

November 10, 2004

March 2005 Mid-Term Financial Results

Current Business Performance

Update on Main Products and R&D Activities

KYORIN Pharmaceutical Co., Ltd.

March 2005 Mid-Term Current Business Performance

Account Settlement Overview

Sales Situation

Sales Forecast

Account Settlement Overview for the Interim Term Ending in Sep. 2004(Consolidated)

The prescription drug sales in the domestic market were 23.6 billion yen (down 4.0% from the previous year). The consolidated sales in the overseas market, however, was 5.1 billion yen (+40.9%) due to the steady performance of gatifloxacin bulk exports to BMS (US) and the income of Zymar from Allergan (US). As a result, the consolidated sales were 31 billion yen (+0.7%).

The consolidated operating profits were 1.5 billion yen (-52.9%), and mid-year net profit was 1.3 billion yen (-71.8%), due to a substantial increase in R&D expenses.

Despite the expected impact of the NHI price reduction, the consolidated sales for the full fiscal year is projected to be 65.2 billion yen (+0.2%), due to the steady growth of Kipres and the increase in overseas sales.

While efforts will be made to reduce sales, general, and administrative expenses (SGAE; excluding R&D expenses), the consolidated operating profits and the consolidated net profit for the full fiscal year are projected to be 5.7 billion yen (-35%) and 3.3 billion yen (-42.0%), respectively, due to a sizable increase in R&D expenses.

| Unit: Million Yen | 9/01 | 9/02 | 9/03 | 9/04 | yoy | Cons./ Parent | 3/05 (forecast) | yoy |
|----------------------|---------|---------|---------|---------|---------|------------------|--------------------|---------|
| Sales | 29,293 | 31,878 | 30,831 | 31,056 | ↑ 0.7% | 1.02 | 65,200 | 0.2% |
| Op Profit | 3,831 | 4,806 | 3,387 | 1,595 | ↓ 52.9% | 1.00 | 5,700 | ↓ 35.0% |
| Rec Profit | 3,946 | 4,904 | 3,336 | 1,974 | ↓ 40.8% | 1.10 | 6,200 | ↓ 27.9% |
| Net Profit | 871 | 1,555 | 4,643 | 1,307 | ↓ 71.8% | 1.17 | 3,300 | ↓ 42.0% |
| EPS(Yen) | 15.14 | 18.05 | 53.93 | 17.59 | ↓ 67.4% | 1.17 | 44.40 | ↓ 35.4% |
| Ttl Assets | 127,483 | 135,017 | 138,980 | 118,558 | ↓ 14.7% | 1.02 | — | — |
| Sh/s eq | 100,107 | 103,228 | 109,504 | 91,460 | ↓ 16.5% | 1.02 | — | — |

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

Interim Term Ending in Sep. 2004 Sales Situation (consolidated)

(Comparison to Previous Year) Comparison to Forecast

■ Sales: ¥31,056 million (up by ¥0.2 billion)

up by ¥ 0.7billion

● Prescription drugs for the Japanese market
¥23,686 million (down by ¥0.9 billion)

down by ¥ 0.4billion

| 9/03 | 9/04 (Units: ¥ billion) |
|--------------------------------------|---------------------------|
| = Positive factors = • Kipres 4.3 | → 5.2 (+0.9) |
| = Negative factors = • Others 2.1 | → 0.7(-1.4) |

* Reduced income from a milestone payment

● Overseas sales
¥ 5,172 million (up by ¥ 1.5 billion)

up by ¥ 1.5billion

| | |
|---------------------------------------|-------------|
| = Positive factors = • Gatiflo 3.0 | → 4.8(+1.8) |
|---------------------------------------|-------------|

* Advanced purchase by BMS for Tequin bulk from second half

* Steady performance of Zymar at Allergan

● Other sales ¥1,564 million (down by ¥0.2billion)

down by ¥ 0.3billion

• Milton 1.4 → 1.2(-0.2)

● Non-Pharma business ¥ 632 million (± ¥0.0 billion)

± ¥0.0 billion

■ Cost ratio: up 2.6 points from the previous year
(33.8% → 36.4%)

*Reduced income from milestone payments, increased overseas sales of gatifloxacin bulk

■ R&D expense ratio: up 7.6 points from the previous year
(11.6% → 19.2%)

*3.5 billion yen → 5.9 billion yen, up by approximately 2.3 billion yen

■ SGAE ratio (excluding R&D expenses):
down 4.4 points from the previous year(43.6% → 39.2%)

•SGAE (excl. R&D) decreased by approximately 1.2 billion yen, due to the reduction in personnel, general administration, and other expenses

down by ¥ 0.1billion

■ Operating profit: ¥ 1,595million (down by ¥ 1.7 billion)

Operating profit ratio was 5.1%, down 5.9 points from the previous year.

up by ¥ 0.6billion

■ Mid-year net profit: 1.307 billion yen (down 3.3 billion yen)

*Extraordinary profits in the previous fiscal year included the special profit of approximately 4.4 billion yen as the refund for the proxy payment for the welfare pension fund.

•Comparison to forecast: Extraordinary losses due to the delay of gains from the early retirement of employees to the 2nd Half of FY 2004

■ Dividend : ¥9.0

(Units: ¥ millions)

| | Sep/03 Interim term (actual) | Sep/04 Interim term (actual) |
|----------------------------------|------------------------------------|------------------------------------|
| Sales | 30,831 | 31,056 |
| A.Pharma | | |
| 1)RX Domestic | 24,670 | 23,686 |
| 2)RX Overseas | 3,672 | 5,172 |
| 3)Other | 1,794 | 1,564 |
| B.Non-Pharma Advertising,etc. | 693 | 632 |
| Op Profit | 3,387 | 1,595 |
| Rec Profit | 3,336 | 1,974 |
| Net Profit | 4,643 | 1,307 |

Fiscal Year ending in March 2005 Sales Forecast (Consolidated)

(Comparison to Previous Year) Comparison to Forecast

(Units: ¥ millions)

| | Mar/04 (actual) | Mar/05 (forecast) |
|--|--------------------|----------------------|
| Sales | 65,061 | 65,200 |
| A. Pharma | | |
| 1)RX Domestic | 51,546 | 51,600 |
| 2)RX Overseas | 8,533 | 8,800 |
| 3)Other | 3,510 | 3,300 |
| B. Non-Pharma Advertising, etc. | 1,471 | 1,500 |
| Op Profit | 8,766 | 5,700 |
| Rec Profit | 8,597 | 6,200 |
| Net Profit | 5,692 | 3,300 |

■ Sales: ¥65,200 million (up by ¥0.1 billion)

● Prescription drugs for the Japanese market

¥51,600 million (± ¥0.0 billion)

| 3/04 | 3/05(Forecast) |
|-------------------------------------|----------------|
| = Positive factors = •Kipres 9.8 | → 11.7 (+1.9) |
| = Negative factors = •Others 2.5 | → 1.1 (-1.4) |

(Units: ¥ billion)

down by ¥ 0.8billion

down by ¥ 0.7billion

* Reduced income from a milestone payment

● Overseas sales

¥ 8,800 million (up by ¥ 0.2 billion)

| | |
|--------------------------------------|-------------|
| = Positive factors = •Gatiflo 7.1 | → 8.1(+1.0) |
|--------------------------------------|-------------|

up by ¥ 0.5billion

* Steady performance of Zymar at Allergan

● Other sales ¥3,300 million (down by ¥0.2billion)

• Milton 2.7 → 2.3(▲0.4)

● Non-pharma business ¥1,500 million (± ¥0.0 billion)

down by ¥ 0.6billion

± ¥0.0 billion

■ Cost ratio: projected increase by 0 to +2 points

*Despite the impact of NHI price reduction and decreased income from milestone payments, the retirement of the workers of the Nogi Plant will keep costs from rising.

