KYOWA KIRIN

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary

Fiscal 2015, Interim

(January 1, 2015 – June 30, 2015)

This document is an English translation of parts of the Japanese-language original. All financial information has been prepared in accordance with generally accepted accounting principles in Japan. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including fluctuations in exchange rates, changing economic conditions, legislative and regulatory developments, delays in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS (JGAAP)
for Six Months Ended June 30, 2015

July 31, 2015

Company Name:	Kyowa Hakko Kirin Co., Ltd.	Listed Exchanges:	1st Section of the Tokyo Stock Exchange
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Scheduled date of submission of Quarterly Securities Report: August 7, 2015
Scheduled start date of dividend payment: September 1, 2015
Appendix materials to accompany the annual financial report: Yes
Quarterly results presentation meeting: Yes (for institutional investors and securities analysts)

(Millions of yen rounded down)

1. Consolidated Financial Results for the Six Months Ended June 30, 2015

(% changes indicate year-on-year changes.)

(1) Consolidated operating results	Six months ended June 30, 2015	Change (%)	Six months ended June 30, 2014	Change (%)
Net sales (millions of yen)	178,837	10.5	161,899	(4.6)
Operating income (millions of yen)	22,469	22.0	18,411	(32.3)
Ordinary income (millions of yen)	20,079	19.1	16,865	(36.4)
Net income (millions of yen)	9,523	3.7	9,185	(48.0)
Net income per share (yen)	17.40		16.78	
Fully diluted net income per share (yen)	17.39		16.77	

Note: Comprehensive income: Six months ended June 30, 2015: ¥14,243 million [113.2%]; Six months ended June 30, 2014: ¥6,682 million [(76.9%)]

(2) Consolidated financial position	As of June 30, 2015	As of December 31, 2014
Total assets (millions of yen)	708,596	719,135
Net assets (millions of yen)	611,050	605,368
Equity ratio (%)	86.2	84.1

Note: Equity: As of June 30, 2015: ¥610,683 million; As of December 31, 2014: ¥605,035 million

2. Dividends

	Fiscal year ending December 31, 2015 (forecast)	Fiscal year ended December 31, 2014
First quarter dividend per share (yen)	—	—
Interim dividend per share (yen)	12.50	12.50
Third quarter dividend per share (yen)	—	—
Year-end dividend per share (yen)	12.50 (forecast)	12.50
Total dividend per share (yen)	25.00 (forecast)	25.00

Note: Revisions to the dividend forecast most recently announced: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2015

(% changes indicate year-on-year changes.)

	Full year	
		Change (%)
Net sales (millions of yen)	360,000	8.0
Operating income (millions of yen)	47,000	29.9
Ordinary income (millions of yen)	41,000	38.9
Net income (millions of yen)	26,000	63.5
Net income per share (yen)	47.51	

Note: Changes to the earnings forecast most recently announced: None

Notes:

1) Changes to significant subsidiaries during the period

(Changes of specified subsidiaries resulting in changes in the scope of consolidation during the period under review): No

2) Use of accounting procedures special to the preparation of quarterly consolidated financial statements: Yes

(Note) See page 7, “2. Summary information (Other Items).”

3) Changes in accounting policies, accounting estimates, and restatement:

1. Changes in accounting policies in accordance with changes in accounting standards: Yes
2. Changes in accounting policies other than 1. above: Yes
3. Changes in accounting estimates: Yes
4. Restatement: No

(Note) See page 7, “2. Summary information (Other Items).”

4) Number of shares issued (ordinary shares)

1. Number of shares issued (including treasury shares)

As of June 30, 2015	576,483,555 shares
As of December 31, 2014	576,483,555 shares

2. Number of treasury shares

As of June 30, 2015	29,194,502 shares
As of December 31, 2014	29,157,158 shares

3. Average number of shares during the period

Six months ended June 30, 2015	547,312,978 shares
Six months ended June 30, 2014	547,354,064 shares

Notice regarding quarterly review procedures

The Financial Instruments and Exchange Act review process for this quarterly financial report was not yet completed at the time this financial report was issued.

