

May 16, 2005

March 2005 Financial Results

- Current business performance
- Kyorin to Announce MIC-'09 Mid-Term Business Plan
- Update on Main R&D activities

KYORIN Pharmaceutical Co., Ltd.

Overview of Account Settlement for the Fiscal Year ending in March 2005(Consolidated)

As for consolidated sales, domestic ethical drug sales were ¥52.8 billion (up by 2.5% from the previous year), with the steady progress in the sales of respiratory drugs (Mucodyne, Kipres etc.). Total international sales were ¥8.8 billion (+3.6%), with increase exports to BMS and Allergan. As a result, the consolidated sales were ¥66.3 billion (+1.9%). As for profits, the consolidated operating profits were ¥5.9 billion (-33.1%), due to the great increase for sales, general, and administrative expenses particularly with the expansion of R&D expenses. The net profits for the full fiscal year were ¥2.0 billion (-64.6%) with the extraordinary profits of ¥1.8 billion and the extraordinary losses of ¥4.3 billion.

On an unbundled basis, sales were ¥64.9 billion (+2.1%), the operating profit was ¥5.9 billion (-32.8%), and the net profit was ¥1.6 billion (-70.7%) for the full fiscal year.

As for the next fiscal year, with the acquisition of Toyo Pharmar Co., LTD, connecting its financial results (8-months performance due to change of its accounting period), the estimated consolidated sales are sales are projected to be ¥71 billion (+7.1%). As for profit, the consolidated operating profits are projected to be ¥5.8 billion (-1.1%), the consolidated net profits are projected to be ¥3.3 billion (+63.9%), due to the plan to increase in sales, general, and administrative expenses despite the reduction in R&D expenses.

	3/02	3/03	3/04	3/05	yoy	Cons./ Parent	3/06 (forecast)	yoy
Sales	62,395	68,618	65,061	66,296	1.9%	1.02	71,000	7.1%
Op profit	11,961	12,367	8,766	5,866	▲33.1%	0.99	5,800	▲1.1%
Rec profit	12,210	12,805	8,597	6,430	▲25.2%	1.12	6,200	▲3.6%
Net profit	4,117	4,120	5,692	2,013	▲64.6%	1.25	3,300	63.9%
EPS	¥60.55*	¥47.21	¥68.76	¥26.48	—	1.25	¥43.82	—
Ttl assets	134,472	139,961	121,355	109,234	▲10.0%	1.03	—	—
Sh/s eq	102,356	105,318	91,856	90,544	▲1.4%	1.02	—	—

*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 Situation (Consolidated)

(Units: ¥ billion)

	March/04 (actual)	March/05 (actual)	±
Sales	65.1	66.3	+1.2
Pharm(Jpn)	51.5	52.8	+1.3
Pharm(Frn)	8.5	8.8	+0.3
Healthcare etc.	3.5	3.3	▲ 0.2
Related business etc.	1.5	1.4	▲0.1
Op profit	8.8	5.9	▲2.9
Rec profit	8.6	6.4	▲2.2
Net profit	5.7	2.0	▲3.7

■ Sales: ¥66.3 billion (up by ¥1.2 billion)

● Domestic ethical drug sales

¥52.8 billion (up by ¥1.3 billion)

	3/04	→	3/05
•Kipres	9.8	→	11.8 (+2.0)
•Mucodyne	18.0	→	19.0 (+1.0)
•Gatiflo	1.7	→	2.3 (▲0.6)
•Others	2.5	→	1.0(▲1.5)

*Reduced income from a milestone payment

● International ethical drug sales

¥8.8 billion (up by ¥ 0.3 billion)

•Gatiflo 7.0 → 8.0 (+0.9)

* The ophthalmic solution product“Zymar” continued it’s strong performance.

*Advance shipment of bulk material for the next year

● Healthcare etc ¥3.3 billion (down by ¥0.2billion)

• Milton 2.7 → 2.3(▲0.4)

● Other Related business ¥1.4 billion (down by ¥0.1billion)

◆ Cost ratio: ▲ 0.2 points (34.4% → 34.2%)

*Despite the influence of NHI price reduction(▲3.7%) and the reduced income from a milestone payment,the low-cost domestic ethical drugs are making steady progress.

*Rising control of early retirement of employees at Nogi Plant (about 80 employees)

◆ R&D expense ratio: +6.6 points (12.6% → 19.2%)

* ¥8.2billion → ¥12.7billion (¥4.5billion)

• Application of 2 products

• Acquisition of ActivX

◆ SGAE(except R&D): down by ▲ 1.7 points (39.5% → 37.8%)

Increase in R&D cost ,reduction of sales cost
(¥25.7 billion → ¥25.0 billion)

■ Operating profit: ¥ 5.9 billion (down by ¥ 2.9 billion)

Operating profit ratio: 8.8% (down by 4.7 points)

■ Current term profit: ¥ 2.0 billion (down by ¥ 3.7 billion)

Extraordinary profits: ¥1.8 billion

•Earnings on disposition of securities investment(about 1.7billion)

Extraordinary losses:¥4.3 billion

•Scrapping of bulk powder production facility(about 1.1billion)

•Loss on changing the retirement pension plan(about 1.6billion)

■ Dividend : ¥18.0

Dividend payout:68.0%

Comparison to forecast

(up by ¥ 1.1 billion)

up by ¥ 0.2 billion)

(down by ¥ 1.3 billion)

Fiscal Year ending in March 2006 Sales Forecast (Consolidated)

Comparison to Forecast

(Units: ¥ billions)

	March/05 (actual)	March/06 (forecast)	±
Sales	66.3	71.0	+4.7
Pharm(Jpn)	52.8	53.8	+1.0
Pharm(Frn)	8.8	7.5	▲1.3
Healthcare etc.	3.3	3.5	+0.2
Related business etc.	1.4	6.2	+4.8
Op profit	5.9	5.8	▲0.1
Rec profit	6.4	6.2	▲0.2
Net profit	2.0	3.3	+1.3

■ Sales: ¥71.0 billion

(up by ¥ 4.7billion)

● Prescription drugs for the Japanese market ¥53.8 billion (up by ¥ 1.0billion)

	3/05	→	3/06
•Kipres	11.8	→	12.6 (+0.8)
•Gatiflo	2.3	→	2.6 (+0.3)
•Pentasa	6.4	→	6.9 (+0.5)

● Prescription drugs for overseas market ¥7.5 billion

(down by ¥ 1.3billion)

•Gatiflo 8.0 → 6.7 (▲1.3)

*Reduced income from bulk shipment

● Healthcare etc ¥3.5 billion

(up by ¥ 1.3billion)

•Milton 2.3 → 2.4 (+0.1)

● Related business etc ¥6.2 billion

(up by ¥ 4.8 billion)

*Acquisition of Toyo Pharmar(includes its 8-month financial result due to its accounting period change)

◆Cost ratio: up by about 3 points

*Rising factor: Increase in cost due to the transferring of production

◆R&D expense ratio: ▲ 4.6 points (19.2% → 14.6%)

* ¥12.7billion → ¥10.4billion (¥2.3billion)

◆SGAE(except R&D): up by about 2.0 points

* Rising factor: Pre-marketing cost(URITOS)

Alliance cost for new business acquisition

■ Operating profit: ¥5.8 billion

(down by ¥ 0.1 billion)

Operating profit ratio: 8.2% (down by 0.7 points)

■ Current term profit: ¥ 3.3 billion

(up by ¥ 1.3 billion)

■ Dividend : ¥20.0 Dividend payout:45.6%(forecast)