■ R&D expense ratio: up 6.1 points (12.6% → 18.7%)

*R&D expenses: 8.2 billion yen → 12.2 billion yen (up by approximately 4.0 billion yen)

■ SGAE ratio (excluding R&D expenses): projected reduction of approximately 2 points

* Significant reduction due to the re-examination of expenses

■ Operating profit: ¥ 5,700million (down by ¥ 3.0 billion)

Projected operating profit ratio is 8.7%, down 4.8 points from the previous year

down by ¥ 0.8billion

■ Full fiscal term profit: ¥ 3,300million(down by ¥ 2.3 billion)

down by ¥ 0.1billion

*Extraordinary loss: losses associated with the delayed gains from early retirement

■ Dividend : ¥18.0(forecast)

March 2005 Mid-Term Current Situation

- (1) **Domestic Sales Situations:**
 - Kipres
 - Mucodyne
 - Gatiflo
- (2) **Acceleration of R&D Activities**
- (3) **Promotion of Low Cost Operations**
- (4) **Uritos Situation**

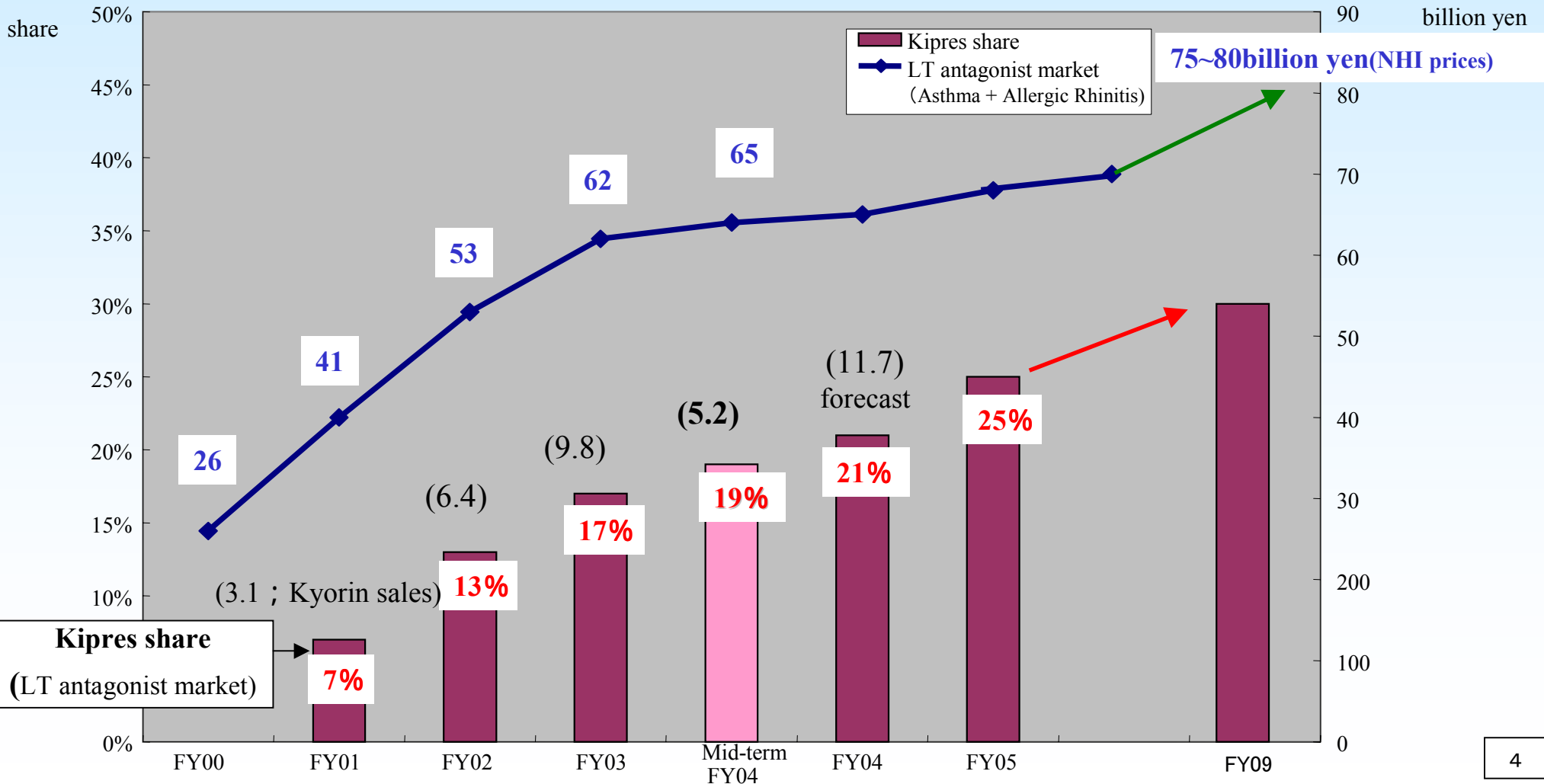
March 2005 Mid-Term
Current Situation(1)

