

*May 14 , 2004*

## *March 2004 Financial Results*

- Current business performance
- Management Policies for FY2004
- Update on Main R&D activities

**KYORIN Pharmaceutical Co., Ltd.**

# Overview of Account Settlement for the Fiscal Year ending in March 2004(Consolidated)

As for consolidated sales, prescription drugs sales for the domestic market was ¥51.5 billion(down by 5.7% from the previous year) due to an emergency safety notice regarding Gatiflo in the previous year.Although its exports to BMS and Allergan increased,total overseas sales was ¥8.5billion(-5.4%)due to reduction in income from a milestone payment.As a result,the consolidated sales was reduced to ¥65 billion yen(-5.2%). As for profits,the consolidated operating profit was ¥8.7 billion (-29.1%),the net profit for this year was reduced to ¥5.6 billion(+38.1%) by the special profit appropriation of the return of a proxy for the welfare pension fund.

On an unbundled basis,sales were ¥63.5 billion(-5.5%),the operating profit was ¥8.7 billion(-28.8%),and the net profit for this year was ¥5.5 billion(+51.7%).

For the next fiscal year,despite the expected effects of the revision of the NHI prices(revision rate:3.7%) and the reduced income from a milestone payment,estimated consolidated sales are projected to be ¥66 billion(+1.4%),due to the expected increase in domestic sales of Kipres and Mucodyne, among other products.Estimated consolidated operation profits and net profits are projected to be ¥6.5 billion (-25.8%) and ¥3.4 billion(-40.3%) ,respectively, due to an increase in R&D expenses.

	3/01	3/02	3/03	3/04	yoy	Cons./ Parent	3/05 (forecast)	yoy
Sales	55,832	62,395	68,618	65,061	▲5.2%	1.02	66,000	1.4%
Op profit	9,049	11,961	12,367	8,766	▲29.1%	1.00	6,500	▲25.8%
Rec profit	9,786	12,210	12,805	8,597	▲32.9%	1.03	6,800	▲20.9%
Net profit	2,951	4,117	4,120	5,692	38.1%	1.03	3,400	▲40.3%
EPS	¥51.27	¥60.55*	¥47.21	¥68.76	—	1.03	¥45.16	—
Ttl assets	125,476	134,472	139,961	121,355	▲13.3%	1.01	—	—
Sh/s eq	99,750	102,356	105,318	91,856	▲12.8%	1.01	—	—

\*On November 20,2001 one par value common stock was split to 1.5 par value common stocks.



# Fiscal Year ending in March 2005 Sales Forecast (Consolidated)

Comparison to Forecast

	Mar/04 (actual)	Mar/05 (forecast)
Sales	6 5,0 6 1	6 6,0 0 0
Pharm(Jpn)	5 1,5 4 6	5 2,3 0 0
Pharm(Frn)	8,5 3 3	8,3 0 0
Other	3,5 1 0	3,9 0 0
Sales promotion, Advertising planning and production	1,4 7 1	1,5 0 0
Op profit	8,7 6 6	6,5 0 0
Rec profit	8,5 9 7	6,8 0 0
Net profit	5,6 9 2	3,4 0 0

( Units: ¥ millions )

- Sales: ¥66,000 million ( up by ¥ 0.9billion )
- Prescription drugs for the Japanese market ¥52,300 million ( up by ¥ 0.8billion )
  - = Positive factors =
  - 3/04                      3/05 ( Units: ¥ billions )
  - Kipres            9.8    →    11.5 (+1.7)
  - Gatiflo          1.7    →    2.7 (+1.0)
  - = Negative factors =
  - Others            2.5    →    1.1(▲1.4)
  - \*Reduced income from a milestone payment and influence of NHI price revision(▲3.7%)
- Prescription drugs for overseas market ¥8,300 million ( down by ¥ 0.2billion )
  - = Positive factors =
  - Gatiflo          7.1    →    7.6 (+0.5)
  - = Positive factors =
  - Norfloxacin    1.1    →    0.4 (▲0.7)
- Other products ¥3,900 million ( up by ¥ 0.4billion )
  - Milton            2.7    →    2.8 (+0.1)
  - Expansion of sales of Switch OTC products
- Other business ¥1,500 million ( ±0 )
- Operating profit: ¥ 6,500million ( down by ¥ 2.3 billion )
  - Operating profit ratio: 9.8% (down by3.7points)
  - While increase ¥4,200million in R&D cost is expected, total increase in SGAE will be suppressed by reduction of costs other than R&D.
  - Cost ratio:remain unchanged from the previous year
  - R&D expense ratio: +6.2 point( 12.6%→18.8%)
  - \*R&D cost : ¥8.2billion →¥12.4billion
  - SGAE(except R&D) : down by 2~3 points
- Current term profit: ¥ 3,400million ( down by ¥ 2.3 billion )
  - Extraordinary losses: Amortization of Branch offices and additional budget for early retirement of employees
- Dividend : ¥18.0

**POINT 1****Growth factor (1) recovery of Gatifloxacin in Japan and the U.S.****Plus factor overseas****1. The sales of Tequin at BMS**

- Tequin has made a steady recovery (up from the previous year) in the U.S. since the fourth quarter of 2003.

**2. Successive growth of Zymar at Allergan**

- A contract was made for co-promotion with Lupin in the pediatric area in April 2004.

	Sales in 2003	Sales in 2004	Forecast for 2005
Overseas sales(\$MM)	248 (0)	245 (30)	280 (50)
Sales by Kyorin (¥ billion)	5.1	7.1	7.6

\* The overseas sales of Gatiflo indicate the total sales of Tequin and Zymar.