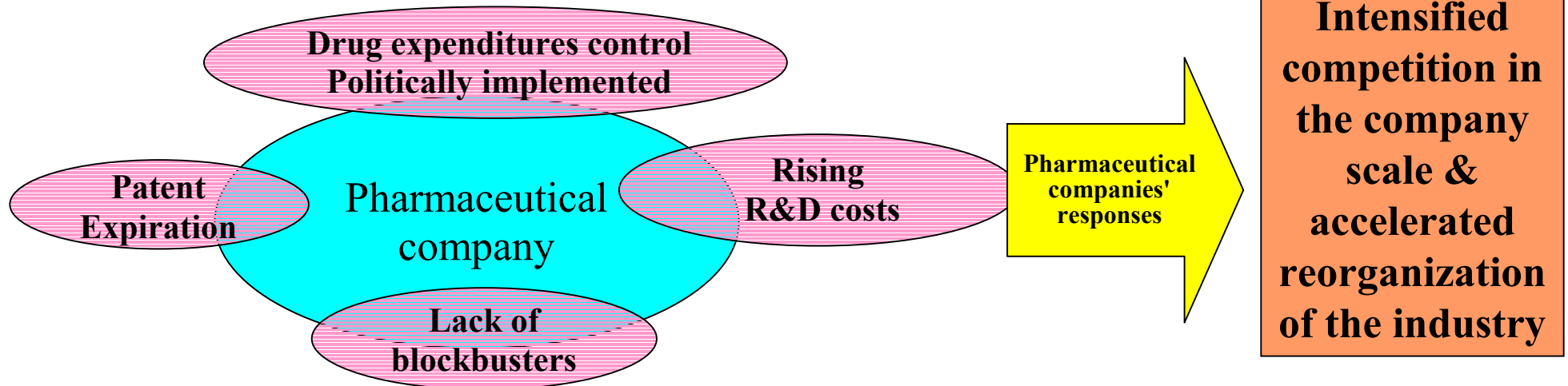
Kyorin to Announce MIC-'09

Med-Term Business Plans

(FY2005~ FY2009)

Corporate Survival Strategies

Business Environment



Emphasis on scale expansion necessitates repeated M&A with the final goal to have the same scale as a global mega-pharma.

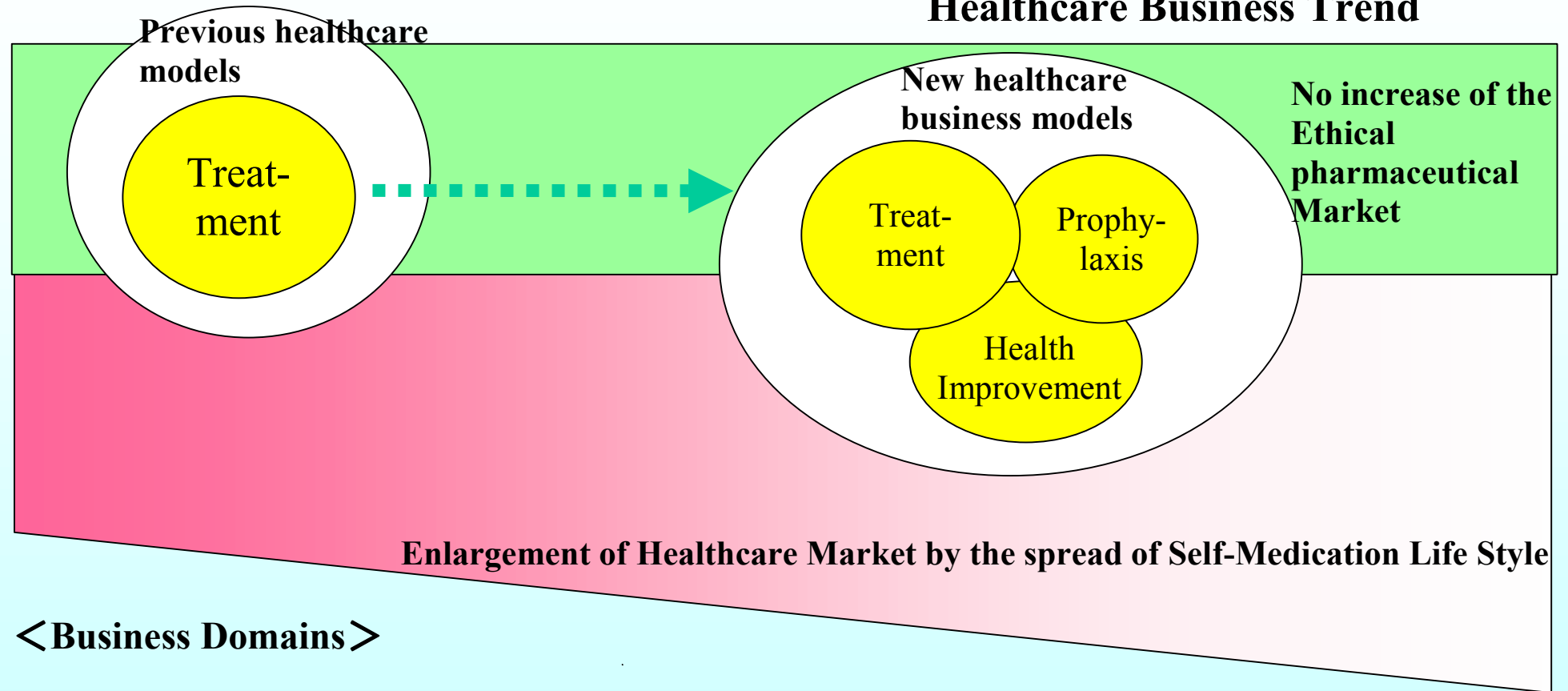
Kyorin's Unique Survival Strategies

New epoch-making drug creation → Drug Creation Focused Company
Ethical Pharmaceuticals → Integrated Healthcare Company

A distinguished and integrated healthcare company based on reliableness with the core business in global drug creation.

