main assets and liabilities relating to non-consolidated subsidiaries and affiliated companies are as follows:
Investments and other assets	Investments and other assets	Investments and other assets
Investment securities	Investment securities	Investment securities
(Shares) 8,858 million yen	(Shares) 2,463 million yen	(Shares) 7,869 million yen
Other	Other	Other
(Equity) 3 million yen	(Equity) 3 million yen	(Equity) 3 million yen
3 The following assets have been provided as security	3 The following assets have been provided as security	3 The following assets have been provided as security
Time deposits 17 million yen	Bills receivable 131 million yen	Buildings & structures 1,021 million yen
Buildings & structures 1,346 million yen	Buildings & structures 1,065 million yen	Land 2,122 million yen
Land 2,314 million yen	Land 2,122 million yen	Investment securities 166 million yen
Investment securities 175 million yen	Investment securities 144 million yen	Total 3,311 million yen
Total 3,854 million yen	Total 3,464 million yen	(Liabilities corresponding to the above)
(Liabilities corresponding to the above)	(Liabilities corresponding to the above)	Trade notes and
Trade notes and	Trade notes and	accounts payable 8,740 million yen
accounts payable 10,092 million yen	accounts payable 8,454 million yen	Long-term loans 24 million yen
Long-term loans 23 million yen	Short-term loans 100 million yen	Total 8,765 million yen
Total 10,115 million yen	Long-term loans 30 million yen	
	Total 8,584 million yen	4 In order to provide access to a stable and effective source of operating capital, the Company and some of its subsidiaries (Kobayashi Co., Ltd., Kobayashi Healthcare Europe, Ltd. and Shield California Centers, Inc.) have entered into commitment-line contracts with four banks with which the Company maintains accounts. The balance of un-realized debt based on these contracts at the end of the current consolidated quarter is as shown below.
4 In order to provide access to a stable and effective source of operating capital, the Company and some of its subsidiaries (Kobayashi Co., Ltd., Kobayashi Healthcare Europe, Ltd. and Shield California Centers, Inc.) have entered into commitment-line contracts with four banks with which the Company maintains accounts. The balance of un-realized debt based on these contracts at the end of the current consolidated quarter is as shown below.	4 In order to provide access to a stable and effective source of operating capital, the Company and some of its subsidiaries (Kobayashi Co., Ltd., Kobayashi Healthcare Europe, Ltd. and Shield California Centers, Inc.) have entered into commitment-line contracts with four banks with which the Company maintains accounts and two life insurance companies. The balance of un-realized debt based on these contracts at the end of the current consolidated quarter is as shown below.	4 In order to provide access to a stable and effective source of operating capital, the Company and some of its subsidiaries (Kobayashi Co., Ltd., Kobayashi Healthcare Europe, Ltd. and Shield California Centers, Inc.) have entered into commitment-line contracts with four banks with which the Company maintains accounts. The balance of un-realized debt based on these contracts at the end of the current consolidated quarter is as shown below.
Total debt commitment 29,125 million yen	Total debt commitment 33,110 million yen	Total debt commitment 29,123 million yen
Realized debt balance 1,450 million yen	Realized debt balance — million yen	Realized debt balance 474 million yen
Difference 27,675 million yen	Difference 33,110 million yen	Difference 28,649 million yen
5 The Company has issued 42,525 shares of common stock.	5 The Company has issued 42,525 shares of common stock.	5 The Company has issued 42,525 shares of common stock.
6 The Company holds 1,210 shares of treasury stock.	6 The Company holds 904 shares of treasury stock.	6 The Company holds 1,234 shares of treasury stock.

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## Consolidated Statements of Income