Notice regarding the appropriate use of the earnings forecasts and other special comments

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by management. Actual results may differ materially from these projections for a wide variety of reasons.

Contents

1. Operating Results and Financial Statements

(1) Summary of consolidated business performance

For the six months ended June 30, 2015 (January 1, 2015 to June 30, 2015), net sales were ¥178.8 billion (up 10.5% compared to the same period of the previous fiscal year), operating income was ¥22.4 billion (up 22.0%), ordinary income was ¥20.0 billion (up 19.1%), and net income was ¥9.5 billion (up 3.7%).

- Net sales and operating income increased due mainly to the growth in sales of new products as well as the impact of Archimedes Pharma Limited ("Archimedes"), which was acquired in 2014.
- Ordinary income and net income respectively increased due to the increase in operating income. Ordinary income was affected by an increase in share of loss of entities accounted for using equity method, while net income was affected by the recording of extraordinary losses such as impairment loss.

Performance by segment is as follows.

Pharmaceuticals business

1) Results

In the pharmaceuticals business, net sales were ¥135.3 billion (up 13.2%) and operating income was ¥18.5 billion (up 30.9%).

- Domestic sales increased year on year due to such factors as the increase in sales of new products despite the impact of drug price revisions implemented in April 2014.
  - · Sales of core product NESP®, a long-acting erythropoiesis stimulating agent for which approval for an additional indication for anemia with myelodysplastic syndrome was obtained in December 2014, were solid, increasing on a year-on-year basis.
  - · There was steady growth in sales of new products such as G-Lasta®, a sustained-duration Granulocyte Colony-Stimulating Factor (G-CSF) product, and Dovobet®, a topical combination drug for psoriasis vulgaris, both of which were launched in 2014, and in sales of Onglyza®, a treatment for type 2 diabetes, and NOURIAST®, an antiparkinsonian agent, both of which were launched in 2013.
  - · Sales of long term NHI products such as CONIEL®, a hypertension and angina pectoris drug, GRAN®, a G-CSF product, and ALLELOCK®, an anti-allergy agent, decreased due to the impacts of the market penetration of generics and drug price revisions implemented in April 2014.
  - · Sales of Patanol®, anti-allergy agent, increased year on year due to the effects of higher amounts of airborne pollen.
- Overseas sales increased year on year due mainly to the impact of Archimedes, which was consolidated in August 2014.
  - · In Europe and the U.S., sales of products such as Sancuso®, a treatment for chemotherapy-induced nausea and vomiting, and PecFent® and Abstral®, which are treatments for cancer pain, increased. Following consolidation of Archimedes, ProStrakan net sales were ¥20.2 billion (up 52.0%) and operating income (after amortization of goodwill, etc.) was ¥1.0 billion (up 67.0%).
  - · In Asia, sales grew year on year, partly reflecting steady sales particularly in South Korea and China as well as further yen depreciation.

2) Research and development

Using cutting-edge biotechnology centered on antibody technology, we have made nephrology, oncology, immunology/allergy and CNS the focus of research and development, and by investing resources efficiently, we aim to further speed up the creation of new medical value and drug creation.

The development statuses of our main late-stage development products in the six months ended June 30, 2015 are as follows.

Nephrology

· In Japan, we obtained approval for REGPARA® 12.5 mg, a calcium receptor agonist, in February, and launched the product in June.
· In Japan, in March we initiated phase II clinical study for RTA 402 targeting chronic kidney disease (CKD) with type 2 diabetes.
· In Japan we are currently conducting late-stage phase II clinical study of calcium receptor agonist KHK7580 for secondary hyperparathyroidism.
· In China, in February we applied for approval of indication for KRN321 (product name in Japan: NESP®), a long-acting erythropoiesis stimulating agent for the treatment of renal anemia in patients receiving dialysis.