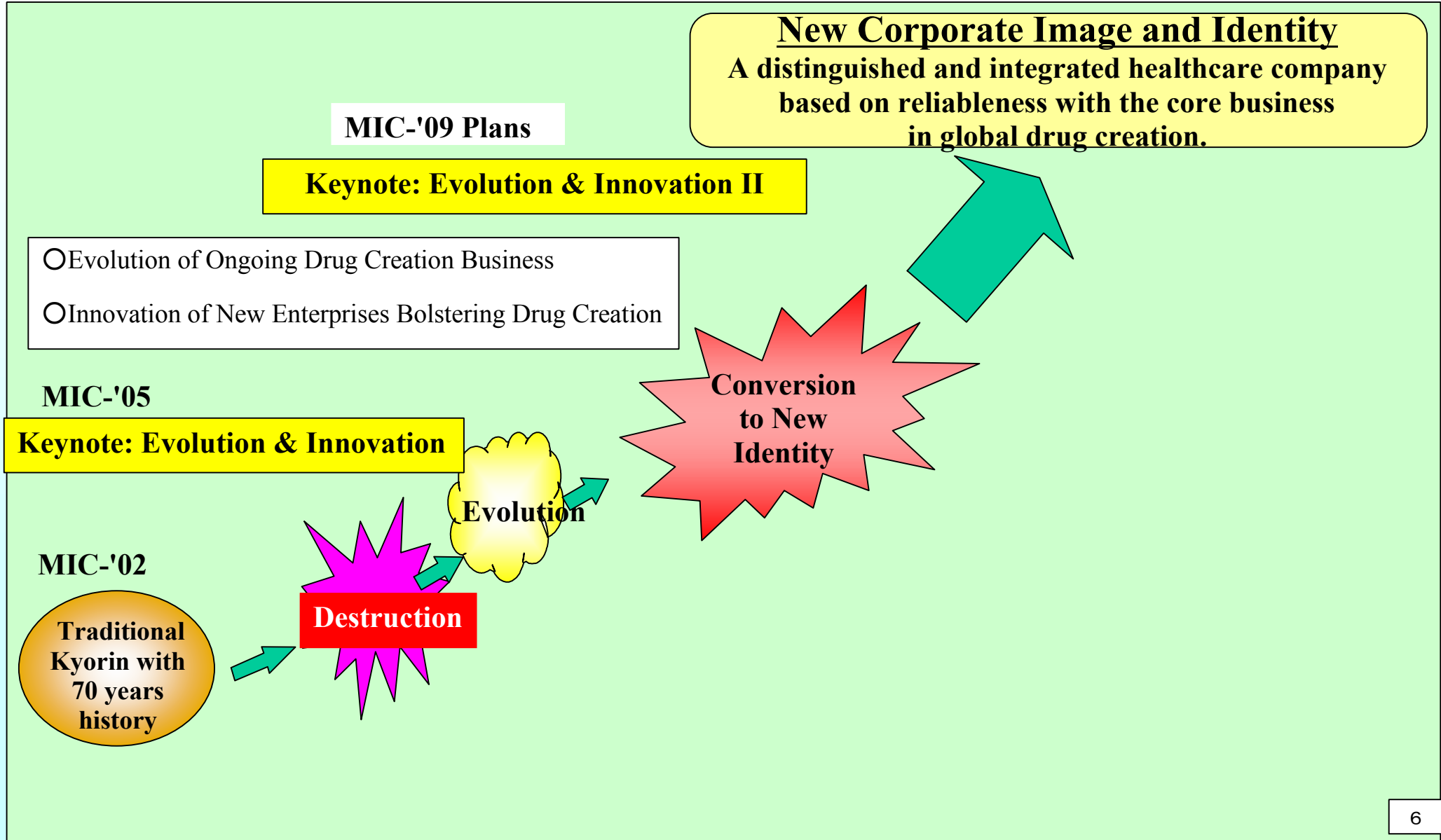
Kyorin's New Healthcare Business Models

Healthcare Business Trend



Company Contributing to Human Healthcare based on Reliablensness with Supplying Scientifically Evidenced Products/Services in Co-operation with Medical Treatments

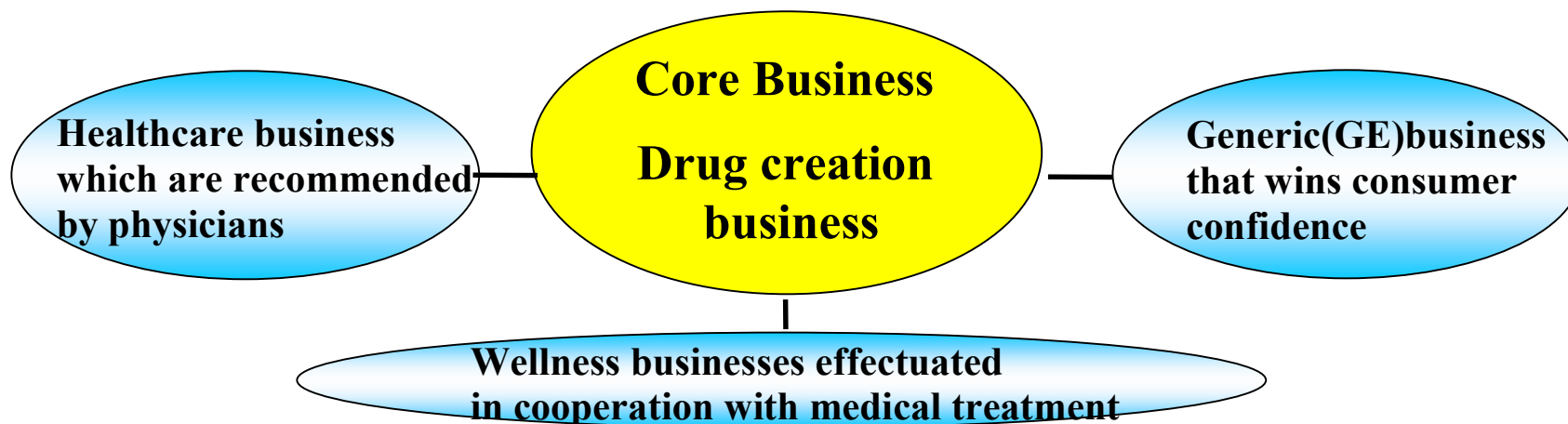
MIC-'09 Plans to Develop New Corporate Image



Schematic Illustration of MIC-'09 Plans

Securing the company's position as the global drug creation pharmaceutical company and enforcing competitiveness of the pharmaceutical business as the basis for sustaining high-risk, high-return, and long-term drug creation business endeavors; and establishing novel business that follow the pharmaceutical business.

Business Schemes



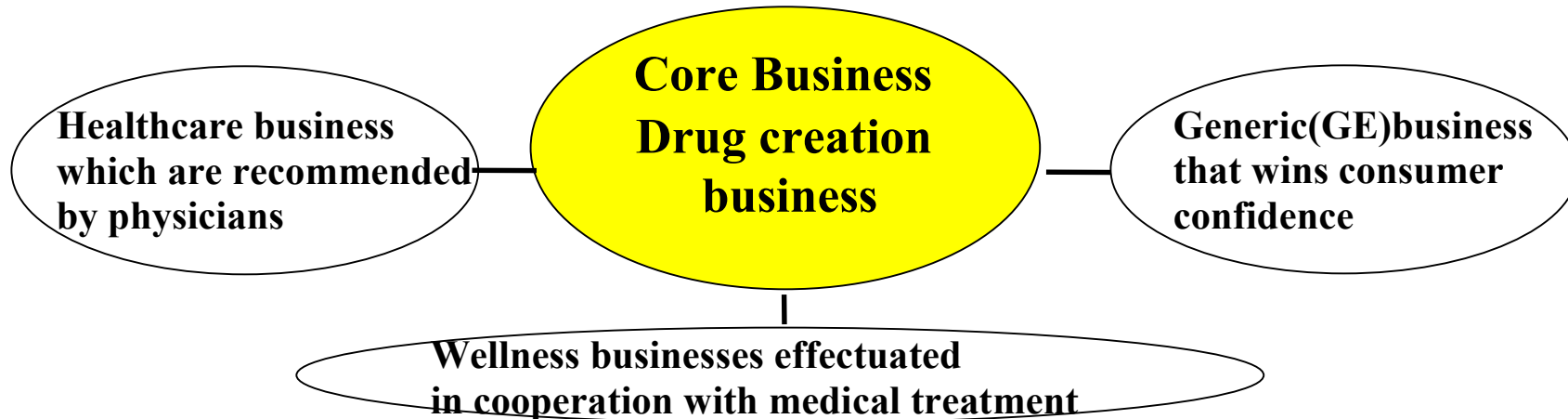
1. New Initiatives for Drug Creation/Pharm Business

Basic Strategies

- 1: Securing the Company's Position as the Global Drug Creation Pharmaceutical Company
- 2: Enhancing Competitiveness of the Pharmaceutical Business as the basis for sustaining drug creation business