Figure in parentheses indicate the sales of Zymar alone.

Cite from IMS data

**Domestic situations****1. Launch of Gatiflo 0.3% Ophthalmic Solution****1) Road to the launch**

- application filed by Senju Pharmaceutical at the end of 2002
- launch expected in the third quarter of 2004.

**2) Target sales (distributed by Senju Pharmaceutical)**

- ¥2 billion for the first year
- ¥10 billion at the peak (3 to 5 years later)

**2. Reconstruction of the scenario for the growth of Gatiflo in the domestic market****1) Maximize emphasis on the usefulness of Gatiflo**

- Establish position as the first-line drug for pneumonia/ lower respiratory infection
- Ensure positioning in the treatment of intractable ear/urologic diseases

**2) Background of FY 2004 estimate**

We target average monthly sales of 250 million throughout FY 2004.

- \* Promotion was restarted in latter half of 2003 to expand prescription (Average monthly sales during latter half of 2003 were about ¥210 million.)

Gatiflo tablets : sales by Kyorin

( ): medium-term sales

**3/2004**

**3/2005 forecast**

**¥ 1.7billion (0.6)**

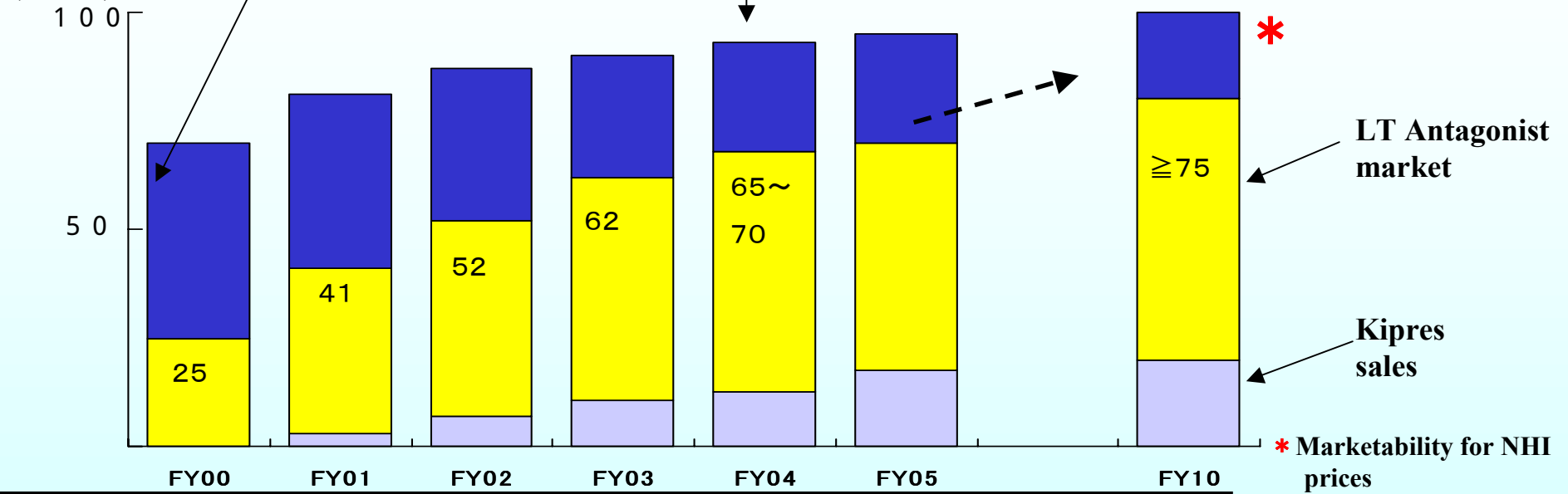
**¥ 2.7billion (1.1)**

# POINT 1

## Growth factor (2) Growth of Kipres

### Antiallergic and LT Antagonist Market trend

(¥billion) Antiallergic (asthma region)



	FY00	FY01	FY02	FY03	FY04	FY05	FY10
Kipres share *		8%	13%	17%	21%	25%	
sales(¥billion)		3.1	6.4	9.8	11.5 (forecast)		

\* Marketability for NHI prices  
Data source: Kyorin Pharmaceutical

**Background of the expansion of the LT Antagonist market**

- Increased patients with asthma (3%-5%)
- Shift in prescription from other antiallergic drugs
- Higher usefulness (efficacy & safety)