Oncology

· In Japan, we are currently undertaking phase III clinical study evaluating c-Met inhibitor ARQ 197 patients with c-Met diagnostic-high inoperable hepatocellular carcinoma treated with one prior sorafenib therapy.
· Anti-CCR4 humanized monoclonal antibody KW-0761 (product name in Japan: POTELIGEO®) is currently undergoing phase III clinical study targeting cutaneous T-cell lymphoma in the U.S., Europe, Japan, etc., phase II clinical study targeting peripheral T-cell lymphoma in Europe, and phase II clinical study targeting adult T-cell leukemia-lymphoma in the U.S., Europe, etc.

Immunology and allergy

· We are currently carrying out phase III clinical study of anti-IL-5 receptor humanized monoclonal antibody KHK4563 in Japan and South Korea, targeting asthma patients, as part of the global clinical study being conducted by our licensing partner, AstraZeneca.
· In Japan, we are currently preparing for approval of indication for the fully human anti-IL-17 receptor antibody KHK4827 targeting psoriasis.

CNS

· In North America, Europe, and other areas, we are currently conducting phase III clinical study of KW-6002 (product name in Japan: NOURIAST®) targeting Parkinson's disease.

Other

· In Japan, we have applied for approval of indication for thrombophilia due to congenital antithrombin (AT) deficiency and disseminated intravascular coagulation accompanied by a decrease in AT for recombinant human AT drug KW-3357 (approval was obtained on July 3, 2015).
· We are currently conducting phase II clinical study of the human monoclonal anti-Fibroblast Growth Factor 23 antibody KRN23 with X-linked hypophosphatemia in the U.S. and Europe.

Bio-Chemicals business

In the Bio-Chemicals business, net sales were ¥45.0 billion (up 2.2%) and operating income was ¥3.9 billion (down 5.3%).

● Domestic sales decreased compared to the same period of the previous fiscal year.
· In the pharmaceutical and medical treatment fields, sales of active pharmaceutical ingredients (APIs) declined compared to the same period of the previous fiscal year.
· In the healthcare field, sales of food and beverage raw materials declined compared to the same period of the previous fiscal year, while mail-order sales, primarily those of Ornithine, increased year on year.

● Overseas sales increased compared to the same period of the previous fiscal year partly reflecting yen depreciation in foreign exchange.
· In the U.S., year-on-year sales increased due in part to growth in sales of amino acids for

supplements.

- In Europe, sales of infusion-use amino acids and others grew, and sales increased year on year.
- In Asia, despite the fact that there was a concentrated shipments of nucleic acids and related compounds to China in the same period of the previous fiscal year, sales increased compared to the same period of the previous fiscal year reflecting the impact of exchange rates and other factors.

(2) Summary of consolidated financial position

- Total assets as of June 30, 2015 were ¥708.5 billion, a decrease of ¥10.5 billion compared to the end of the previous fiscal year.
  - Current assets decreased by ¥5.1 billion to ¥278.0 billion as despite increases in short-term loans receivable to the parent company, and other items, there were decreases in cash and deposits, notes and accounts receivable - trade, and other items.
  - Non-current assets declined by ¥5.3 billion to ¥430.5 billion, as despite increases in both property, plant and equipment, and investments and other assets, there were decreases in goodwill and sales right due to amortization, along with other items.
- Liabilities as of June 30, 2015 were ¥97.5 billion, a decrease of ¥16.2 billion compared to the end of the previous fiscal year, due to decreases in notes and accounts payable - trade, accounts payable - other, and other items.
- Net assets as of June 30, 2015 were ¥611.0 billion, an increase of ¥5.6 billion compared to the end of the previous fiscal year, due mainly to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment as well as the booking of net income for the period, which offset payment of dividends and other items.

As a result, the equity ratio as of the end of the second quarter was 86.2%, an increase of 2.1 percentage points compared to the end of the previous fiscal year.

Cash flow summary

- Cash and cash equivalents as of June 30, 2015 were ¥13.8 billion, a decrease of ¥3.2 billion compared to the balance of ¥17.0 billion as of December 31, 2014.