Business Schemes

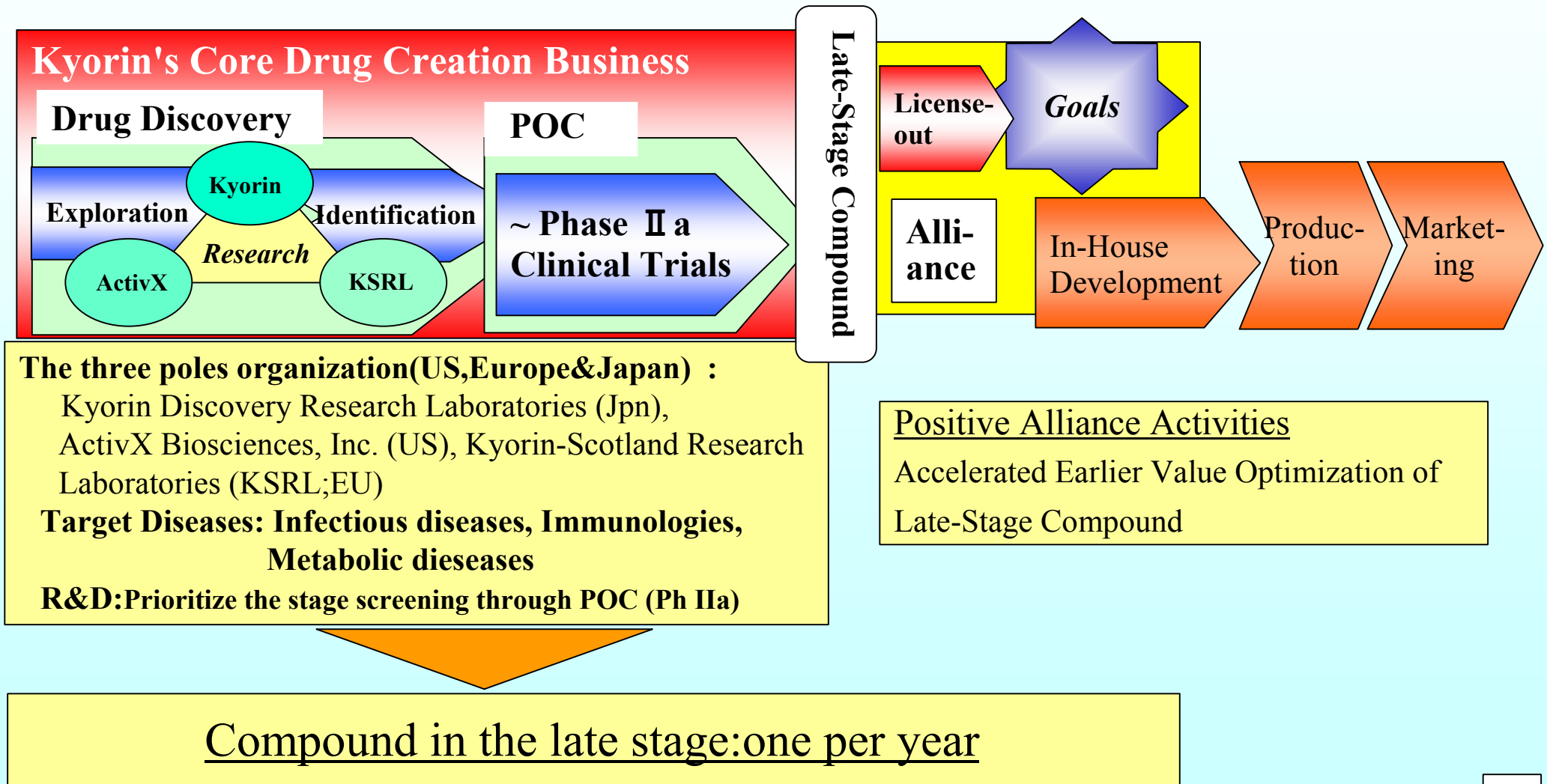
Compound in the late stage:one per year



Basic strategy-1 Securing Position as a Global Pharmaceutical Company

-Drug Creation Business Models of Kyorin-

● From New epoch-making drug creation to Drug creation focused company



ActivX Biosciences, Inc. Company Profile

Founded : Aug., 2000

Employees: 30 (ca.)

Business Profile :

- Focus on activity-based proteomics
- Search for novel drug targets
- Assessment of efficacy and toxicity for candidate compounds

Unique Activity-Based Probe (ABP) analysis platform enables:

1. Highly efficient screening of candidate compounds
2. Enhanced identification of 'lead compounds'

Collaborators: Pfizer, Inc., etc.

● Acquisition completed, Dec., 2004



● Focal development point for proteomics/genomics

① Enhance Drug Discovery & Development in Focused Areas by:

- Discovery of 'lead' compounds (exhibiting most potency and selectivity, least toxicity)
- Minimization of time-period from 'lead' optimization to POC
 - Profiling analysis techniques
 - Identification and validation of new biomarkers

② Maximize ActivX Technologies

- Joint research with global counterparts
- Kyorin's Contact point for drug discovery in US

Enforcing Competitiveness of the Pharmaceutical Business as the Basis for Extended Investments in the Drug Creation Business

- ① **To enhance competitiveness of the domestic sales and marketing framework by:**
- i) Strengthening partner relationships with potential long-term consumers**
 - **Achieving 100% interview rates of 50,000 target physicians (including 26,000 franchised physicians) in the three FC areas (respiratory internal medicine, otorhinology and urology) as well as 100% prescription (one target physician prescribes at least one our product)**
 -
 - ii) Enforcing life-cycle management of existing products**

The company will sustain the sales growth rates of the core products by life-cycle management programs:

 - **Mucodyne; Efficacy for chronic respiratory diseases**
 - **Kipres; fine granules for young child and new indication of allergic rhinitis**
 - **Gatiflo; Efficacy data on respiratory tract infections, etc.**
 - **Ketas; Post marketing scientific research on dizziness**

MIC-'09 Envisioned Shares

- **Mucodyne: 45% or higher**
- **Kipres: 30% or higher**
- **Gatiflo: 10% or higher**

*FC(Franchise Customer): respiratory internal medicine, otorhinology and urology

Enforcing Competitiveness of the Pharmaceutical Business as the Basis for Extended Investments in the Drug Creation Business

② To Optimize Profits From the New Drug: Uritos

③ To Promote Alliance Strategies including M&A

- i) In-licensing of new drugs and/or drugs already launched to enrich the product line-up in the three FC areas.**
- ii) Promoting of marketing partnership to optimize product sales.**

2. Initiatives for Novel Business Formulation

Basic Strategy 3: Establishing Novel Business That Follow The Pharmaceuticals Business

-Embodying the corporate philosophy

-Taking step to launch distinguished health-related business with a view to securing stable corporate growth,will complement high-risk,long-term drug creation endeavors.

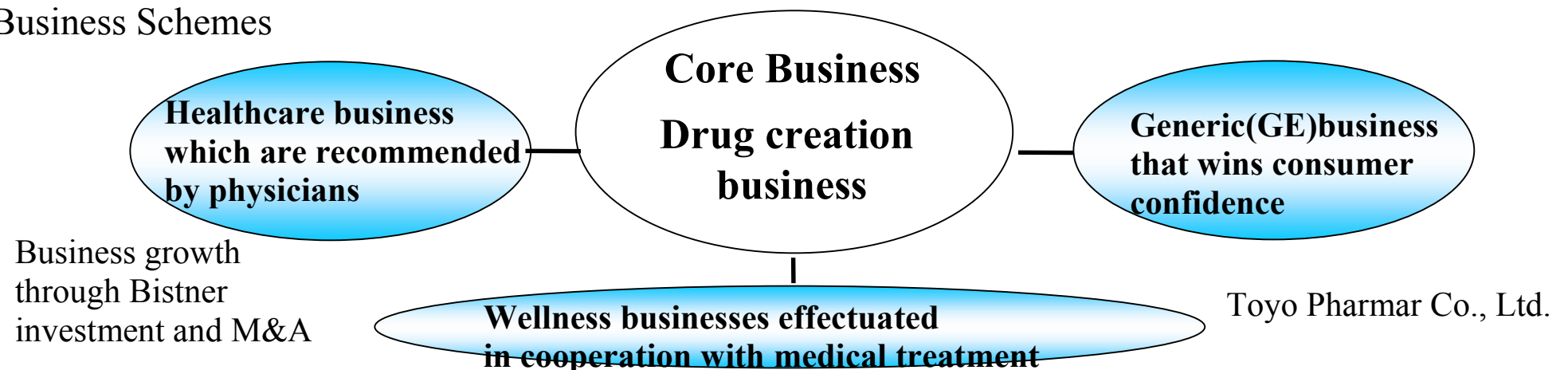
The new envisaged areas include:

-Generic (GE) business that wins consumer confidence

-Healthcare businesses which are recommended by physician

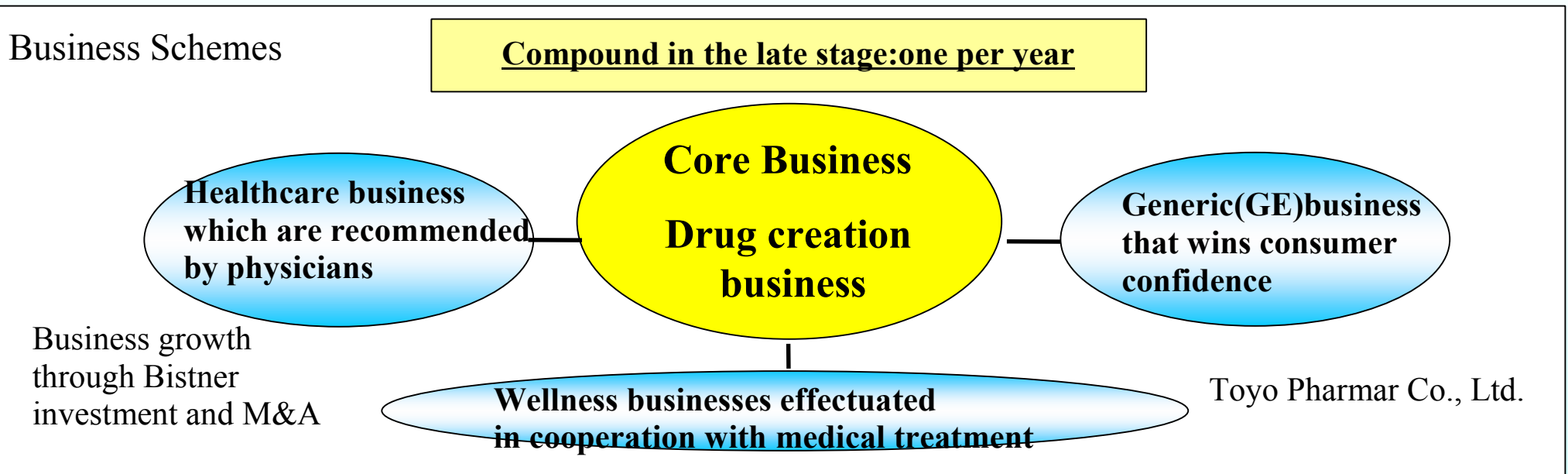
-Wellness businesses effectuated in cooperation with medical treatment

Business Schemes



Kyorin's New Course of Actions Charted Under MIC-'09 Plans

Securing the company's position as the global drug creation pharmaceutical company and enforcing competitiveness of the pharmaceutical business as the basis for sustaining high-risk, high-return, and long-term drug creation business endeavors; and establishing novel business that follow the pharmaceutical business.



Consolidated Sales of ¥100 Bln (rough measure)

Efficient capital allocation

Profit-conscious management

ROE Target: 7%

***Strengthened profit distribution policy: Targeted 50% dividend pay-out ratio**

Main R&D Activities① (May12, 2005 Release)

Stage		Compound/ Code	Efficacy	Origin	Features	Comments
Domestic	Overseas					
Application (10/04)	Ph I	URITOS KRP-197 (Tablets)	Urinary incontinence treatment	In-house	Potent anti-cholinergic agent, little dry mouth	UK:Ph I Domestic: Co-development, Co- Marketing with ONO (Plan)
Application (7/04)		KIPRES Fine Granules 4mg Montelukast	Anti- bronchial asthma agent	Merck (US)	New oral granules formulation for asthma treatment in children aged 1 to 5 years old.	○ Additional formulation ○ New indication and dosage ▪ Co-development with Banyu
Ph III (10/04)		Montelukast	Anti- bronchial asthma agent	Merck (US)	New indication for allergic rhinitis in adult. The once daily dosing of montelukast, an LTD4 receptor antagonist, is expected to improve symptoms of allergic rhinitis. Moreover it is expected to exert less sedation/sleepiness than other marketed therapies.	○ Additional indication ▪ Co-development with Banyu
Ph III (1/04)		PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	Agreement with Maruho for joint development
Ph II (10/04)	Ph II (10/04)	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 Nisshin Flour Milling
* Ph II		AS-3201 (Tablets)	Diabetic coexisting illness treatment	Dainippon	The sorbitol accumulation in the cell is controlled by strongly obstructing the Aldors reductase, and a diabetic neurological disorder is improved.	▪ Co-development with Dainippon
	Ph II (6/04)	KRP-101 (Tablets)	Anti hyperlipidmia agent	In-house	Selective agonist of PPAR α . 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.	

* : Describe the latest changes

Main R&D Activities② (May12, 2005 Release)

Licensing development (preclinical)

* : Describe the latest changes

Product name・Code	Stage	Licensee ・ Collaborative research	Efficacy	Origin	Comments
To be determined	-	Merck (US)	Synthetic Antimicrobial	In-house Merck (US)	<ul style="list-style-type: none"> Collaborative Research Entered into an Exclusive License(7/04)
Alphagan/ Alphagan P	* Ph I	Senju Seiyaku	Glaucoma	Allergan (US)	<ul style="list-style-type: none"> Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution) License-out to Senju (5/04)
Ketas	-	MediciNova (US)	Cerebrovascular disorders	In-house	<ul style="list-style-type: none"> KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan,China, South Korea and Taiwan to develop, manufacture and sell the compound and products for the multiple sclerosis indication.(10/04)
KCA—757	* Ph II	MediciNova (US)	Anti-bronchial asthma and interstitial cystitis agent	In-house	<ul style="list-style-type: none"> KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan,China, South Korea and Taiwan to develop, manufacture and sell the compound and products

Strategy of Uritos Launch

◆ Timing of MHLW Approval (Best-Case Scenario)

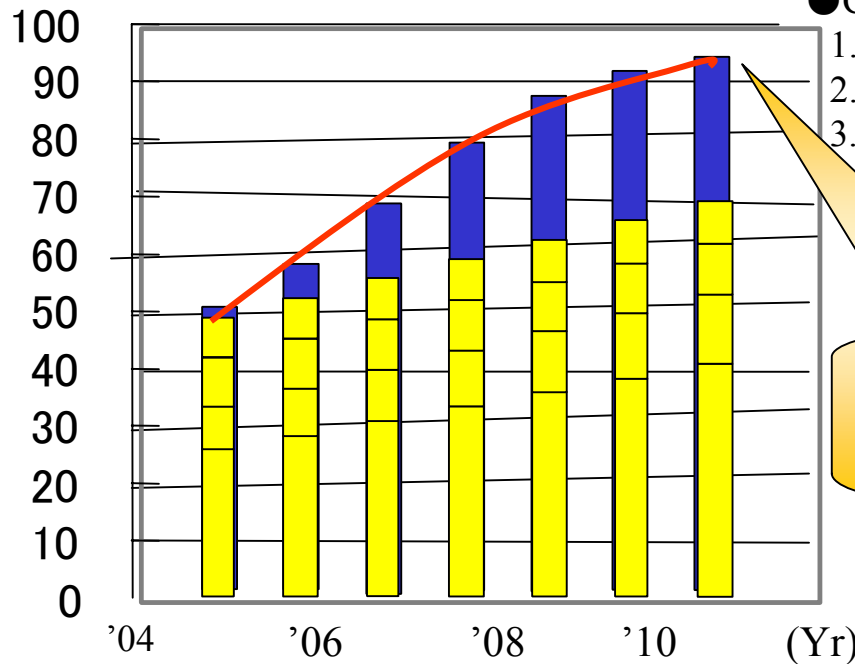
Expected Approval :FY'05, Expected Launch:FY'06

◆ Features

Stable Long-Term Efficacy with Low Occurrence Ratio of Dry Mouth

◆ Market Size of Overactive Bladder (OAB)

Patients with medication (in 10 thousands)



● Changes in Market Climate-Events Affecting the Market:

1. Simplified clinical tests based on new OAB Guidelines
2. Activated market due to new drug introduction
3. Increased number of actual patients (decrease of potential patients)

Number of Patients with medication expected to be double

8-10% Share Targeted (solely by Uritos)

■ Past-based Growth Projection
■ Additional Growth Factors

Market Size: approx. 30 bil. ('04) → more than 60 bil.