Domestic Sales Situations ① Kipres

Action Plans: Promotion of Lifecycle Management

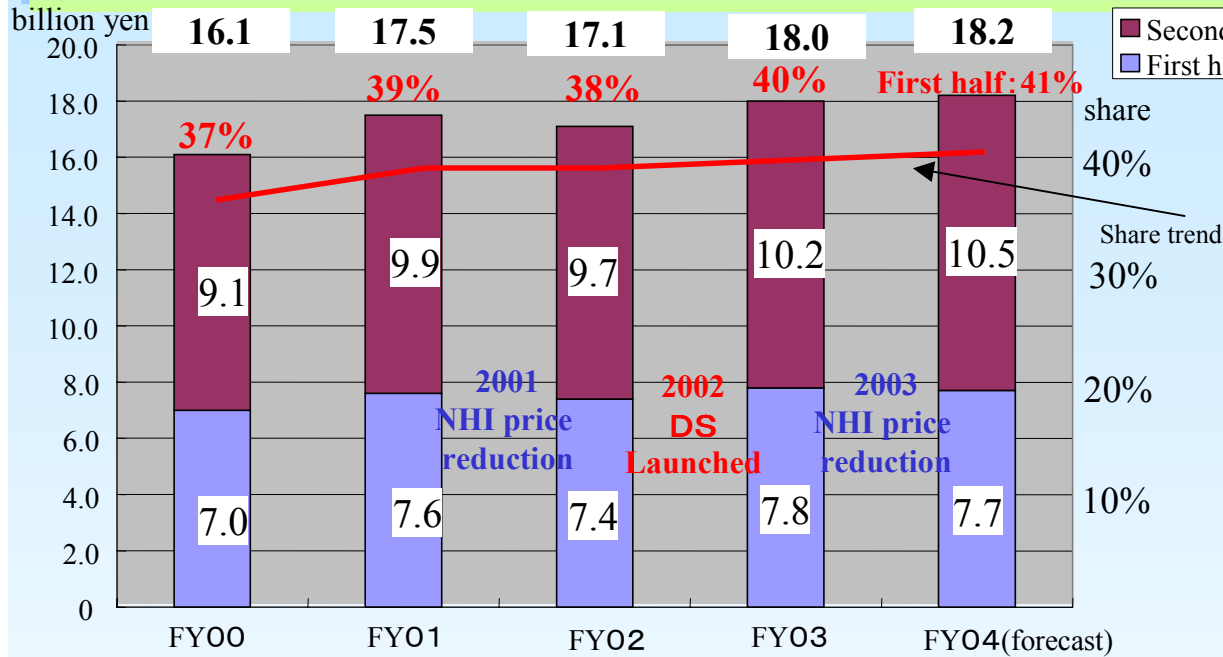
- A new formulation (Fine granules 4 mg for 1 to 5-years-old children) and a new indication (allergic rhinitis) to facilitate the penetration into the market, which is currently monopolized by Onon and the expansion of the leukotriene (LT) antagonist market
- * Fine granules: approx. 4.0 billion yen
- * Allergic rhinitis: approx. 7.0 billion yen (among LT antagonists)

- Immediate Objectives: Achievement of a 25% share in FY 2005**
- Increase prescriptions through the Franchise Customer (FC) strategy promotion
 - New patients
 - Switchover from other drugs

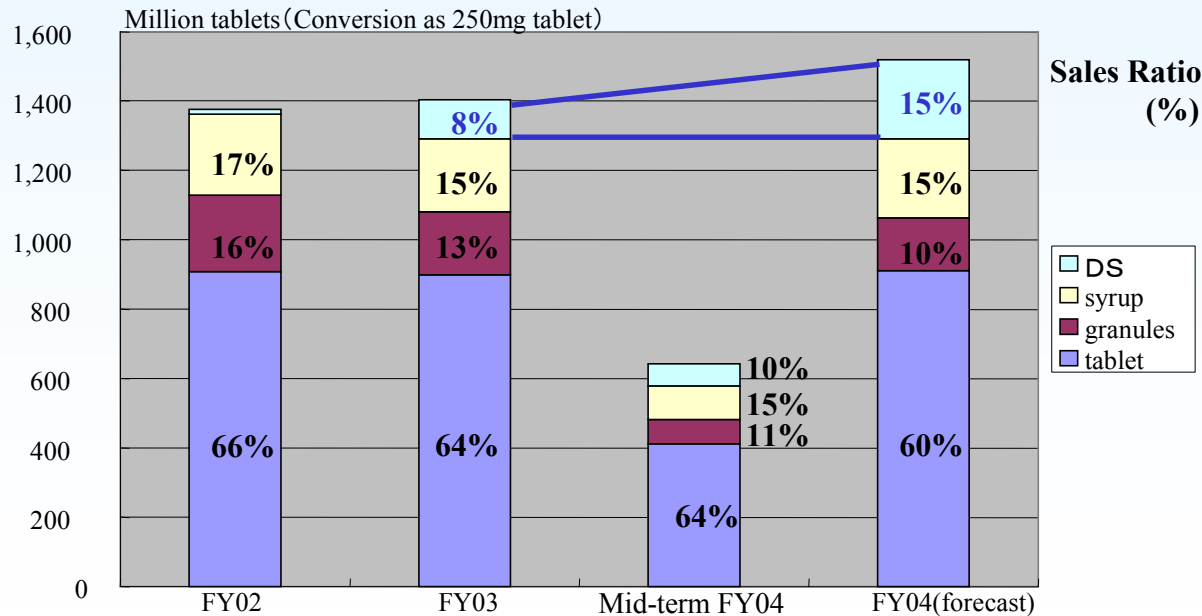


Kipres share
(LT antagonist market)

Domestic Sales Situations ② Mucodyne



- Promotion of the Franchise Customer (FC) strategy and life cycle management
 - (1) FC Strategy
 - Promotional activities focused on respiratory and otorhinology specialists
 - Sales increase in both 1st and 2nd Half of FY 2004
 - (2) Lifecycle Management
 - Aggressive sales of the new formulation, Mucodyne DS*
 - <1> Promotion of appropriate use
 - <2> Switchover from fine granules
- *DS: Abbreviation of “dry syrup”
- ↓
- Market share expansion & Continued sales growth**



Highlights of the Mid-Year Results and Immediate Action Plans

1.Reinforcement of the benefits of Gatiflo

- 1)Mid-year results: Establishment of the positioning for intractable diseases in urology and otorhinology areas
- 2)Action plans for the 2nd half of FY 2004: Aggressive awareness campaign to establish the position as the first-line treatment for respiratory infections (lower airway)
 - Reinforcement of promotional activities by conducting medical conference seminars and lecture meetings across the country (co-organization with Dainippon Pharmaceutical Co., Ltd.)

2.Gatiflo 0.3% Ophthalmic Solution

- Launch on September 7, 2004 (Senju Pharmaceutical Co., Ltd.)