Reinforcement and promotion of the FC strategy

Expansion of the LT antagonist market

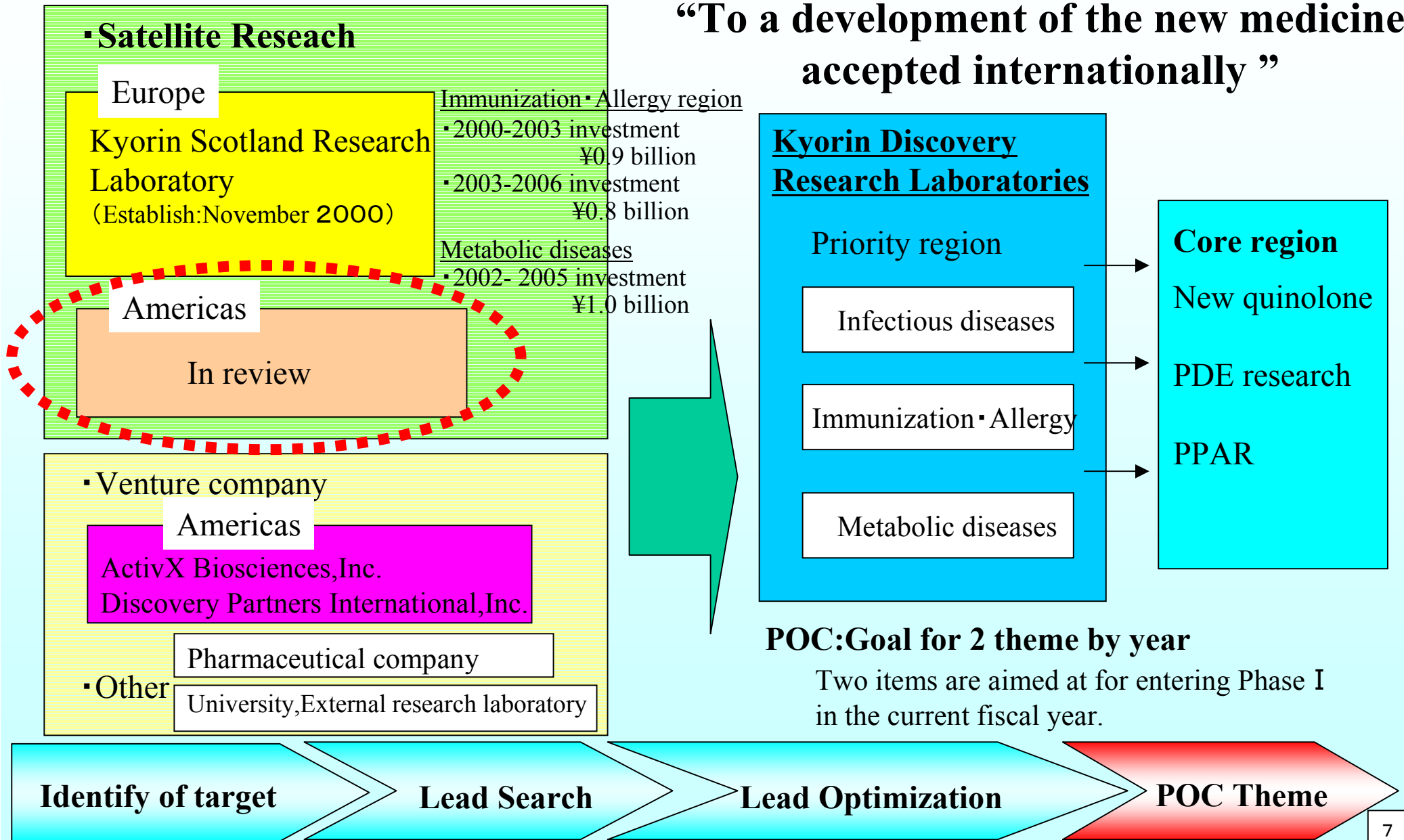
**Achieving a share of 25% in the LT antagonist Market at an early stage**



**POINT 2**

**Accelerated R&D: Proactive investment in “Next One”**

**“To a development of the new medicine accepted internationally”**



## POINT 3

# Promotion of Low Cost Operations

## 1. Reform of the cost structure

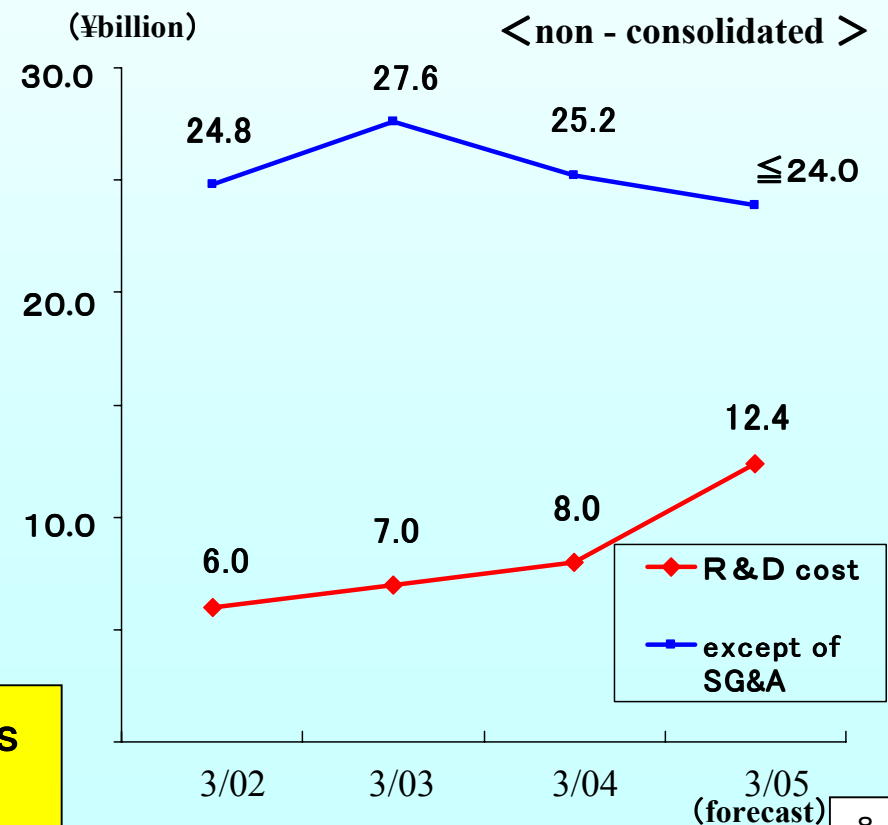
- ① Changing the production system into a double base system
- ② Closure of Nogi Plant (end of March 2006) & opening of Noshiro Preparation Plant (approx. ¥8 billion invested)
- ③ Cut off production workforce by outsourcing
  - 350 staff members in 2001 → 200 staff members in 2006
  - \* Hiring of temp staff until Noshiro Plant goes into operation

- Ensuring a quality level that meets FDA requirements
- Converting fixed costs into variable costs

## 2. Reduction of sales expenses and general management cost

- ① Reduction in corporate ad expenses
- ② Saving on personnel expenses (correction of the age balance, reduction in expenses for retirement benefits)
- ③ Reduction in other general costs

While R&D expenses will grow, any increase in sales expenses should be prevented.