Current Consolidated First Quarter (April 1, 2006 to June 30, 2006)	Previous Consolidated First Quarter (April 1, 2005 to June 30, 2005)	Previous Fiscal Year (April 1, 2005 to March 31, 2006)
<p>1 The major components of selling, general and administrative expenses were as follows:</p> <p>Sales promotion 1,294 million yen</p> <p>Freight &amp; storage 2,778 million yen</p> <p>Advertising 3,889 million yen</p> <p>Salaries &amp; bonuses 3,367 million yen</p> <p>Rental charges 787 million yen</p> <p>Commissions paid 882 million yen</p> <p>Research &amp; development 556 million yen</p>	<p>1 The major components of selling, general and administrative expenses were as follows:</p> <p>Sales promotion 1,205 million yen</p> <p>Freight &amp; storage 2,406 million yen</p> <p>Advertising 3,127 million yen</p> <p>Salaries &amp; bonuses 3,115 million yen</p> <p>Rental charges 766 million yen</p> <p>Commissions paid 825 million yen</p> <p>Research &amp; development 528 million yen</p>	<p>1 The major components of selling, general and administrative expenses were as follows:</p> <p>Sales promotion 5,288 million yen</p> <p>Freight &amp; storage 9,927 million yen</p> <p>Advertising 12,371 million yen</p> <p>Salaries &amp; bonuses 12,887 million yen</p> <p>Rental charges 3,110 million yen</p> <p>Commissions paid 4,011 million yen</p> <p>Research &amp; development 2,377 million yen</p>
<p>2 Within extraordinary gains, gains on the sale of fixed assets comprise the following:</p> <p>Buildings &amp; land 620 million yen</p> <p>Total 620 million yen</p>	<p>2 Within extraordinary gains, gains on the sale of fixed assets comprise the following:</p> <p>Other 3 million yen</p> <p>Total 3 million yen</p>	<p>2 Within extraordinary gains, gains on the sale of fixed assets comprise the following:</p> <p>Land 43 million yen</p> <p>Other 10 million yen</p> <p>Total 53 million yen</p>
<p>3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following:</p> <p>Buildings &amp; structures 1 million yen</p> <p>Tools &amp; furniture 1 million yen</p> <p>Other 0 million yen</p> <p>Total 4 million yen</p>	<p>3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following:</p> <p>Machinery &amp; equipment 2 million yen</p> <p>Tools &amp; furniture 1 million yen</p> <p>Other 0 million yen</p> <p>Total 4 million yen</p>	<p>3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following:</p> <p>Buildings &amp; structures 21 million yen</p> <p>Machinery &amp; equipment 49 million yen</p> <p>Tools &amp; furniture 28 million yen</p> <p>Other 35 million yen</p> <p>Total 133 million yen</p>
<p>4 R&amp;D expenses included in general, selling &amp; administrative expenses and manufacturing expenses in period: 556 million yen</p>	<p>4 R&amp;D expenses included in general, selling &amp; administrative expenses and manufacturing expenses in period: 528 million yen</p>	<p>4 R&amp;D expenses included in general, selling &amp; administrative expenses and manufacturing expenses in period: 2,377 million yen</p>

# KOBAYASHI PHARMACEUTICAL CO., LTD.

<div>5 Proceeds on transfer of goodwill</div> <div>On March 27, 2002, the Company arrived at a basic agreement with Medtronic Sofamor Danek in the United States, a joint investor in equity-method affiliate Kobayashi Sofamor Danek Ltd., to terminate the companies' business relationship.</div> <div>The agreement calls for stocks to be sold off in April 2002, and to accept value of goodwill transfer over seven years beginning in March 2003. Proceeds from the transfer of goodwill will be accounted for as extraordinary gains.</div> <div>Overview of the agreement</div> <div>1) Goodwill to be transferred: Sales of medical equipment</div> <div>2) Date of the transfer: April 1, 2002</div> <div>3) Price of the transfer and receiving method: 58 million US dollars over seven years</div> <div>4) Receiving schedule and amount:</div> <div><div>April 17, 20023 million dollars</div><div>April 3, 20036 million dollars</div><div>April 5, 20047 million dollars</div><div>April 4, 200510 million dollars</div><div>April 3, 200610 million dollars</div><div>April 3, 200711 million dollars</div><div>April 3, 200811 million dollars</div></div>	<div>5 Proceeds on transfer of goodwill</div> <div>Same as left.</div>	<div>5 Proceeds on transfer of goodwill</div> <div>Same as left.</div>																								
<div>6 Impairment loss</div> <div></div>	<div>6 Impairment loss</div> <div><table><tr><td>Location</td><td>Type</td><td>Impairment loss</td></tr><tr><td>Miyagi</td><td>Land</td><td>362 million yen</td></tr><tr><td>Osaka</td><td>Land</td><td>1,075 million yen</td></tr></table></div> <div>The Company recorded an impairment loss of 1,437 million yen due to falling market prices for idle land and a decrease in recyclable book values.</div> <div>The Company is determines the net sale price of properties based on book value figures provided by real estate appraisers.</div>	Location	Type	Impairment loss	Miyagi	Land	362 million yen	Osaka	Land	1,075 million yen	<div>6 Impairment loss</div> <div><table><tr><td>Location</td><td>Type</td><td>Impairment loss</td></tr><tr><td>Miyagi</td><td>Land</td><td>362 million yen</td></tr><tr><td>Osaka</td><td>Land</td><td>1,075 million yen</td></tr><tr><td>Osaka</td><td>Manufacturing facilities</td><td>66 million yen</td></tr><tr><td>Osaka</td><td>Lease</td><td>151 million yen</td></tr></table></div> <div>Assets for each operating division are grouped into the smallest possible cash flow-generating units.</div> <div>The Company recorded an impairment loss, accounted for as extraordinary loss, of 1,655 million yen from sharply falling real estate prices on common property such as leased properties and idle land, low prospects for the use of production equipment and a decrease in recyclable book values.</div> <div>The Company is evaluates land by net sale price and determines the recyclable amounts of concerned properties based on figures provided by real estate appraisers.</div> <div>The Company uses these figures to estimate the value other assets as well.</div>	Location	Type	Impairment loss	Miyagi	Land	362 million yen	Osaka	Land	1,075 million yen	Osaka	Manufacturing facilities	66 million yen	Osaka	Lease	151 million yen
Location	Type	Impairment loss																								
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Miyagi	Land	362 million yen																								
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Osaka	Manufacturing facilities	66 million yen																								
Osaka	Lease	151 million yen																								