Target sales for FY 2004: 2.0 billion yen

Target peak sales: 10.0 billion yen

| March/2004 | | March/2005 | |
|------------------|-----------|------------------|---------------------|
| Sep.interim term | full term | Sep.interim term | full term(forecast) |
| ¥0.6billion | 1.7 | 0.9 | 2.2 |

Gatiflo sales : Only Kyorin sales in Japan (excluding sales to Dainippon)

Highlights of the mid-year

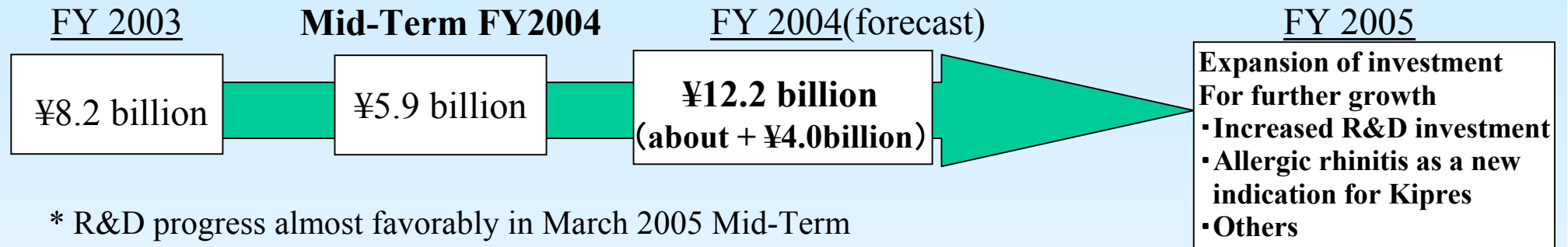
1. The situation of Tequin at BMS
 - Slight decline in actual sales due to lower prevalence of influenza than average years
 - Continued focus on the HP group, and nurturing of high prescribers in the GP group
2. Steady performance of Zymar at Allergan
 - Top share achieved in the ophthalmology area
 - More than 20% share achieved in the antibiotic eye drop market

| | Sales in 2002 | Sales in 2003 | | Sales in 2004 | | Forecast for 2004 |
|-----------------------------------|---------------|---------------|-------------|---------------|-----------------------|-------------------|
| | | First half | Second half | First half | Second half(forecast) | |
| Tequin | \$248MM | \$112MM | \$103MM | \$100MM | \$100MM | \$200MM |
| Zymar | | \$ 5MM | \$ 25MM | \$ 35MM | \$ 35MM | \$ 70MM |
| Sales by Kyorin (¥billion) | 5.1 | 7.1 | | 4.8 | 3.3 | 8.1 |

* Tequin and Zymar sales are calendar year sales(Kyorin sales is fiscal year sales)

IMS data :Tequin and Zymar sales

1.Expansion of R&D investment for further growth



2.March 2005 Mid-Term : The stage rise of Main R&D product

1) Launch

| | |
|---|-------------|
| Gatiflo 0.3% Ophthalmic Solution (Senju Pharmaceutical) | September 7 |
| Sinseron Tablets (Nissin Kyorin Pharmaceutical / Yakult Honsha) | September 7 |

2) Stage up

| | | |
|--|-----------------|--------------------------------|
| KRP-197(Uritos) | Ph III | ⇒ Application (October) |
| Kipres Fine Granules 4mg (additional formulation) | Ph III | ⇒ Application (July) |
| Kipres (additional indication ; Allergic rhinitis) | Ph II | ⇒ Ph III (October) |
| KRP- 101 | Ph I (overseas) | ⇒ Ph II a (June) |
| N-5984 | Ph I (domestic) | ⇒ Ph II a (October) |
| | Ph I (overseas) | ⇒ Ph II a (October) |

Kyorin Pharmaceutical Discovery Research Global Network

• Satellite Research Labo

Europe

Kyorin Scotland Research Laboratory
(Established: November 2000)

USA

under review

• Venture company

USA

ActivX Biosciences, Inc.
Discovery Partners International, Inc.

Pharmaceutical companies

• Other

University, External research laboratory

POC: Goal for 2 theme by year

Kyorin Discovery Research Laboratories

Priority Field

Infectious disease

Immunology • Allergy

Metabolic disease

POC Theme

—FY2004—

Synthetic Antimicrobial agents
(Merck)

Nominate product PDE inhibitor
(KSRL)

Nominate product metabolic disease
(ActivX)

Identify of target

Lead Search

Lead Optimization

POC Theme

Promotion of Low Cost Operations

1.Reform of the cost structure

FY2004

- ① Changing the production system : Two-site operation
- ② Production Outsourcing

- Reduction of labor costs
 - Projected reduction of 0.6 to 0.7 billion yen per year
- Outsource a portion of the manufacturing process of products

FY2006~

- Two-site operation from April 2006
 - * Total investment of 8.0 billion yen
- Reduction of production workforce: 350 in 2001 → 200 in 2006
- Partial outsourcing in April 2005
 - * Low-volume, technically-established products
- Manufacturing of key products at the Noshiro Plant starting in April 2006
- High-volume, technically-complicated products only

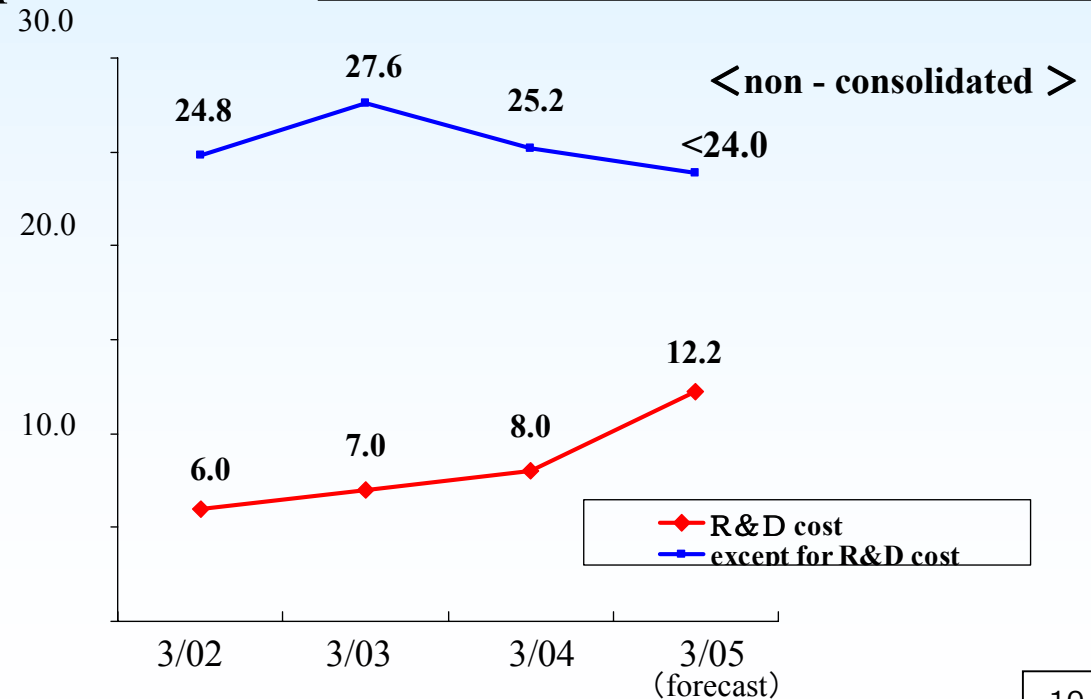
2.Reduction of SGAE, excluding R&D expenses

○ Mid-year results: reduction of approximately 1.2 billion yen, as projected

- <1> Reduction of corporate advertising expenses
- <2> Restraint on personnel expenses
- <3> Reduction of other general expenses