The main contributing factors affecting cash flow during the six months ended June 30, 2015 were as follows:

- Net cash provided by operating activities was ¥22.9 billion, compared to a net outflow of ¥0.5 billion in the same period of the previous fiscal year. The main factors included income before income taxes and minority interests of ¥17.2 billion, depreciation of ¥11.2 billion and amortization of goodwill of ¥6.6 billion, despite income taxes paid of ¥8.4 billion.
- Net cash used in investing activities was ¥17.5 billion, compared to a net inflow of ¥1.6 billion in the same period of the previous fiscal year. Major outflows included ¥9.8 billion for purchase of property, plant and equipment, ¥5.2 billion for purchase of investment securities and a net increase of ¥3.5 billion in short-term loans receivable.
- Net cash used in financing activities was ¥7.1 billion, a 9.6% decrease compared to the same period of the previous fiscal year. The main outflows included cash dividends paid of ¥6.8 billion.

(3) Summary of consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts announced on July 24, 2015.

2. Summary Information (Other Items)

(1) Changes to significant subsidiaries during the period

No applicable items.

(2) Use of accounting procedures special to the preparation of quarterly consolidated financial statements

Tax expenses on income before income taxes and minority interests for the six months period under review are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting for the fiscal year including the six months period under review, and next by multiplying income before income taxes and minority interests for the six months period under review by the estimated effective tax rate.

(3) Changes in accounting policies, accounting estimates, and restatement

Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits and Its Guidance)

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter of the fiscal year, and reviewed the determination of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, and changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to the expected average remaining working lives of employees to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payments according to the estimated timing of benefit payment.

Application of the Accounting Standard for Retirement Benefits and its Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change in the determination of retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the six months ended June 30, 2015.

As a result, as of the beginning of the six months ended June 30, 2015, net defined benefit asset decreased ¥1,433 million, net defined benefit liability decreased ¥1,607 million, and retained earnings increased ¥219 million. In addition, the effect of these changes on operating income, ordinary income and income before income taxes and minority interests for the six months ended June 30, 2015 is immaterial.

As the impact of this change on segment information is immaterial, it has been omitted.

(Application of “Accounting Standard for Business Combinations,” etc.)

Effective from the beginning of the fiscal year starting on or after April 1, 2014, it has become possible to apply the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the Company has applied these accounting standards (except for the provisions of Paragraph 39 of the Accounting Standard for Consolidated Financial Statements) effective from the first quarter of the fiscal year. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording

acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs.
Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (3) of the Accounting Standard for Business Combinations, Paragraph 44-5 (3) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (3) of the Accounting Standard for Business Divestitures. Accordingly, the cumulative amount of impact as of the beginning of the six months ended June 30, 2015, in the case of retrospective application of the new accounting policies to all prior periods, has been added to or deducted from capital surplus and retained earnings.
As a result, as of the beginning of the six months ended June 30, 2015, goodwill decreased by ¥1,910 million, capital surplus decreased by ¥3,201 million and foreign currency translation adjustment decreased by ¥276 million, while retained earnings increased by ¥1,567 million. In addition, operating income, ordinary income and income before income taxes and minority interests for the six months ended June 30, 2015, each increased by ¥277 million.