**POINT 4**

# Encouragement of Strategic Investment/Alliances

## Reinforcement of alliance strategy

### Utilizing treasury stocks

Ex. Stock exchanges

#### Takeover bid on our company's stocks

- As of December 2003
- Purchased a total of 11.7 million stocks

### Active use of current assets in hand

### Acquisition of products and businesses

- Licensing-in new products
- Pharmaceutical business or business contributing to healthcare

### M & A, proactive investment

## Changes in organization

### ● Introduction of Corporate Strategic HQs

Management Planning Department

Product Strategy Department

**Acceleration of existing business growth / new business; investment in the coming dream**

# Reform of Management System

## Introduction of the Executive Officer System

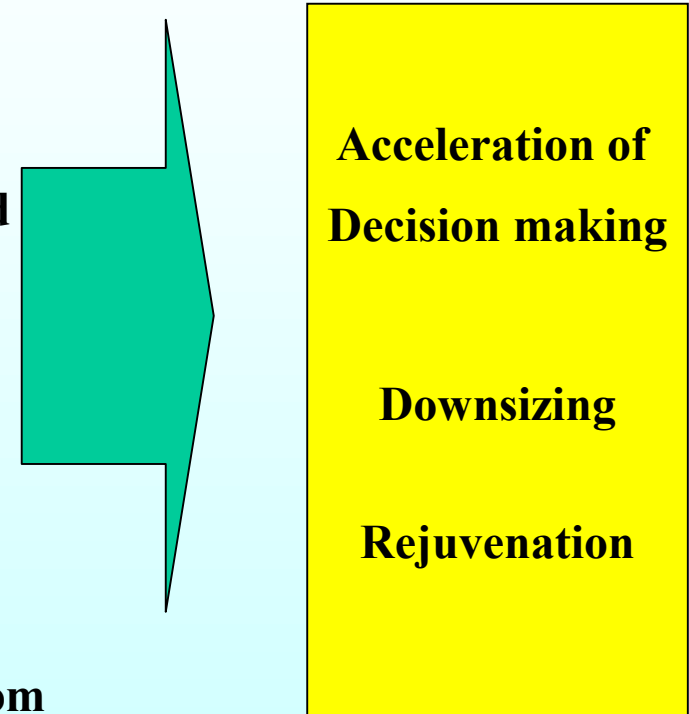
- **Directors: Make decisions on management and supervise the execution of operations**
- **Executive officers: Execute operations**

## Streamlining of number of Directors

- **Propose at the regular meeting of stockholders scheduled for June 2004.**  
**Decrease directors from 15 to 10 staff members**

## Changes in the Organization

- **Reinforcement of the management strategy function**
  - **Introducing the Corporate Strategic HQs (Management Planning Department + Product Strategy Department)**
- **Establishment of a unified system to control reliability from development to post-marketing**
  - **Introducing the Quality Assurance Division**
- **Downsizing of the organization at the headquarters**
  - **Reducing sections by six through restructuring of the existing sections and introduction of new sections**



# Management Policies for FY 2004

## < Basic Policy >

**“Evolution and Creativity: Create New Corporate Values”**

**- Be Active to Achieve Goals -**

## < Top Priorities >

### **1 . Reinforcement of the strategic function**

- Acquisition of businesses and products through the active promotion of strategic investment and alliances
- Reconstruction of the scenario for the growth of Gatiflo Tablets in the domestic market
- Promotion of management reform

### **2 . Fostering the ongoing themes for the MIC - '05 and obtaining results**

- Proactive investment in “Next One”
- Reform of sales activities according to the market environment
- Reduction in expenditures through elimination of wastefulness

# Main R&D activities① (3/04)

Stage	Compound/Code	Efficacy	Origin	Features	Comments
* Approval (1/04)	N-3389 Tablets	Anti-emetic agent	Nisshin Flour Milling	5-HT3 and 5-HT4 dual antagonist	Developed with Nisshin Pharma(Nisshin Flour Milling group) (nissin pharma) NDA by Nissin Kyorin Pharmaceutical
Ph III	KRP-197 Tablets	Urinary incontinence treatment	In-house	Potent anti-cholinergic agent, little dry mouth	UK: Phase I (Outsource to CRO) Japan: Developed with Ono Pharmaceutical
* Ph III	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	Developed with Maruho
Ph II / III	Montelukast	Anti-bronchial asthma agent	Merck (US)	Newly produced for children 1 to 5 yrs	○ Added formulation ○ Change use and dosage
Ph I	N-5984 Tablets	Anti-diabetes agent Anti-obesity	Nisshin Flour Milling	A potent and selective $\beta 3$ AR agonist. The reduction of plasma glucose, insulin, TG and FFA, and the improvement of glucose tolerance.	Developed with Nissin Pharma (Nisshin Flour Milling group)
Ph I	KRP-101	Anti hyperlipemia agent	In-house	Selective agonist of PPAR $\alpha$ . The improvement of a lipid profile in total be expected by the LDL cholesterol and the neutral fat can be decreased, and improving the HDL cholesterol.	UK: Phase I (4/03)

\* Gatiflo intravenous(Ph I ) was discontinued its clinical development program.