○ Action plans to achieve the MIC-'05 plan Target SGAE ratio (excluding R&D expenses) in FY 2005: 35%

- <1> Optimization of workforce age distribution
- <2> Further improvement of direct to indirect cost ratio



Uritos Situation:NDA and Expansion of Anticholinergic Agent Market

1.Outline of Uritos Bladder selective M1•M3 receptor antagonist

- (1) Target Indications:Treatment for urinary frequency,urinary urgency and urge urinary incontinence associated with Overactive Bladder(OAB)
- (2) Feature:Decreased adverse events, such as dry mouth, because of bladder selective
- (3) NDA in Japan:October 2004
 - * Expected launch:within 2years from NDA

2.Try to expand market of treatment for urinary incontinence

- (1) Increase number of treated patients by educational activity for latent patients
- (2) Infiltration of OAB to physicians(expand opportunity of patients' visit)

① Domestic Market scale of urinary in continence drugs (FY2003)

Total about ¥26.0 billion

| | |
|---------------------------------|----------------------|
| • Propiverine (Taiho/Fujirebio) | ¥18.0 billion |
| • Oxybutynin (Aventis) | ¥ 3.5 billion |
| • Flavoxate (Nippon Sinyaku) | ¥ 4.0 billion |

② The estimated number of OAB patients

: about 8.1million people

(12.4% of the Japanese population over age 40)

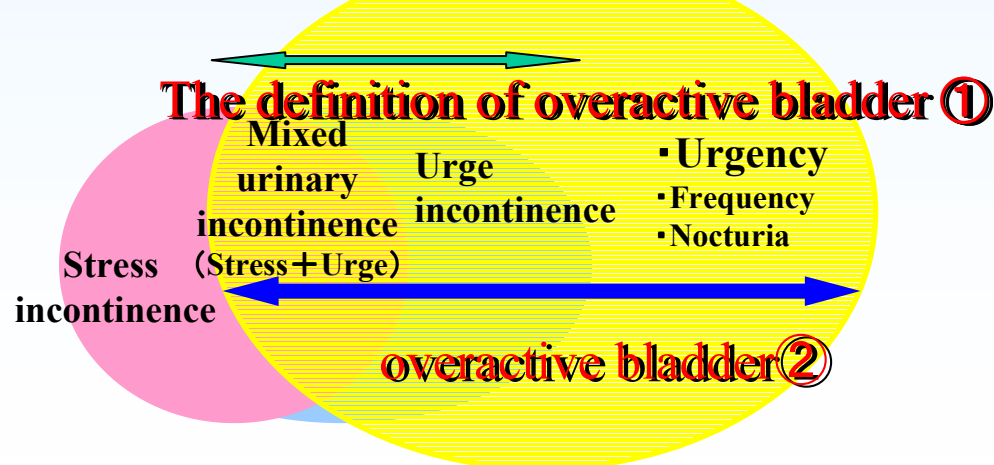
In the patients

- OAB dry: 6.0%
- OAB wet: 6.4%

The number of medicated patients

: about 1.7million people (about 20%)

The definition of overactive bladder



From the result of the epidemical mass observation by the epidemical Committee of urination in the Japanese Neurogenic Bladder Society(2003)

Main R&D Activities

R&D products

Derived products

New business situations

Bistner business fund

Main R&D Activities① (November 8, 2004 Release)

| Stage | | Compound/ Code | Efficacy | Origin | Features | Comments |
|--------------------------|--------------------|---|--|--------------------------|--|--|
| Domestic | Overseas | | | | | |
| * Launched (9/04) | | SINSERON 8mg N-3389 (Tablets) | Anti-emetic agent | Nisshin Flour Milling | 5-HT3 and 5-HT4 dual antagonist | Developed with Nisshin Flour Milling (Nissin Pharma) NDA by Nissin-Kyorin • Launched by Yakult Honsha |
| * 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 | | 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 (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 (November8, 2004 Release)

Licensing development

| Code | Licensee | Stage | Efficacy | Origin | Comments |
|---|---------------|----------------------|-------------------------------|----------|---|
| Gatiflo 0.3% Ophthalmic Solution Gatifloxacin (Eye Drops) | Senju Seiyaku | * Launched (9/04) | Synthetic antibacterial agent | In-house | Grant R&D, production and sales rights in Japan Launched (September7,2004) |

Licensing development (preclinical)

* : Sep/04 Interim term Release

| Product name • Code | 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 | 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) |

Growth in new businesses: update

1. Update on Bistner business fund

- Start: September 2000
- Investment: ¥5 billion (of which ¥4 billion invested during 2nd year results ¥2.1 billion)
- Focus: Pharmaceuticals, healthcare, daycare, health

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 |
| Facilities, Daycare at home, Related products |



| Companies invested | Business |
|--------------------|--|
| 4 | <ul style="list-style-type: none"> ▪ Sterilizer / disinfectant for poultry use ▪ Developing treatments for viral pneumonia and rheumatism ▪ Genome discovery research * 1 <p style="text-align: right;">ETC</p> |
| 6 | <ul style="list-style-type: none"> ▪ Treatment of near-sightedness which uses laser ▪ Delivery service of medical treatment information <p style="text-align: right;">ETC</p> |
| 4 | <ul style="list-style-type: none"> ▪ Organic waste management (lavatories for nursing use) ▪ Management of nursing facilities <p style="text-align: right;">ETC</p> |
| 8 | <ul style="list-style-type: none"> ▪ Sales of health foods ▪ Commercialize various water treatment methods ▪ Securities firm ※Increase information from China (Kanpo Medicines and health food ventures) ▪ Development of skin-care cosmetics * 2 ▪ Food business * 1 <p style="text-align: right;">ETC</p> |

Total:22companeis

* 1 ; new investments * 2 ; JIMOS:3/04 initial public offering

P&L summary : Consolidated

(Units: ¥ millions)

| <Consolidated> | Sep/03 Interim term | | Sep/04 Interim term | | | |
|--|---------------------|------------------|---------------------|----------------|-----------------|------------------|
| | actual | % sales | actual | % sales | Yr chg | Amt chg |
| Sales | 30,831 | 100.0% | 31,056 | 100.0% | 0.7% | 225 |
| COGS | 10,427 | 33.8% | 11,311 | 36.4% | 8.5% | 883 |
| Gross profit | 20,403 | 66.2% | 19,744 | 63.6% | ▲3.2% | ▲658 |
| SG&A (of which R&D) | 17,015 (3,577) | 55.2% (11.6%) | 18,149 (5,972) | 58.5% 19.2% | 6.7% (67.0%) | 1,133 (2,395) |
| Operating profit | 3,387 | 11.0% | 1,595 | 5.1% | ▲52.9% | ▲1,791 |
| Non-op income | 286 | 0.9% | 477 | 1.6% | 66.5% | 190 |
| Non-op expense | 338 | 1.1% | 98 | 0.3% | ▲70.9% | ▲239 |
| Recurring profit | 3,336 | 10.8% | 1,974 | 6.4% | ▲40.8% | ▲1,361 |
| Extraordinary profits | 4,482 | 14.5% | 239 | 0.7% | ▲94.7% | ▲4,243 |
| Extraordinary losses | 17 | | 191 | 0.6% | — | 173 |
| Pretax profit | 7,801 | 25.3% | 2,022 | 6.5% | ▲74.1% | ▲5,778 |
| Corporate, inhabitants and enterprise taxes | 1,537 | 4.9% | 777 | 2.5% | ▲49.4% | ▲760 |
| Tax adjustments | 1,620 | 5.2% | ▲61 | ▲0.2% | — | ▲1,682 |
| Net profit | 4,643 | 15.1% | 1,307 | 4.2% | ▲71.8% | ▲3,335 |