## KOBAYASHI PHARMACEUTICAL CO., LTD.

## Consolidated Statements of Cash Flows

Current Consolidated First Quarter (April 1, 2006 to June 30, 2006)	Previous Consolidated First Quarter (April 1, 2005 to June 30, 2005)	Previous Fiscal Year (April 1, 2005 to March 31, 2006)
<p>1 A reconciliation of cash and time deposits in the quarterly consolidated balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the first quarter is as follows:</p> <p style="text-align: right;">(As of June 30, 2006)</p> <p>Cash &amp; time deposits 23,262 million yen</p> <p>Time deposits with original maturity of more than 3 months — million yen</p> <p>Short-term investments that must be redeemed within three months 499 million yen</p> <p>Cash &amp; cash equivalents 23,761 million yen</p> <p>2 The assets and liabilities of KS Tohoku, which became a new consolidated subsidiary in the current quarter, were as follows at the start of consolidation:</p> <p style="text-align: right;">(As of March 31, 2006)</p> <p>Current assets 4,478 million yen</p> <p>Fixed assets 966 million yen</p> <p>Total assets 5,445 million yen</p> <p>Current liabilities 5,222 million yen</p> <p>Fixed liabilities 417 million yen</p> <p>Total liabilities 5,639 million yen</p>	<p>1 A reconciliation of cash and time deposits in the quarterly consolidated balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the first quarter is as follows:</p> <p style="text-align: right;">(As of June 30, 2005)</p> <p>Cash &amp; time deposits 20,170 million yen</p> <p>Time deposits with original maturity of more than 3 months — million yen</p> <p>Cash &amp; cash equivalents 20,170 million yen</p> <p>2 The assets and liabilities of Seiei, which became a new consolidated subsidiary in the current quarter, were as follows at the start of consolidation:</p> <p style="text-align: right;">(As of September 30, 2005)</p> <p>Current assets 1,943 million yen</p> <p>Fixed assets 76 million yen</p> <p>Total assets 2,020 million yen</p> <p>Current liabilities 1,902 million yen</p> <p>Fixed liabilities 10 million yen</p> <p>Total liabilities 1,912 million yen</p>	<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 is as follows:</p> <p style="text-align: right;">(As of March 31, 2006)</p> <p>Cash &amp; time deposits 24,436 million yen</p> <p>Time deposits with original maturity of more than 3 months — million yen</p> <p>Cash &amp; cash equivalents 24,436 million yen</p> <p>2 The assets and liabilities of Seiei, which became a new consolidated subsidiary in the current quarter, were as follows at the start of consolidation:</p> <p style="text-align: right;">(As of September 30, 2005)</p> <p>Current assets 1,943 million yen</p> <p>Fixed assets 76 million yen</p> <p>Total assets 2,020 million yen</p> <p>Current liabilities 1,902 million yen</p> <p>Fixed liabilities 10 million yen</p> <p>Total liabilities 1,912 million yen</p>