# Main R&D activities② (3/04)

## Licensing developments

	Code	Licensee	Stage	Efficacy	Origin	Comments
	Gatifloxacin Eye Drops	Senju Pharmaceutical	NDA (Japan)	Synthetic Antibacterial agent	In- house	Provide R&D, production and sales rights in Japan

# Growth in new businesses: update

## 1. Update on Bistner business fund

- Start: September 2000
- Investment: ¥5 billion (of which ¥3 billion invested during 2nd year results ¥1.7 billion )
- Focus: Pharmaceuticals, medical-care, Nursing, healthcare

### Invested companies

Focus
Pharmaceuticals New drugs derived from genome etc.
Medical-care Alternative and/or reproductive medicine, and IT
Nursing Facilities, Daycare at home, Related products
Healthcare Facilities, Daycare at home, Related products



Companies invested	Business
3	<ul style="list-style-type: none"> <li>• Sterilizer / disinfectant for poultry use</li> <li>• Developing treatments for viral pneumonia and rheumatism</li> </ul> <p style="text-align: right;">ETC</p>
6	<ul style="list-style-type: none"> <li>• Treatment of near-sightedness which uses laser</li> <li>• Delivery service of medical treatment information</li> </ul> <p style="text-align: right;">ETC</p>
4	<ul style="list-style-type: none"> <li>• Organic waste management (lavatories for nursing use)</li> <li>• Management of nursing facilities</li> </ul> <p style="text-align: right;">ETC</p>
7	<ul style="list-style-type: none"> <li>• Sales of health foods</li> <li>• Commercialize various water treatment methods</li> <li>• Securities firm ※Increase information from China (Kanpo Medicines and health food ventures)</li> <li>• Development of skin-care cosmetics</li> </ul> <p style="text-align: right;">ETC</p>

**Total:20companeis**

# P&L summary : Consolidated

( Units: ¥ millions )

<Consolidated>	Mar/03		Mar/04			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	<b>68,618</b>	100.0%	<b>65,061</b>	100.0%	<b>▲ 5.2%</b>	<b>▲3,557</b>
COGS	<b>21,205</b>	30.9%	<b>22,389</b>	34.4%	5.6%	<b>1,184</b>
Gross profit	<b>47,413</b>	69.1%	<b>42,671</b>	65.6%	<b>▲10.0%</b>	<b>▲4,741</b>
SG&A (of which R&D)	<b>35,045</b> <b>(7,009)</b>	51.1% 10.2%	<b>33,905</b> <b>(8,219)</b>	52.1% 12.6%	<b>▲ 3.3%</b> <b>(17.2%)</b>	<b>▲1,140</b> <b>(1,209)</b>
Operating profit	<b>12,367</b>	18.0%	<b>8,766</b>	13.5%	<b>▲29.1%</b>	<b>▲3,601</b>
Non-op income	<b>822</b>	1.2%	<b>546</b>	0.8%	<b>▲33.5%</b>	<b>▲ 275</b>
Non-op expense	<b>384</b>	0.6%	<b>715</b>	1.1%	85.9%	<b>330</b>
Recurring profit	<b>12,805</b>	18.6%	<b>8,597</b>	13.2%	<b>▲32.9%</b>	<b>▲4,207</b>
Extraordinary profits	<b>41</b>	0.1%	<b>5,382</b>	8.2%	*	<b>5,341</b>
Extraordinary losses	<b>4,757</b>	6.9%	<b>4,506</b>	6.9%	<b>▲5.3%</b>	<b>▲ 251</b>
Pretax profit	<b>8,088</b>	11.8%	<b>9,474</b>	14.5%	17.1%	<b>1,385</b>
Corporate, inhabitants and enterprise taxes	<b>6,607</b>	9.6%	<b>3,398</b>	5.2%	<b>▲48.6%</b>	<b>▲3,209</b>
Tax adjustments	<b>▲ 2,639</b>	<b>▲ 3.8%</b>	<b>383</b>	0.6%	*	<b>3,023</b>
Net profit	<b>4,120</b>	6.0%	<b>5,692</b>	8.7%	38.1%	<b>1,571</b>

## < Sales >

Consolidated companies ( 5 ) Kyobundo, Bistner, Kyorin USA,  
Bistner Fund No.1,Kyorin Europe GmbH

Affiliated companies (2) Nisshin Kyorin Parmaceutical,  
Nihon Rikagaku Yakuhin

( ¥ billions )

	3 / 0 3	3 / 0 4
<b>Sales</b>	6 8 . 6	6 5 . 0
<b>Domestic</b>	5 4 . 6	5 1 . 5
= By product =		
Kipres	6 . 4	9 . 8
Gatiflo	4 . 7	1 . 7
Mucodyne	1 7 . 1	1 8 . 0
Baccidal	1 . 2	0 . 9
Ketas	7 . 0	7 . 0
Aplace	3 . 4	2 . 9
Rocaltrol	3 . 0	2 . 7
Pentasa	5 . 3	6 . 0
<b>&lt; Exports &gt;</b>	9 . 0	8 . 5
Norfloxacin	1 . 5	1 . 1
Gatifloxacin	5 . 1	7 . 1
<b>&lt; Other products &gt;</b>	3 . 6	3 . 5
Milton	3 . 0	2 . 7
<b>( Other business )</b>	1 . 3	1 . 4