(Change in the depreciation method of property, plant and equipment)
The Company and its domestic consolidated subsidiaries previously used the declining balance method for depreciation of property, plant and equipment (although the straight-line method was used for buildings (excluding facilities attached to buildings) that were acquired on or after April 1, 1998). However, from the first quarter of the fiscal year, the Company has adopted the straight-line method.
The depreciation method of the Group was reviewed in consideration of the satisfactory level of completion in the current fiscal year of capital investment for large-scale new manufacturing facilities in line with a reorganization of production facilities based on the “Basic Production Strategy” (formulated in 2009, Pharmaceuticals business) and the “Reorganization Plan of Yamaguchi Production Center” (formulated in 2010, Bio-Chemicals business).
In the Pharmaceuticals business, we anticipate that our production facilities will operate more stably in future. This is because we expect stable production in the long term resulting from greater efficiency through concentration of our production facilities in line with our reorganization of our production facilities, advancement in automation of production facilities and increased outsourcing of small-volume products, the existence of new pharmaceuticals launched to the market in recent years, and other factors. Furthermore, in the area of research and development, we are pressing ahead with the introduction of technology at the early development stage in addition to our in-house drug discovery research, and working to reduce risks of uncertainty in research and development. For these reasons, we also expect that our research and development facilities will operate stably.
In the Bio-Chemicals business, in line with advances in our work to have more plants capable of manufacturing multiple products and more automation, we expect that the operation of our production facilities will progress stably in the future.
At the Group, based on a comprehensive consideration of the above, we have judged that carrying out cost allocation through the straight-line method during useful lives from the first quarter of the fiscal year, will enable us to reflect the actual condition of the Group more appropriately.
As a result, in the six months ended June 30, 2015, operating income increased by ¥824 million, and ordinary income and income before income taxes and minority interests each increased by ¥847 million.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	As of June 30, 2015	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	16,292	20,657
Notes and accounts receivable - trade	105,257	108,867
Merchandise and finished goods	65,319	67,724
Work in process	12,680	12,608
Raw materials and supplies	12,202	10,951
Deferred tax assets	10,263	10,611
Short-term loans receivable	45,158	41,672
Other	11,146	10,464
Allowance for doubtful accounts	(312)	(366)
Total current assets	278,008	283,192
Non-current assets		
Property, plant and equipment		
Buildings and structures	139,939	134,423
Accumulated depreciation	(91,712)	(89,937)
Buildings and structures, net	48,226	44,485
Machinery, equipment and vehicles	164,286	153,286
Accumulated depreciation	(133,792)	(131,092)
Machinery, equipment and vehicles, net	30,494	22,193
Land	51,047	54,271
Construction in progress	14,820	23,371
Other	50,793	50,284
Accumulated depreciation	(42,387)	(42,714)
Other, net	8,406	7,569
Total property, plant and equipment	152,995	151,891
Intangible assets		
Goodwill	166,021	173,241
Sales right	63,834	67,231
Other	829	1,078
Total intangible assets	230,685	241,551
Investments and other assets		
Investment securities	28,436	22,766
Net defined benefit asset	6,113	6,444
Deferred tax assets	7,073	8,075
Other	5,446	5,389
Allowance for doubtful accounts	(161)	(175)
Total investments and other assets	46,908	42,500
Total non-current assets	430,588	435,943
Total assets	708,596	719,135

(1) Consolidated balance sheets (continued)

(Millions of yen)

	As of June 30, 2015	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,219	22,729
Short-term loans payable	4,851	4,868
Accounts payable - other	35,493	39,257
Income taxes payable	8,781	7,718
Provision for sales rebates	1,491	1,753
Provision for point card certificates	266	294
Provision for bonuses	322	695
Other	6,179	7,864
Total current liabilities	74,606	85,182
Non-current liabilities		
Deferred tax liabilities	13,804	16,235
Net defined benefit liability	2,058	3,714
Provision for directors’ retirement benefits	95	149
Allowance for loss on plants reorganization	3,304	3,304
Asset retirement obligations	254	268
Other	3,422	4,912
Total non-current liabilities	22,940	28,584
Total liabilities	97,546	113,766
Net assets		
Shareholders’ equity		
Capital stock	26,745	26,745
Capital surplus	509,124	512,326
Retained earnings	72,587	68,103
Treasury shares	(26,753)	(26,675)
Total shareholders’ equity	581,703	580,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,003	2,753
Foreign currency translation adjustment	26,448	24,414
Remeasurements of defined benefit plans	(2,472)	(2,631)
Total accumulated other comprehensive income	28,980	24,536
Subscription rights to shares	367	332
Total net assets	611,050	605,368
Total liabilities and net assets	708,596	719,135