New Business Development: Synergy Effect With Toyo Pharmar

Toyo Pharmar Co., Ltd.

● Business Profile

Founded: Oct., 1947

Capital stock: ¥0.5 bil.

● FY '04 Results

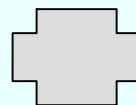
Sales : ¥6.4 bil.

Rec Profit: ¥0.3 bil.

Net Profit: ¥0.2 bil.

Ttl Assets: ¥8.5 bil.

Shareholders' Equity: ¥3.8 bil.



● Kyorin's Stockholding ratio: 71.7%

Support From Kyorin to Enhance:

New product development

- Increase the number of marketed products (In-house development)

Sales and marketing

- Secure wholesale distribution routes
- Share marketing & sales info

Productivity

- Increase factory operating rate by manufacturing Kyorin's product on the contract basis.

Immediate Goals: Annual Turnover of 10 Bil. Or More; Operating Profit Rate of 10% or Higher

Update on Bistner business fund

- Start: September 2000
- Investment: ¥5 billion (¥4 billion already paid to Bistner by Kyorin and ¥2.4 billion already invested by Bistner)
- Focus: Pharmaceuticals, Medical Treatment, Nursing, health care

Focus	Companies invested
Pharmaceuticals New drugs derived from genome etc.	4
Medical Treatment Alternative and/or reproductive medicine, and Regeneration	7
Nursing Facilities, Daycare at home, Related products	4
Food, Cosmetics, etc	8
Total	23 companies

Safe-Tech

- ① 15 million yen
- ② Manufacturing sales of scentless soybean powder etc.

Health food region

Dr's cosmetic region

Dr. program

- ① 219 million yen
- ② Development and sales of skin-care products

Dr.
program

Drug generation related drugs

- ① Sales
- ② Main activities

IRYO DENSHI SEIKO

- ① —
- ② Hepatitis C temperature heat treatment device development

Medical treatment

(nursing care/diagnosis/medical device/service)

Bioalent

- ① 7 million yen
- ② Industrial waste resolution etc. ,based on Biotechnology

SUNBIO

- ① 209 million yen
- ② Toilet for nursing care etc.

JMA

- ① —
- ② Medical facilities and equipment lease

P&L summary : Consolidated

(Units: ¥ millions)

	Mar/04		Mar/05			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	65,061	100.0%	66,296	100.0%	1.9%	1,235
Pharm (Jpn)	51,546	79.2%	52,820	79.7%	2.5%	1,274
Pharm (Frn)	8,533	13.1%	8,838	13.3%	3.6%	305
Healthcare etc.	3,510	5.4%	3,280	4.9%	▲6.5%	▲229
Related business Etc.	1,471	2.3%	1,357	2.0%	▲7.7%	▲113

Consolidated companies (6) Kyobundo, Bistner, Kyorin USA,
Bistner Fund No.1, Kyorin Europe GmbH
ActivX Biosciences, Inc.

Affiliated companies (2) Nisshin Kyorin Pharmaceutical,

Nihon Rikagaku Yakuhin

(¥ billions)

	3 / 0 4	3 / 0 5
Sales	6 5 . 0	6 6 . 3
Domestic	5 1 . 5	5 2 . 8
= By product =		
Kipres	9 . 8	1 1 . 8
Gatiflo	1 . 7	2 . 3
Mucodyne	1 8 . 0	1 9 . 0
Baccidal	0 . 9	0 . 7
Ketas	7 . 0	6 . 6
Aplace	2 . 9	2 . 5
Rocaltrol	2 . 7	2 . 4
Pentasa	6 . 0	6 . 4
< Exports >	8 . 5	8 . 8
Norfloxacin	1 . 1	0 . 4
Gatifloxacin	7 . 1	8 . 0
< Healthcare etc >	3 . 5	3 . 3
Milton	2 . 7	2 . 3
< Related business etc >	1 . 5	1 . 4

* Sales promotion, Advertising planning and production

P&L summary : Consolidated

(Units: ¥ millions)

<Consolidated>	Mar/04		Mar/05			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	65,061	100.0%	66,296	100.0%	1.9%	1,235
COGS	22,389	34.4%	22,682	34.2%	1.3%	293
Gross profit	42,671	65.6%	43,614	65.8%	2.2%	942
SG&A (of which R&D)	33,905 (8,219)	52.1% 12.6%	37,747 (12,698)	57.0% 19.2%	11.3% (54.5%)	3,842 (4,479)
Operating profit	8,766	13.5%	5,866	8.8%	▲33.1%	▲2,899
Non-op income	546	0.8%	818	1.3%	49.7%	271
Non-op expense	715	1.1%	254	0.4%	▲64.4%	▲460
Recurring profit	8,597	13.2%	6,430	9.7%	▲25.2%	▲2,167
Extraordinary profits	5,382	8.2%	1,847	2.8%	▲65.7%	▲3,534
Extraordinary losses	4,506	6.9%	4,266	6.4%	▲5.3%	▲239
Pretax profit	9,474	14.5%	4,012	6.1%	▲57.7%	▲5,461
Corporate, inhabitants and enterprise taxes	3,398	5.2%	147	0.2%	—	▲3,251
Tax adjustments	383	0.6%	1,851	2.8%	—	1,467
Net profit	5,692	8.7%	2,013	3.1%	▲64.6%	▲3,678

< Sales >

Consolidated companies (6) Kyobundo, Bistner, Kyorin USA,

Bistner Fund No.1, Kyorin Europe GmbH
ActivX Biosciences, Inc.

Affiliated companies (2) Nisshin Kyorin Pharmaceutical,

Nihon Rikagaku Yakuhin

● **Related business etc ¥1.4 billion (down by ¥0.1 billion)**

◆ Cost ratio: ▲ 0.2 points (34.4% → 34.2%)
* Despite the influence of NHI price reduction (▲ 3.7%) and the reduced income from a milestone payment, the low-cost domestic ethical drugs are making steady progress.

* Cost control by early retirement of employees at Nogi plant.

◆ R&D expense ratio: +6.6 points (12.6% → 19.2%)

* ¥8.2 billion → ¥12.7 billion (¥4.5 billion)

• Application of 2 products

• Acquisition of ActivX

◆ SGAE (except R&D): down by ▲ 1.7 points (39.5% → 37.8%)

Increase in R&D expenses, reduction of sales, general, and admin expenses (¥25.7 billion → ¥25.0 billion)

■ **Operating profit: ¥ 5.9 billion (down by ¥ 2.9 billion)**

Operating profit ratio: 8.8% (down by 4.7 points)

■ **Current term profit: ¥ 2.0 billion (down by ¥ 3.7 billion)**

Extraordinary profits: ¥1.8 billion

Earnings on disposition of securities investment (about 1.7 billion)

Extraordinary losses: ¥4.3 billion

Scrapping of bulk powder production facility (about 1.1 billion)

Loss on changing the retirement pension plan (about 1.6 billion)

■ **Dividend : ¥18.0 Dividend payout: 68.0%**

BS summary : Consolidated

(Units: ¥ millions)

< Consolidated >	Mar/04		Mar/05		
	actual	%total	actual	%total	Amt chg
Current assets	81,198	66.9%	51,782	47.4%	▲29,415
Cash, deposits	39,235		8,760		
A/R, notes receivable	22,560		24,655		
Mk securities	4,221		3,010		
Inventory	9,408		10,152		
Other	5,772		5,202		
Fixed assets	40,157	33.1%	57,452	52.6%	17,294
Tangible assets	14,702		16,997		
Intangible assets	4,858		5,571		
Investments	20,595		34,883		
Current liabilities	14,261	11.7%	11,220	10.3%	▲3,041
A/P, notes payable	5,618		5,827		
Other	8,642		5,392		
Non-current liab.	15,237	12.6%	7,470	6.8%	▲7,766
Total liabilities	29,498	24.3%	18,690	17.1%	▲10,808
Common stock	4,317	3.6%	4,317	3.9%	
Capital surplus	949	0.8%	949	0.9%	
Retained earnings	104,735	86.3%	105,294	96.4%	
Net unrealized(losses)gains of securities	2,478	2.0%	713	0.7%	
Foreign currency adjustment account	▲4	0.0%	▲6	0.0%	
Treasury stock	▲20,619	▲17.0%	▲20,724	▲19.0%	
Total shareholders' eq.	91,856	75.7%	90,544	82.9%	▲1,312
Total Liabilities & sh/s eq.	121,355	100.0%	109,234	100.0%	▲12,120