\* Sales promotion, Advertising planning and production

# P&L summary : Parent

( Units: ¥ millions )

	Mar/03		Mar/04			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	67,293	100.0%	63,589	100.0%	▲5.5%	▲3,704
Pharm (Jpn)	54,656	81.2%	51,546	81.1%	▲5.7%	▲3,110
Pharm (Frn)	9,024	13.4%	8,533	13.4%	▲5.4%	▲491
Other	3,612	5.4%	3,510	5.5%	▲2.8%	▲102
COGS	20,230	30.1%	21,273	33.5%	5.2%	1,043
Gross profit	47,063	69.9%	42,315	66.5%	▲10.1%	▲4,747
SG&A (of which R&D)	34,698 (7,009)	51.6% 10.4%	33,515 (8,219)	52.7% 12.9%	▲3.4% (17.2%)	▲1,182 (1,209)
Operating profit	12,364	18.3%	8,799	13.8%	▲28.8%	▲3,564
Non-op income	582	0.9%	490	0.8%	▲15.8%	▲91
Non-op expense	706	1.1%	914	1.4%	29.4%	207
Recurring profit	12,241	18.1%	8,376	13.2%	▲31.6%	▲3,864
Extraordinary profits	40	0.1%	5,383	8.5%	*	5,343
Extraordinary losses	4,622	6.9%	4,506	7.1%	▲2.5%	▲116
Pretax profit	7,658	11.3%	9,253	14.6%	20.8%	1,595
Corporate, inhabitants and enterprise taxes	6,532	9.7%	3,356	5.3%	▲48.6%	▲3,175
Tax adjustments	▲2,506	▲3.7%	385	0.6%	*	2,891
Net profit	3,633	5.3%	5,512	8.7%	51.7%	1,878

■ Sales: ¥63,589 million (down by ¥3.7 billion)

● Prescription drugs for the Japanese market  
¥51,546 million (down by ¥3.1 billion)

= Positive factors = ( Units: ¥ billion )  
3/03 3/04

• Kipres 6.4 → 9.8 (+3.4)

• Mucodyne 17.1 → 18.0 (+0.9)

= Negative factors =

• Gatiflo 4.7 → 1.7 (▲3.0)

• Others 6.5 → 2.5 (▲4.0)

\* Decrease of sales of Gatiflo to Dainippon

● Prescription drugs for overseas market

¥8,533 million (down by ¥0.5 billion)

= Positive factors =

• Gatiflo 5.1 → 7.1 (+2.0)

\* Ceasing to fall of Tequin's sales (BMS)

\* Ophthalmic solution product launched by Allergan (April)

= Negative factors =

• Norfloxacin 1.5 → 1.1 (▲0.4)

\* Decrease of a milestone payment

● Other products

¥3,510 million (down by ¥0.1 billion)

• Milton 3.0 → 2.7 (▲0.3)

■ Operating profit: ¥8,799 million

(down by ¥3.6 billion)

Operating profit ratio: down by 4.5 points (18.3% → 13.8%)

• Cost ratio: +3.4 points (30.1% → 33.5%)

\* Down by Gatiflo sales and licensing fee installments  
and down by Gatiflo sales

■ Current term profit:

¥8,376 million (down by ¥3.9 billion)

• Current term profit ratio: down by 4.9 points

(18.1% → 13.2%)

# BS summary : Consolidated

( Units: ¥ millions )

< Consolidated >	Mar/03		Mar/04		
	actual	%total	actual	%total	Amt chg
<b>Current assets</b>	<b>101,095</b>	<b>72.2%</b>	<b>81,198</b>	<b>66.9%</b>	<b>▲19,896</b>
Cash, deposits	57,607		39,235		
A/R, notes receivable	23,522		22,560		
Mk securities	3,523		4,221		
Inventory	10,809		9,408		
Other	5,631		5,772		
<b>Fixed assets</b>	<b>38,866</b>	<b>27.8%</b>	<b>40,157</b>	<b>33.1%</b>	<b>1,291</b>
Tangible assets	15,058		14,702		
Intangible assets	5,293		4,858		
Investments	18,514		20,595		
<b>Current liabilities</b>	<b>15,780</b>	<b>11.3%</b>	<b>14,261</b>	<b>11.7%</b>	<b>▲1,518</b>
A/P, notes payable	5,003		5,618		
Other	10,776		8,642		
<b>Non-current liab.</b>	<b>18,863</b>	<b>13.5%</b>	<b>15,237</b>	<b>12.6%</b>	<b>▲3,626</b>
<b>Total liabilities</b>	<b>34,643</b>	<b>24.8%</b>	<b>29,498</b>	<b>24.3%</b>	<b>▲5,144</b>
Common stock	4,317	3.1%	4,317	3.6%	
Capital surplus	949	0.7%	949	0.8%	
Retained earnings	100,643	71.9%	104,735	86.3%	
Net unrealized(losses)gains of securities	69	0.0%	2,478	2.0%	
Foreign currency adjustment account	7	0.0%	▲4	0.0%	
Treasury stock	▲668	▲0.5%	▲20,619	▲17.0%	
<b>Total shareholders' eq.</b>	<b>105,318</b>	<b>75.2%</b>	<b>91,856</b>	<b>75.7%</b>	<b>▲13,461</b>
<b>Total Liabilities &amp; sh/s eq.</b>	<b>139,961</b>	<b>100.0%</b>	<b>121,355</b>	<b>100.0%</b>	<b>▲18,605</b>