(2) Consolidated statements of income

(Millions of yen)

	January 1, 2015 to June 30, 2015	January 1, 2014 to June 30, 2014
Net sales	178,837	161,899
Cost of sales	69,975	63,685
Gross profit	108,861	98,213
Selling, general and administrative expenses		
Research and development expenses	24,121	21,896
Amortization of goodwill	6,694	6,096
Other	55,576	51,809
Total selling, general and administrative expenses	86,392	79,802
Operating income	22,469	18,411
Non-operating income		
Interest income	217	364
Dividend income	207	262
Gain on valuation of derivatives	1,032	629
Other	414	350
Total non-operating income	1,871	1,605
Non-operating expenses		
Interest expenses	24	119
Foreign exchange losses	1,328	1,051
Loss on disposal of non-current assets	194	386
Share of loss of entities accounted for using equity method	2,271	1,120
Other	443	472
Total non-operating expenses	4,261	3,151
Ordinary income	20,079	16,865
Extraordinary income		
Compensation income	619	–
Insurance income	–	308
Total extraordinary income	619	308
Extraordinary losses		
Impairment loss	3,282	–
Loss due to fire	209	188
Loss on sales of shares of subsidiaries and associates	–	233
Total extraordinary losses	3,491	421
Income before income taxes and minority interests	17,207	16,752
Income taxes	7,683	7,566
Income before minority interests	9,523	9,185
Net income	9,523	9,185

Consolidated statements of comprehensive income

(Millions of yen)

	January 1, 2015 to June 30, 2015	January 1, 2014 to June 30, 2014
Income before minority interests	9,523	9,185
Other comprehensive income		
Valuation difference on available-for-sale securities	2,250	58
Foreign currency translation adjustment	2,310	(2,562)
Remeasurements of defined benefit plans, net of tax	159	–
Total other comprehensive income	4,720	(2,503)
Comprehensive income	14,243	6,682
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,243	6,682
Comprehensive income attributable to minority interests	–	–

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	January 1, 2015 to June 30, 2015	January 1, 2014 to June 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	17,207	16,752
Depreciation	11,240	10,822
Impairment loss	3,282	–
Amortization of goodwill	6,694	6,096
Increase (decrease) in provision for retirement benefits	–	(33)
Increase (decrease) in net defined benefit liability	(20)	–
Decrease (increase) in prepaid pension costs	–	(773)
Decrease (increase) in net defined benefit asset	(685)	–
Securities contribution to employees' retirement benefits trust	–	(19,000)
Interest and dividend income	(425)	(626)
Interest expenses	24	119
Share of (profit) loss of entities accounted for using equity method	2,271	1,120
Loss (gain) on sales and retirement of property, plant and equipment	68	142
Loss (gain) on sales of investment securities	(65)	(7)
Loss (gain) on sales of shares of subsidiaries and associates	–	233
Decrease (increase) in notes and accounts receivable - trade	3,801	4,702
Decrease (increase) in inventories	1,094	(4,937)
Increase (decrease) in notes and accounts payable - trade	(5,468)	(4,438)
Other, net	(8,089)	382
Subtotal	30,930	10,553
Interest and dividend income received	425	773
Interest expenses paid	(26)	(234)
Income taxes paid	(8,400)	(11,640)
Net cash provided by (used in) operating activities	22,929	(548)

(3) Consolidated Statements of Cash Flows (continued)

(Millions of yen)