< Sales >

Consolidated companies (5) Kyobundo, Bistner, Kyorin USA,

Bistner Fund No.1, Kyorin Europe GmbH

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

(¥ billions)

| | 03 / 9 | 04 / 9 |
|--|--------|--------|
| Sales | 30.8 | 31.0 |
| < Pharmaceuticals > | 30.1 | 30.4 |
| Domestic | 24.6 | 23.6 |
| = By product = | | |
| Mucodyne | 7.8 | 7.7 |
| Baccidal | 0.4 | 0.3 |
| Ketas | 3.5 | 3.2 |
| Aplace | 1.5 | 1.3 |
| Rocaltrol | 1.4 | 1.2 |
| Pentasa | 3.0 | 3.1 |
| Kipres | 4.3 | 5.2 |
| Gatiflo | 0.6 | 0.9 |
| < Exports > | 3.6 | 5.1 |
| Norfloxacin | 0.6 | 0.3 |
| Gatifloxacin | 3.0 | 4.8 |
| < Other products > | 1.7 | 1.5 |
| o/w Milton | 1.4 | 1.2 |
| (Other business) | 0.6 | 0.6 |
| • Sales promotion, Advertising planning and production | | |

P&L summary : Consolidated

(Units: ¥ millions)

| <Consolidated> | Sep/03 Interim term | | Sep/04 Interim term | | | |
|----------------|---------------------|---------|---------------------|---------|--------|---------|
| | actual | % sales | actual | % sales | Yr chg | Amt chg |
| Sales | 30,831 | 100.0% | 31,056 | 100.0% | 0.7% | 225 |
| Pharm (Jpn) | 24,670 | 80.0% | 23,686 | 76.3% | ▲4.0% | ▲984 |
| Pharm (Exp) | 3,672 | 11.9% | 5,172 | 16.7% | 40.9% | 1,500 |
| Other | 1,794 | 5.8% | 1,564 | 5.0% | ▲12.8% | ▲230 |
| Other business | 693 | 2.2% | 632 | 2.0% | ▲8.7% | ▲60 |

BS summary:Consolidated

(Units: ¥ millions)

| < Consolidated > | Sep/03 Interim term | | Mar/04 Full term | | Sep/04 Interim term | | |
|---|---------------------|---------------|------------------|---------------|---------------------|---------------|----------------|
| | actual | %total | actual | %total | actual | %total | Amt chg |
| Current assets | 99, 004 | 71.2% | 81, 198 | 66.9% | 72, 539 | 61.2% | ▲8, 658 |
| Cash, deposits | 57, 368 | | 39, 235 | | 24, 969 | | |
| A/R, notes receivable | 19, 580 | | 22, 560 | | 19, 569 | | |
| Mk securities | 4, 725 | | 4, 221 | | 13, 523 | | |
| Inventory | 11, 090 | | 9, 408 | | 9, 464 | | |
| Other | 6, 240 | | 5, 772 | | 5, 012 | | |
| Fixed assets | 39, 975 | 28.8% | 40, 157 | 33.1% | 46, 018 | 38.8% | 5, 861 |
| Tangible assets | 17, 382 | | 14, 702 | | 16, 218 | | |
| Intangible assets | 4, 926 | | 4, 858 | | 4, 690 | | |
| Investments | 17, 667 | | 20, 595 | | 25, 110 | | |
| Current liabilities | 14, 389 | 10.3% | 14, 261 | 11.7% | 11, 782 | 10.0% | ▲2, 479 |
| A/P, notes payable | 5, 231 | | 5, 618 | | 4, 636 | | |
| Other | 9, 157 | | 8, 642 | | 7, 145 | | |
| Non-current liab. | 15, 086 | 10.9% | 15, 237 | 12.6% | 15, 316 | 12.9% | 79 |
| Total liabilities | 29, 476 | 21.2% | 29, 498 | 24.3% | 27, 098 | 22.9% | ▲2, 400 |
| Common stock | 4, 317 | 3.1% | 4, 317 | 3.6% | 4, 317 | 3.6% | |
| Capital surplus | 949 | 0.7% | 949 | 0.8% | 949 | 0.8% | |
| Retained earnings | 104, 375 | 75.1% | 104, 735 | 86.3% | 105, 257 | 88.8% | |
| Net | 536 | 0.4% | 2, 478 | 2.0% | 1, 597 | 1.3% | |
| unrealized(losses)gains of securities | 15 | 0.0% | ▲4 | 0.0% | ▲2 | ▲0.0% | |
| Foreign currency adjustment account | ▲688 | ▲0.5% | ▲20, 619 | ▲17.0% | ▲20, 659 | ▲17.4% | |
| Treasury stock | | | | | | | |
| Total shareholders' eq. | 109, 504 | 78.8% | 91, 856 | 75.7% | 91, 460 | 77.1% | ▲396 |
| Total Liabilities & sh/s eq. | 138, 980 | 100.0% | 121, 355 | 100.0% | 118, 558 | 100.0% | ▲2, 796 |

R&D, capex & depreciation

(Units: ¥ millions)

| | 9 / 00 | 9 / 01 | 9 / 02 | 9 / 03 | 9 / 04 | | 3 / 05 (Forecast) |
|----------------------|--------|--------|--------|--------|--------|-----------|----------------------|
| | | | | | actual | Y r c h g | |
| R&D expense | 2, 795 | 2, 954 | 3, 130 | 3, 577 | 5, 972 | 67. 0% | 12, 200 |
| Capex (book base) | 1, 099 | 950 | 2, 448 | 3, 564 | 3, 281 | ▲7. 9% | 6, 600 |
| Depreciation expense | 1, 312 | 1, 518 | 1, 597 | 1, 655 | 1, 789 | 8. 1% | 3, 600 |