## <POINTS>

- Current assets (down ¥19,896 million yoy)
  - Cash, deposits (down¥18,372 million yoy)
  - Treasury stock purchased (¥19,890 million yoy)
  - A/R, notes receivable (down¥961 million yoy)
  - Mk securities (up ¥697 million yoy)
  - Inventory(down ¥1,400 million yoy)
- Fixed assets (up¥1,291 million yoy)
  - Tangible assets(down¥355 million yoy)
  - Intangible assets(down¥435 million yoy)
  - Investments (up ¥ 2,081 million yoy)
- Current liabilities (down ¥1,518 million yoy)
  - Other (up ¥2,133 million yoy)
- Non-current liab (down ¥3,626million yoy)
  - Accrued pension cost (down ¥3,640 million yoy)

# BS summary : Parent

( Units: ¥ millions )

< Parent >	Mar/03		Mar/04		
	actual	%total	actual	%total	Amt chg
<b>Current assets</b>	<b>99, 023</b>	<b>71.5%</b>	<b>79, 537</b>	<b>66.5%</b>	<b>▲19, 486</b>
Cash, deposits	55, 986		38, 089		
Notes receivable	523		451		
Accounts receivable	22, 694		21, 699		
Mk securities	3, 412		4, 109		
Inventory	10, 782		9, 416		
Other	5, 624		5, 769		
<b>Fixed assets</b>	<b>39, 460</b>	<b>28.5%</b>	<b>40, 066</b>	<b>33.5%</b>	<b>605</b>
Tangible assets	15, 012		14, 667		
Intangible assets	5, 289		4, 855		
Investments	19, 158		20, 543		
<b>Current liabilities</b>	<b>15, 520</b>	<b>11.2%</b>	<b>13, 875</b>	<b>11.6%</b>	<b>▲1, 644</b>
Notes payable	1, 077		1, 237		
Trade accounts payable	3, 354		3, 806		
Other	11, 088		8, 831		
<b>Non-current liab.</b>	<b>18, 772</b>	<b>13.6%</b>	<b>15, 184</b>	<b>12.7%</b>	<b>▲3, 588</b>
<b>Total liabilities</b>	<b>34, 293</b>	<b>24.8%</b>	<b>29, 060</b>	<b>24.3%</b>	<b>▲5, 232</b>
Common stock	4, 317	3.1%	4, 317	3.6%	
Capital surplus	949	0.7%	949	0.8%	
Retained earnings	99, 547	71.9%	103, 462	86.5%	
Net unrealized(losses)gains of securities	42	0.0%	2, 430	2.0%	
Treasury stock	▲664	▲0.5%	▲20, 616	▲17.2%	
<b>Total shareholders' eq.</b>	<b>104, 191</b>	<b>75.2%</b>	<b>90, 543</b>	<b>75.7%</b>	<b>▲13, 648</b>
<b>Total Liabilities &amp; sh/s eq.</b>	<b>138, 484</b>	<b>100.0%</b>	<b>119, 604</b>	<b>100.0%</b>	<b>▲18, 880</b>

## <POINTS>

- Current assets (down ¥19,486 million)
  - Cash, deposits (down ¥17,896 million)
  - Treasury stock purchased(¥19,890 million)
  - Accounts receivable (down ¥994million)
  - Inventory (down ¥1,365 million)
- Fixed assets (up ¥605 million)
  - Tangible assets(down ¥345 million)
  - Intangible assets(down ¥434 million)
  - Investments (up ¥1,385 million)
- Current liabilities (down ¥1,644 million)
  - Other (down ¥2,256 million)
- Non-current liab (down ¥3,588million)
  - Accrued pension cost (down ¥3,610 million)

# Product sales update

( Units: ¥ billions )

		3 / 00	3 / 01	3 / 02	3 / 03	3 / 04		3 / 05 (Forecast )
						actual	YoY	
DOMESTIC SALES	Kipres (LT receptor antagonist)	—	—	31	64	98	52.1%	115
	Gatiflo ( Kyorin ) (Antibacterial agent)	—	—	—	47	17	▲62.6%	27
	Mucodyne (Mucuregulant)	155	161	175	171	180	5.4%	185
	Baccidal (Antibacterial agent)	26	21	17	12	9	▲20.7%	7
	Ketas (For bronchial asthma and cerebrovasculas disorders)	71	75	75	70	70	0.1%	69
	Aplace (Anti-ulcer agent)	48	45	43	34	29	▲13.6%	24
	Rocaltrol (Osteoporosis remedy)	38	38	38	30	27	▲10.8%	24
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	33	40	45	53	60	13.3%	61
O-C	Milton (Effervescent disinfectant)	30	29	29	30	27	▲9.9%	28
FOREIGN SALES	Total	69	86	121	90	85	▲5.4%	83
	Gatifloxacin ( Bulk · Royalty )	27	55	98	51	71	40.5%	76
	Norfloxacin ( Bulk · Royalty )	25	23	18	15	11	▲25.7%	4
	Foreign sales ratio (%)	13.4%	15.8%	20.1%	13.4%	13.4%	—	12.9%
	In-house ratio (%)	83.1%	82.4%	84.0%	86.6%	83.5%	—	84.0%

## R&D, capex & depreciation

( Units: ¥ millions )