<POINTS>

- Current assets (down ¥29,415 million yoy)
 - Cash, deposits (down ¥30,474 million yoy)
 - A/R, notes receivable (up ¥2,094 million yoy)
 - Mk securities (down ¥1,210 million yoy)
 - Inventory (up ¥743 million yoy)
- Fixed assets (up ¥17,294 million yoy)
 - Tangible assets (up ¥2,294 million yoy)
 - Intangible assets (up ¥713 million yoy)
 - Investments (up ¥14,287 million yoy)
- Current liabilities
 - Other (down ¥3,041 million yoy)
 - Other (down ¥3,249 million yoy)
- Non-current liab
 - Accrued pension cost (down ¥10,380 million yoy)
 - Money unpaid when retirement supply system shifts (up ¥2,573 million yoy)

R&D, capex & depreciation

(Units: ¥ millions)

	3/01	3 / 02	3 / 03	3 / 04	3 / 05		3/06 (Forecast)
					actual	YoY	
R&D expense	6, 191	6, 031	7, 009	8, 219	12, 698	54.5%	10, 400
Capex (book base)	2, 465	2, 507	3, 301	5, 670	6, 172	8.9%	4, 300
Depreciation expense	2, 735	3, 213	3, 637	4, 774	3, 894	▲18.4%	4, 000

< Capital expenditure (Result/Forecast)>

	3 / 05	3 / 06
	actual	forecast
(Result)		
Noshiro preparation plant and other production equipment (each plant)	¥5.3 billion	
Equipment for control, sales activities	¥0.6 billion	
Equipment for research	¥0.3 billion	
(Forecast)		
Noshiro preparation plant and other production equipment (each plant)		¥3.8 billion
Equipment for control, sales activities		¥0.3 billion
Equipment for research		¥0.2 billion

Product sales update

(Units: ¥ billions)

		3 / 01	3 / 02	3 / 03	3 / 04	3 / 05		3 / 06 (Forecast)
						actual	YoY	
DOMESTIC SALES	Kipres (LT receptor antagonist)	—	3.1	6.4	9.8	11.8	20.4%	12.6
	Gatiflo (Kyorin) (Antibacterial agent)	—	—	4.7	1.7	2.3	35.3%	2.6
	Mucodyne (Mucuregulant)	16.1	17.5	17.1	18.0	19.0	5.6%	19.0
	Baccidal (Antibacterial agent)	2.1	1.7	1.2	0.9	0.7	▲22.2%	0.5
	Ketas (For bronchial asthma and cerebrovasculas disorders)	7.5	7.5	7.0	7.0	6.6	▲5.7%	6.7
	Aplace (Anti-ulcer agent)	4.5	4.3	3.4	2.9	2.6	▲10.3%	2.2
	Rocaltrol (Osteoporosis remedy)	3.8	3.8	3.0	2.7	2.4	▲11.1%	2.1
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	4.0	4.5	5.3	6.0	6.4	6.7%	6.9
FOREIGN SALES	Total	8.6	12.1	9.0	8.5	8.8	3.5%	7.5
	Gatifloxacin (Bulk · Royalty)	5.5	9.8	5.1	7.1	8.0	12.7%	6.7
	Norfloxacin (Bulk · Royalty)	2.3	1.8	1.5	1.1	0.4	▲63.6%	0.5
	Foreign sales ratio (%)	15.8%	20.1%	13.4%	13.4%	13.6%	—	11.6%
HEALTHCARE etc	Milton (Effervescent disinfectant)	2.9	2.9	3.0	2.7	2.3	▲14.8%	2.4
In-house ratio (%)		82.4%	84.0%	86.6%	83.5%	82.2%	—	80.8%

Financial summary (Consolidated)

(Units: ¥ millions)

	3 / 01	3 / 02	3 / 03	3 / 04	3 / 05	3 / 06 (Forecast)
Sales (Exports)	55,832 (8,646)	62,395 (12,127)	68,618 (9,024)	65,061 (8,533)	66,296 (8,838)	71,000 (7,500)
COGS (Ratio to sales) %	17,974 (32.2%)	19,336 (31.0%)	21,205 (30.9%)	22,389 (34.4%)	22,682 (34.2%)	
SGA (Ratio to sales) %	28,808 (51.6%)	31,101 (49.8%)	35,045 (51.1%)	33,905 (52.1%)	37,747 (57.0%)	
R&D expense (Ratio to sales) %	6,191 (11.1%)	6,031 (9.7%)	7,009 (10.2%)	8,219 (12.6%)	12,698 (19.2%)	10,400 (14.6%)
Operating profit (Ratio to sales) %	9,049 (16.2%)	11,957 (19.2%)	12,367 (18.0%)	8,766 (13.5%)	5,866 (8.8%)	5,800 (8.2%)
Recurring profits (Ratio to sales) %	9,786 (17.5%)	12,210 (19.6%)	12,805 (18.6%)	8,597 (13.2%)	6,430 (9.7%)	6,200 (8.7%)
Net profit (Ratio to sales) %	2,951 (5.3%)	4,117 (6.6%)	4,120 (6.0%)	5,692 (8.7%)	2,013 (3.1%)	3,300 (4.6%)
EPS (¥)	51.27	60.55	47.21	68.76	26.48	43.82
Capital	3,623	4,317	4,317	4,317	4,317	
Assets	125,476	134,472	139,961	121,355	109,234	
Shareholders' equity	99,750	102,356	105,318	91,856	90,544	
BPS (¥)	1,732.98	1,187.30	1,222.61	1,234.80	1,218.22	
ROE (%)	3.0%	4.1%	4.0%	5.8%	2.2%	
Equity ratio (%)	79.5%	76.1%	75.2%	75.7%	82.9%	
Staff	1,696	1,731	1,719	1,652	1,703	
Capital expenditure	2,465	2,507	3,301	5,670	6,172	4,300
Depreciation expense	2,735	3,213	3,637	4,774	3,894	4,000

P&L summary : Parent

(Units: ¥ millions)

	Mar/04		Mar/05			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	63, 589	100.0%	64, 938	100.0%	2.1%	1, 349
Pharm (Jpn)	51, 546	81.1%	52, 820	81.3%	2.5%	1, 274
Pharm (Frn)	8, 533	13.4%	8, 838	13.6%	3.6%	305
Healthcare etc.	3, 510	5.5%	3, 280	5.1%	▲6.5%	▲229

	3 / 0 4	3 / 0 5
Sales	6 3.6	6 4.9
Domestic	5 1.5	5 2.8
= By product =		
Kipres	9.8	1 1.8
Gatiflo	1.7	2.3
Mucodyne	1 8.0	1 9.0
Baccidal	0.9	0.7
Ketas	7.0	6.6
Aplace	2.9	2.5
Rocaltrol	2.7	2.4
Pentasa	6.0	6.4
< Exports >	8.5	8.8
Norfloxacin	1.1	0.4
Gatifloxacin	7.1	8.0
< Healthcare etc >	3.5	3.3
Milton	2.7	2.3

P&L summary : Parent

(Units: ¥ millions)