< Capital expenditure (Result/Forecast) >

(Units: ¥ billion)

| | 3 / 04 | 3 / 05 | |
|---|--------|--------------|-----------|
| | Actual | Interim term | Full term |
| (Result) | | | |
| New drug production equipment and other production equipment (each factory) | 3 . 2 | | |
| Branch building | 0 . 9 | | |
| Equipment for control, sales activities | 0 . 9 | | |
| (Result/Forecast) | | | |
| Drug production equipment and other production equipment (each factory) | | 2 . 5 | 5 . 3 |
| Equipment for control, sales activities | | 0 . 5 | 0 . 7 |

Product sales update

(Units: ¥ billions)

| | | 9 / 01 | 9 / 02 | 9 / 03 | 9 / 04 | | 3 / 04 (actual) | 3 / 05 (Forecast) |
|--------------------|---|--------|--------|--------|--------|-----------|--------------------|----------------------|
| | | | | | actual | Y r c h g | | |
| DOMESTIC SALES | Kipres (LT receptor antagonist) | 1.7 | 2.5 | 4.3 | 5.2 | 21.2% | 9.8 | 11.7 |
| | Gatiflo (Kyorin) (Antibacterial agent) | — | 1.9 | 0.6 | 0.9 | 51.0% | 1.7 | 2.2 |
| | Mucodyne (Mucuregulant) | 7.6 | 7.4 | 7.8 | 7.7 | ▲1.1% | 18.0 | 18.2 |
| | Baccidal (Antibacterial agent) | 0.8 | 0.6 | 0.4 | 0.3 | ▲20.5% | 0.9 | 0.5 |
| | Ketas (For bronchial asthma and cerebrovasculas disorders) | 3.7 | 3.6 | 3.5 | 3.2 | ▲8.8% | 7.0 | 6.7 |
| | Aplace (Anti-ulcer agent) | 2.1 | 1.8 | 1.5 | 1.3 | ▲13.3% | 2.9 | 2.5 |
| | Rocaltrol (Osteoporosis remedy) | 1.9 | 1.6 | 1.4 | 1.2 | ▲13.3% | 2.7 | 2.4 |
| | Pentasa (Ulcerative colitis and Crohn's disease treatment) | 2.2 | 2.6 | 3.0 | 3.1 | 6.4% | 6.0 | 6.3 |
| O-C | Milton (Effervescent disinfectant) | 1.4 | 1.6 | 1.4 | 1.2 | ▲14.3% | 2.7 | 2.3 |
| FOREIGN SALES | Exports | 5.9 | 3.1 | 3.6 | 5.1 | 40.9% | 8.5 | 8.8 |
| | Gatifloxacin (Bulk • Royalty) | 4.8 | 1.9 | 3.0 | 4.8 | 59.8% | 7.1 | 8.1 |
| | Norfloxacin (Bulk • Royalty) | 1.0 | 0.8 | 0.6 | 0.2 | ▲75.5% | 1.1 | 0.4 |
| | Export ratio (%) | 20.9% | 10.2% | 12.2% | 17.0% | — | 13.4% | 16.7% |
| In-house ratio (%) | | 84.0% | 83.1% | 82.0% | 81.4% | — | 83.5% | 81.0% |

Financial summary (Consolidated)

(Units: ¥ millions)

| | 9 / 01 | 9 / 02 | 9 / 03 | 9 / 04 | 3 / 04 | 3 / 05 (Forecast) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Sales (Exports) | 29,293 (5,984) | 31,878 (3,191) | 30,831 (3,672) | 31,056 (5,172) | 65,061 (8,533) | 65,200 (8,800) |
| COGS (Ratio to sales) % | 9,613 (32.8%) | 9,848 (30.9%) | 10,427 (33.8%) | 11,311 (36.4%) | 22,389 (34.4%) | |
| SGA (Ratio to sales) % | 15,847 (54.1%) | 17,222 (54.0%) | 17,015 (55.2%) | 18,149 (58.5%) | 33,905 (52.1%) | |
| R&D expense (Ratio to sales) % | 2,954 (10.1%) | 3,130 (9.8%) | 3,577 (11.6%) | 5,972 (19.2%) | 8,219 (12.6%) | 12,200 (18.7%) |
| Operating profit (Ratio to sales) % | 3,831 (13.1%) | 4,806 (15.1%) | 3,387 (11.0%) | 1,595 (5.1%) | 8,766 (13.5%) | 5,700 (8.7%) |
| Recurring profits (Ratio to sales) % | 3,946 (13.5%) | 4,904 (15.4%) | 3,336 (10.8%) | 1,974 (6.4%) | 8,597 (13.2%) | 6,200 (9.5%) |
| Net profit (Ratio to sales) % | 871 (3.0%) | 1,555 (4.9%) | 4,643 (15.1%) | 1,307 (4.2%) | 5,692 (8.7%) | 3,300 (5.1%) |
| EPS (¥) | 15.14 | 18.0 | 53.93 | 17.59 | 68.76 | 44.40 |
| Capital | 3,623 | 4,317 | 4,317 | 4,317 | 4,317 | 4,317 |
| Assets | 127,483 | 135,017 | 138,980 | 118,558 | 121,355 | |
| Shareholders' equity | 100,107 | 103,228 | 109,504 | 91,460 | 91,856 | |
| BPS (¥) | 1,739 | 1,197 | 1,272 | 1,230 | 1,234.80 | |
| ROE (%) | 0.9% | 1.5% | 4.3% | 1.4% | 5.8% | |
| Equity ratio (%) | 78.5% | 76.5% | 78.8% | 77.1% | 75.7% | |
| Employee | 1,746 | 1,757 | 1,775 | 1,700 | 1,652 | |
| Capital expenditure | 950 | 2,448 | 3,565 | 3,281 | 5,670 | 6,600 |
| Depreciation expense | 1,520 | 1,603 | 1,660 | 1,794 | 4,774 | 3,600 |

P&L summary : Parent

(Units: ¥ millions)

| < Parent > | Sep/03 Interim term | | Sep/04 Interim term | | | |
|--|---------------------|----------------|---------------------|----------------|-----------------|--------------------|
| | actual | % sales | actual | % sales | Yr chg | Amt chg |
| Sales | 30, 137 | 100.0% | 30, 423 | 100.0% | 0.9% | 285 |
| COGS | 9, 899 | 32.8% | 10, 830 | 35.6% | 9.4% | 931 |
| Gross profit | 20, 238 | 67.2% | 19, 592 | 64.4% | ▲3.2% | ▲645 |
| SG&A (of which R&D) | 16, 854 (3, 577) | 55.9% 11.9% | 17, 999 (5, 972) | 59.2% 19.6% | 6.8% (67.0%) | 1, 144 (2, 395) |
| Operating profit | 3, 383 | 11.3% | 1, 593 | 5.2% | ▲52.9% | ▲1, 790 |
| Non-op income | 348 | 1.2% | 341 | 1.1% | ▲2.0% | ▲6 |
| Non-op expense | 440 | 1.5% | 144 | 0.4% | ▲67.3% | ▲296 |
| Recurring profit | 3, 291 | 11.0% | 1, 790 | 5.9% | ▲45.6% | ▲1, 500 |
| Extraordinary profits | 4, 483 | 14.9% | 182 | 0.6% | ▲95.9% | ▲4, 300 |
| Extraordinary losses | 17 | 0.1% | 191 | 0.6% | — | 173 |
| Pretax profit | 7, 757 | 25.8% | 1, 782 | 5.9% | ▲77.0% | ▲5, 974 |
| Corporate, inhabitants and enterprise taxes | 1, 529 | 5.1% | 746 | 2.5% | ▲51.2% | ▲782 |
| Tax adjustments | 1, 613 | 5.4% | ▲78 | ▲0.3% | — | ▲1, 692 |
| Net profit | 4, 614 | 15.3% | 1, 114 | 3.7% | ▲75.8% | ▲3, 500 |