	3/00	3 / 01	3 / 02	3 / 03	3 / 04		3/05 (Forecast )
					actual	YoY	
R&D expense	5, 764	6, 191	6, 031	7, 009	8, 219	17.3%	12, 400
Capex (book base)	1, 303	2, 465	2, 507	3, 301	5, 670	71.8%	4, 000
Depreciation expense	2, 903	2, 735	3, 213	3, 637	4, 774	31.7%	3, 200

### < Capital expenditure (Result/Forecast)>

	3 / 04	3 / 05
	actual	forecast
<b>( Result )</b>		
New drug production equipment and other production equipment (each plant)	¥3.2 billion	
Branch building	¥0.9 billion	
Equipment for control, sales activities	¥0.9 billion	
<b>(Forecast)</b>		
Noshiro preparation plant and other production equipment (each plant)		¥2.9 billion
Equipment for control, sales activities		¥0.7 billion

# Financial summary (Consolidated)

( Units: ¥ millions )

	3 / 00	3 / 01	3 / 02	3 / 03	3 / 04	3 / 05 ( Forecast )
Sales (Exports)	52,776 (6,900)	55,832 (8,646)	62,395 (12,127)	68,618 (9,024)	65,061 (8,533)	66,000 (8,300)
COGS (Ratio to sales) %	16,742 (31.7%)	17,974 (32.2%)	19,336 (31.0%)	21,205 (30.9%)	22,389 (34.4%)	
SGA (Ratio to sales) %	27,387 (51.9%)	28,808 (51.6%)	31,101 (49.8%)	35,045 (51.1%)	33,905 (52.1%)	
R&D expense (Ratio to sales) %	5,764 (10.9%)	6,191 (11.1%)	6,031 (9.7%)	7,009 (10.2%)	8,219 (12.6%)	12,400 (18.8%)
Operating profit (Ratio to sales) %	8,646 (16.4%)	9,049 (16.2%)	11,957 (19.2%)	12,367 (18.0%)	8,766 (13.5%)	6,500 (9.8%)
Recurring profits (Ratio to sales) %	8,795 (16.7%)	9,786 (17.5%)	12,210 (19.6%)	12,805 (18.6%)	8,597 (13.2%)	6,800 (10.3%)
Net profit (Ratio to sales) %	4,310 (8.2%)	2,951 (5.3%)	4,117 (6.6%)	4,120 (6.0%)	5,692 (8.7%)	3,400 (5.2%)
EPS (¥)	74.89	51.27	60.55	47.21	68.76	45.16
Capital	3,623	3,623	4,317	4,317	4,317	4,317
Assets	117,606	125,476	134,472	139,961	121,355	
Shareholders' equity	97,868	99,750	102,356	105,318	91,856	
BPS (¥)	1,700.20	1,732.98	1,187.30	1,222.61	1,234.80	
ROE (%)	4.5%	3.0%	4.1%	4.0%	5.8%	
Equity ratio (%)	83.2%	79.5%	76.1%	75.2%	75.7%	
Staff	1,713	1,696	1,731	1,719	1,652	
Capital expenditure	1,303	2,465	2,507	3,301	5,670	4,000
Depreciation expense	2,903	2,735	3,213	3,637	4,774	3,200

## Financial summary (parent)

( Units: ¥ millions )

	3 / 00	3 / 01	3 / 02	3 / 03	3 / 04	3 / 05 ( Forecast )
Sales (Exports)	51,518 (6,900)	54,671 (8,646)	61,131 (12,127)	67,293 (9,024)	63,589 (8,533)	64,500 (8,300)
COGS (Ratio to sales) %	15,826 (30.7%)	17,102 (31.3%)	18,376 (30.1%)	20,230 (30.1%)	21,273 (33.5%)	
SGA (Ratio to sales) %	27,197 (52.8%)	28,589 (52.3%)	30,889 (50.5%)	34,698 (51.6%)	33,515 (52.7%)	
R&D expense (Ratio to sales) %	5,764 (11.2%)	6,191 (11.3%)	6,031 (9.9%)	7,009 (10.4%)	8,219 (12.9%)	12,400 (19.2%)
Operating profit (Ratio to sales) %	8,495 (16.5%)	8,980 (16.4%)	11,865 (19.4%)	12,364 (18.3%)	8,799 (13.8%)	6,500 (10.1%)
Recurring profits (Ratio to sales) %	8,595 (16.7%)	9,524 (17.4%)	11,816 (19.3%)	12,241 (18.1%)	8,376 (13.2%)	6,600 (10.2%)
Net profit (Ratio to sales) %	4,194 (8.1%)	2,800 (5.1%)	3,785 (6.2%)	3,633 (5.3%)	5,512 (8.7%)	3,300 (5.1%)
EPS (¥)	72.87	48.65	55.67	41.63	66.59	43.84
Capital	3,623	3,623	4,317	4,317	4,317	4,317
Assets	117,154	124,798	133,427	138,484	119,604	
Shareholders' equity	97,740	99,482	101,703	104,191	90,543	
BPS (¥)	1,697.94	1,728.19	1,179.73	1,209.54	1,217.09	
ROE (%)	4.4%	2.8%	3.8%	3.5%	5.7%	
Equity ratio (%)	83.4%	79.7%	76.2%	75.2%	75.7%	
Staff	1,677	1,648	1,671	1,658	1,597	
Capital expenditure	1,303	2,465	2,507	3,301	5,668	4,000
Depreciation expense	2,903	2,730	3,207	3,626	4,763	3,200