	Mar/04		Mar/05			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	63,589	100.0%	64,938	100.0%	2.1%	1,349
Pharm (Jpn)	51,546	81.1%	52,800	81.3%	2.5%	1,274
Pharm (Frn)	8,533	13.4%	8,838	13.6%	3.6%	305
Healthcare etc.	3,510	5.5%	3,280	5.1%	▲6.5%	▲230
COGS	21,273	33.5%	21,653	33.3%	1.8%	379
Gross profit	42,315	66.5%	43,285	66.7%	2.3%	969
SG&A (of which R&D)	33,515 (8,219)	52.7% 12.9%	37,373 (12,698)	57.6% 19.6%	11.5% (54.5%)	3,858 (4,479)
Operating profit	8,799	13.8%	5,911	9.1%	▲32.8%	▲2,888
Non-op income	490	0.8%	502	0.8%	2.3%	11
Non-op expense	914	1.4%	689	1.1%	▲24.6%	▲224
Recurring profit	8,376	13.2%	5,723	8.8%	▲31.7%	▲2,652
Extraordinary profits	5,383	8.5%	1,792	2.8%	▲66.7	▲3,591
Extraordinary losses	4,506	7.1%	3,975	6.1%	▲11.8%	▲530
Pretax profit	9,253	14.6%	3,540	5.5%	▲61.7%	▲5,713
Corporate, inhabitants and enterprise taxes	3,356	5.3%	75	0.1%	—	▲3,281
Tax adjustments	385	0.6%	1,850	2.8%	—	1,465
Net profit	5,512	8.7%	1,615	2.5%	▲70.7%	▲3,897

■ Sales: ¥64,938 million (up by ¥1.3 billion)

● Domestic ethical drug sales

¥52,820 million (up ¥1.3 billion)

(Units: ¥ billion)

	3/04	3/05
•Kipres	9.8	→ 11.8 (+2.0)
•Mucodyne	18.0	→ 19.0 (+1.0)
•Ketas	7.0	→ 6.6 (▲0.4)

•Others 2.5 → 1.0(▲1.5)
*Decrease of a milestone payment

● International ethical drug sales

¥8,838 million (up by ¥ 0.3 billion)

•Gatiflo	7.1	→ 8.0 (+0.9)
* The ophthalmic solution product“Zymar” continued it’s strong performance.		
•Norfloxacin	1.1	→ 0.4(▲0.7)

● Healthcare etc.

¥3,280 million (down by ¥0.2billion)

• Milton 2.7 → 2.3(▲0.4)

◆ Cost ratio: ▲0.2 points (33.5% → 33.3%)

* Despite the influence of NHI price reduction(▲3.7%) and the reduced income from a milestone payment, the low-cost domestic ethical drugs are making steady progress.

*Rising control of early retirement of employees at Nogi Plant (about 80 employees)

◆ R&D expense ratio: +6.7 points (12.9% → 19.6%)

* ¥8.2billion → ¥12.7billion (¥4.5billion)

◆ SGAE(except R&D): down by ▲ 1.8 points (39.8%→38.0%)

*About 0.6 billion yen down of the R&D expense is small according to the reduction efforts of the labor cost and administrative expenses, etc.

■ Operating profit: ¥ 5,911million (down by ¥ 2.9 billion)

Operating profit ratio:down by 4.7 points(13.8% →9.1%)

■ Current term profit: ¥ 1,615million (down by ¥ 3.9 billion)

*Extraordinary profits: ¥1.8 billion

• Earnings on disposition of securities investment (about 1.7billion)

*Extraordinary losses:¥4.0 billion

• Scrapping of bulk powder production facility(about 1.1billion)

• Loss on changing the retirement pension plan(about 1.6billion)

• Special retirement allowance(about 0.4billion)

• The investment securities redemption is disadvantageous(about 0.3billion)

BS summary : Parent

(Units: ¥ millions)

< Parent >	Mar/04		Mar/05		
	actual	%total	actual	%total	Amt chg
Current assets	79, 537	66.5%	49, 096	46.2%	▲30, 441
Cash, deposits	38, 089		6, 823		
Notes receivable	451		251		
Accounts receivable	21, 699		23, 955		
Mk securities	4, 109		2, 899		
Inventory	9, 416		10, 181		
Other	5, 769		4, 986		
Fixed assets	40, 066	33.5%	57, 168	53.8%	17,101
Tangible assets	14, 667		16, 623		
Intangible assets	4, 855		5, 569		
Investments	20, 543		34, 975		
Current liabilities	13, 875	11.6%	10, 082	9.5%	▲3, 793
Notes payable	1, 237		1, 236		
Trade accounts payable	3, 806		4, 083		
Other	8, 831		4, 762		
Non-current liab.	15, 184	12.7%	7, 342	6.9%	▲7, 842
Total liabilities	29, 060	24.3%	17, 425	16.4%	▲11, 635
Common stock	4, 317	3.6%	4, 317	4.1%	
Capital surplus	949	0.8%	949	0.9%	
Retained earnings	103, 462	86.5%	103, 625	97.5%	
Net unrealized(losses)gains of securities	2, 430	2.0%	667	0.6%	
Treasury stock	▲20, 616	▲17.2%	▲20, 720	▲19.5%	
Total shareholders' eq.	90, 543	75.7%	88, 839	83.6%	▲1, 704
Total Liabilities & sh/s eq.	119, 604	100.0%	106, 264	100.0%	▲13, 339

<POINTS>

- Current assets (down ¥30,441 million)
 - Cash, deposits (down ¥31,266 million)
 - Accounts receivable (up ¥2,255million)
 - Other (down ¥783 million)
- Fixed assets (up ¥17,101 million)
 - Tangible assets (up ¥1,955 million)
 - Intangible assets(up ¥713 million)
 - Investments (up ¥14,432 million)
- Current liabilities (down ¥3,793 million)
 - Trade accounts payable (up ¥277 million)
 - Other (down ¥4,070 million)
- Non-current liab (down ¥7,842million)
 - Accrued pension cost (down ¥10,384 million)
 - Money unpaid when retirement supply system shifts (up ¥ 2,573 million yoy)

Financial summary (parent)

(Units: ¥ millions)

	3 / 01	3 / 02	3 / 03	3 / 04	3 / 05	3 / 06 (Forecast)
Sales (Exports)	54,671 (8,646)	61,131 (12,127)	67,293 (9,024)	63,589 (8,533)	64,938 (8,838)	64,800 (7,500)
COGS (Ratio to sales) %	17,102 (31.3%)	18,376 (30.1%)	20,230 (30.1%)	21,273 (33.5%)	21,653 (33.3%)	
SGA (Ratio to sales) %	28,589 (52.3%)	30,889 (50.5%)	34,698 (51.6%)	33,515 (52.7%)	37,373 (57.6%)	
R&D expense (Ratio to sales) %	6,191 (11.3%)	6,031 (9.9%)	7,009 (10.4%)	8,219 (12.9%)	12,698 (19.6%)	10,200 (15.7%)
Operating profit (Ratio to sales) %	8,980 (16.4%)	11,865 (19.4%)	12,364 (18.3%)	8,799 (13.8%)	5,911 (9.1%)	5,500 (8.5%)
Recurring profits (Ratio to sales) %	9,524 (17.4%)	11,816 (19.3%)	12,241 (18.1%)	8,376 (13.2%)	5,723 (8.8%)	5,600 (8.6%)
Net profit (Ratio to sales) %	2,800 (5.1%)	3,785 (6.2%)	3,633 (5.3%)	5,512 (8.7%)	1,615 (2.5%)	3,000 (4.6%)
EPS (¥)	48.65	55.67	41.63	66.59	21.19	39.84
Capital	3,623	4,317	4,317	4,317	4,317	
Assets	124,798	133,427	138,484	119,604	106,264	
Shareholders' equity	99,482	101,703	104,191	90,543	88,839	
BPS (¥)	1,728.19	1,179.73	1,209.54	1,217.09	1,195.26	
ROE (%)	2.8%	3.8%	3.5%	5.7%	1.8%	
Equity ratio (%)	79.7%	76.2%	75.2%	75.7%	83.6%	
Staff	1,648	1,671	1,658	1,597	1,619	
Capital expenditure	2,465	2,507	3,301	5,668	6,171	4,200
Depreciation expense	2,730	3,207	3,626	4,763	3,883	3,700