BS summary : Parent

(Units: ¥ millions)

| < Parent > | Sep/03 Interim term | | Mar/04 Full term | | Sep/04 Interim term | | |
|---|---------------------|---------------|------------------|---------------|---------------------|---------------|----------------|
| | actual | %total | actual | %total | actual | %total | Amt chg |
| Current assets | 97, 202 | 70.7% | 79, 537 | 66.5% | 70, 109 | 60.1% | ▲9, 428 |
| Cash, deposits | 56, 151 | | 38, 089 | | 23, 001 | | |
| Notes receivable | 414 | | 451 | | 434 | | |
| Accounts receivable | 18, 792 | | 21, 699 | | 18, 842 | | |
| Mk securities | 4, 613 | | 4, 109 | | 13, 411 | | |
| Inventory | 11, 087 | | 9, 416 | | 9, 454 | | |
| Other | 6, 143 | | 5, 769 | | 4, 964 | | |
| Fixed assets | 40, 188 | 29.3% | 40, 066 | 33.5% | 46, 542 | 39.9% | 6, 476 |
| Tangible assets | 17, 339 | | 14, 667 | | 16, 187 | | |
| Intangible assets | 4, 922 | | 4, 855 | | 4, 687 | | |
| Investments | 17, 926 | | 20, 543 | | 25, 667 | | |
| | | | | | | | |
| Current liabilities | 14, 020 | 10.2% | 13, 875 | 11.6% | 11, 431 | 9.8% | ▲2, 443 |
| Notes payable | 1, 112 | | 1, 237 | | 1, 055 | | |
| Trade accounts payable | 3, 676 | | 3, 806 | | 3, 086 | | |
| Other | 9, 230 | | 8, 831 | | 7, 290 | | |
| Non-current liab. | 15, 034 | 10.9% | 15, 184 | 12.7% | 15, 262 | 13.1% | 77 |
| Total liabilities | 29, 054 | 21.1% | 29, 060 | 24.3% | 26, 694 | 22.9% | ▲2, 366 |
| Common stock | 4, 317 | 3.1% | 4, 317 | 3.6% | 4, 317 | 3.7% | |
| Capital surplus | 949 | 0.7% | 949 | 0.8% | 949 | 0.8% | |
| Retained earnings | 103, 254 | 75.2% | 103, 462 | 86.5% | 103, 793 | 89.0% | |
| Net | 501 | 0.4% | 2, 430 | 2.0% | 1, 552 | 1.3% | |
| unrealized(losses)gains of securities | ▲685 | ▲0.5% | ▲20, 616 | ▲17.2% | ▲20, 655 | ▲17.7% | |
| Treasury stock | | | | | | | |
| Total shareholders' eq. | 108, 337 | 78.9% | 90, 543 | 75.7% | 89, 957 | 77.1% | ▲585 |
| Total Liabilities & sh/s eq. | 137, 391 | 100.0% | 119, 604 | 100.0% | 116, 652 | 100.0% | ▲2, 952 |

Financial summary (parent)

(Units: ¥ millions)

| | 9 / 00 | 9 / 01 | 9 / 02 | 9 / 03 | 9 / 04 | 3 / 04 | 3 / 05 (Forecast) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Sales (Exports) | 25,620 (3,589) | 28,695 (5,984) | 31,164 (3,191) | 30,137 (3,672) | 30,423 (5,172) | 63,589 (8,533) | 63,800 (8,800) |
| COGS (Ratio to sales) % | 8,234 (32.1%) | 9,169 (32.0%) | 9,315 (29.9%) | 9,899 (32.8%) | 10,830 (35.6%) | 21,273 (33.5%) | |
| SGA (Ratio to sales) % | 13,897 (54.3%) | 15,743 (54.9%) | 17,109 (54.9%) | 16,854 (55.9%) | 17,999 (59.2%) | 33,515 (52.7%) | |
| R&D expense (Ratio to sales) % | 2,795 (10.9%) | 2,954 (10.3%) | 3,130 (10.0%) | 3,577 (11.9%) | 5,972 (19.6%) | 8,219 (12.9%) | 12,200 (19.1%) |
| Operating profit (Ratio to sales) % | 3,488 (13.6%) | 3,788 (13.2%) | 4,739 (15.2%) | 3,383 (11.3%) | 1,593 (5.2%) | 8,799 (13.8%) | 5,800 (9.1%) |
| Recurring profits (Ratio to sales) % | 3,710 (14.5%) | 3,874 (13.5%) | 4,626 (14.8%) | 3,291 (11.0%) | 1,790 (5.9%) | 8,376 (13.2%) | 5,900 (9.2%) |
| Net profit (Ratio to sales) % | 949 (3.7%) | 867 (3.0%) | 1,319 (4.2%) | 4,614 (15.3%) | 1,114 (3.7%) | 5,512 (8.7%) | 3,000 (4.7%) |
| EPS (¥) | 16.49 | 15.07 | 15.31 | 53.60 | 14.99 | 66.59 | 40.36 |
| Capital | 3,623 | 3,623 | 4,317 | 4,317 | 4,317 | 4,317 | 4,317 |
| Assets | 118,674 | 126,829 | 133,696 | 137,391 | 116,652 | 119,604 | |
| Shareholders' equity | 98,359 | 99,791 | 102,355 | 108,337 | 89,957 | 90,543 | |
| BPS (¥) | 1,708 | 1,733 | 1,187 | 1,258 | 1,210 | 1,217.09 | |
| ROE (%) | 1.0% | 0.9% | 1.3% | 4.3% | 1.2% | 5.7% | |
| Equity ratio (%) | 82.9% | 78.7% | 76.5% | 78.9% | 77.1% | 75.7% | |
| Employee | 1,679 | 1,692 | 1,695 | 1,717 | 1,646 | 1,597 | |
| Capital expenditure | 1,099 | 950 | 2,448 | 3,564 | 3,281 | 5,668 | 6,600 |
| Depreciation expense | 1,312 | 1,518 | 1,597 | 1,655 | 1,789 | 4,763 | 3,600 |