	January 1, 2015 to June 30, 2015	January 1, 2014 to June 30, 2014
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,848)	(16,306)
Proceeds from sales of property, plant and equipment	45	100
Purchase of intangible assets	(47)	(1,966)
Purchase of investment securities	(5,200)	(1,150)
Proceeds from sales of investment securities	65	55
Proceeds from sales of shares of subsidiaries and associates	–	1,000
Payments into time deposits	(960)	(1,136)
Proceeds from withdrawal of time deposits	2,214	1,067
Net decrease (increase) in short-term loans receivable	(3,547)	20,453
Other, net	(249)	(470)
Net cash provided by (used in) investing activities	(17,526)	1,645
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(71)	(893)
Purchase of treasury shares	(101)	(55)
Cash dividends paid	(6,841)	(6,841)
Other, net	(99)	(83)
Net cash provided by (used in) financing activities	(7,113)	(7,873)
Effect of exchange rate change on cash and cash equivalents	(1,501)	(1,042)
Net increase (decrease) in cash and cash equivalents	(3,213)	(7,818)
Cash and cash equivalents at beginning of period	17,013	19,242
Cash and cash equivalents at end of period	13,800	11,424

(4) Notes to the consolidated financial statements

(Items related to going concern assumption)

No applicable items.

(Notes on significant change in shareholders' equity)

As described in "Changes in accounting policies," effective from the first quarter of the fiscal year, the "Accounting Standard for Business Combinations" and the "Accounting Standard for Retirement Benefits," etc. are applied.

In line with this change, in comparison with under the previous method, as of the beginning of the six months ended June 30, 2015, capital surplus decreased by ¥3,201 million and retained earnings increased by ¥1,786 million.

(Segment information)

I. Six months ended June 30, 2015 (January 1, 2015 – June 30, 2015)

1. Information on sales and profit or loss by reportable segment

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Total	Adjustments	Consolidated
Net sales					
Sales to external customers	134,911	43,925	178,837	–	178,837
Inter-segment sales and transfers	425	1,096	1,522	(1,522)	–
Total sales	135,337	45,021	180,359	(1,522)	178,837
Segment profit	18,558	3,999	22,558	(88)	22,469

Notes: 1. The negative \88 million for adjustments of segment profit is due to elimination of inter-segment transactions.
2. Segment profit is adjusted for operating income as recorded in the Consolidated Statements of Income.

2. Impairment of non-current assets, goodwill, etc. by reportable segment

(Significant changes in amount of goodwill)

As described in "Changes in accounting policies," the Company applies the "Accounting Standard for Business Combinations," etc. effective from the first quarter of the fiscal year.

In line with this change, in comparison with under the previous method, goodwill as of the beginning of the six months ended June 30, 2015 decreased by ¥519 million in the Pharmaceuticals segment and ¥1,391 million in the Bio-Chemicals segment.

3. Changes in reportable segment, etc.

(Application of "Accounting Standard for Business Combinations," etc.)

As described in "Changes in accounting policies," effective from the first quarter of the fiscal year, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company has been changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred.

In line with this change, in comparison with under the previous method, segment profit in the six months ended June 30, 2015 increased by ¥104 million in the Pharmaceuticals segment and ¥172 million in the Bio-Chemicals segment.

(Change in the depreciation method of property, plant and equipment)

As described in "Changes in accounting policies," the Company and its domestic consolidated

subsidiaries previously used the declining balance method for depreciation of property, plant and equipment (although the straight-line method was used for buildings (excluding facilities attached to buildings) that were acquired on or after April 1, 1998). However, from the first quarter of the fiscal year, the Company has adopted the straight-line method.
In line with this change, in comparison with under the previous method, segment profit in the six months ended June 30, 2015 increased by ¥543 million in the Pharmaceuticals segment and ¥281 million in the Bio-Chemicals segment.

II. Six months ended June 30, 2014 (January 1, 2014 – June 30, 2014)

Information on sales and profit or loss by reportable segment

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Total	Adjustments	Consolidated
Net sales					
Sales to external customers	118,957	42,941	161,899	–	161,899
Inter-segment sales and transfers	580	1,112	1,693	(1,693)	–
Total sales	119,537	44,054	163,592	(1,693)	161,899
Segment profit	14,179	4,221	18,401	10	18,411

Notes: 1. The \10 million for adjustments of segment profit is due to elimination of inter-segment transactions.
2. Segment profit is adjusted for operating income as recorded in the Consolidated Statements of Income.