

November 10, 2005

March 2006 Mid-Term Financial Results

Current Business Performance

Approach to Management Policies

Update on Main Products and R&D Activities

KYORIN Pharmaceutical Co., Ltd.

Account Settlement Overview

for the Interim Term Ending in Sep. 2005(Consolidated)

As for consolidated sales, domestic ethical sales were ¥26.1 billion (up by 10.1% from the previous year) with the steady progress in the sales of respiratory drugs (Kipres etc.). Total international sales were ¥4 billion (- 21.8%), with decrease in the bulk export of the main products.

As for related business, the company consolidated Toyo Pharmar for two months from the mid term of this fiscal year. As a result, consolidated sales increased to ¥33.5 billion (+7.9%). Regarding profits, partly due to a 2.2% improvement in sales costs over the previous year, the mid term operating profit increased to ¥2.4 billion(+50.8%) and the mid term net profit increased to ¥1.5 billion(+11.6%).

(Parent) Sales were ¥31.6 billion (+3.9%); operating profit was ¥2.2 billion (+ 39.8%); mid term net profit was ¥1.2 billion (+ 5.7%)

As for full year consolidated earnings estimates, domestic ethical sales are projected to continue their steady growth. Also due to the company's consolidation of Toyo Pharmar and Dr.Program, consolidated earnings are predicted to reach ¥72.2 billion (+8.9%). As for profits, taking into consideration the company's forecasted decrease in research and development expenses and increase in sales costs, the consolidated operating profit is predicted to reach ¥6.6 billion (+12.5%) and the consolidated net profit is predicted to reach ¥3.7 billion (+83.8 %).

Unit: Million Yen	9/02	9/03	9/04	9/05	yoy	Cons./ Parent	3/06 (forecast)	yoy
Sales	31,878	30,831	31,056	33,511	↑ 7.9%	1.06	72,200	8.9%
Op Profit	4,806	3,387	1,595	2,406	↑ 50.8%	1.08	6,600	12.5%
Rec Profit	4,904	3,336	1,974	2,753	↑ 39.4%	1.16	7,200	12.0%
Net Profit	1,555	4,643	1,307	1,459	↑ 11.6%	1.24	3,700	83.8%
EPS(Yen)	18.05	53.93	17.59	19.65	-	1.24	49.82	-
Ttl Assets	135,017	138,980	118,558	116,566	↓ 1.7%	1.09	-	-
Sh/s eq	103,228	109,504	91,460	91,483	↑ 0.0%	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. 2005 Sales Situation (Consolidated)

(Units: ¥ billions)

	Sep/04 Interim term (actual)	Sep/05 Interim term (actual)	±
Sales	31.1	33.5	+ 2.4
Pharm(Jpn)	23.7	26.1	+ 2.4
Pharm(Frn)	5.2	4.0	1.2
Healthcare etc.	1.6	1.5	0.1
Related business etc.	0.6	1.9	+ 1.3
Op profit	1.6	2.4	+ 0.8
Rec profit	2.0	2.8	+ 0.8
Net profit	1.3	1.5	+ 0.2

Sales: ¥33.5 billion

Domestic ethical drug sales

¥26.1 billion

	9/04	9/05	
· Kipres	5.2	6.1	(+0.9)
· Mucodyne	7.7	8.5	(+0.8)
· Pentasa	3.1	3.6	(+0.5)

International ethical drug sales

¥4.0 billion

· Gatiflo	4.8	3.5	(1.3)
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* The ophthalmic solution product "Zymar" continued its strong performance.

* Decrease "Tequin" bulk material exports

Healthcare etc ¥1.5 billion

· Milton	1.2	1.1	(0.1)
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Other related business ¥1.9 billion

· Toyo Pharmar			(+1.1)
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(June/05 ~ July/05: two months)

Cost ratio: 2.2 points (36.4% → 34.2%)

* Running ratio increase (Nogi plant)

R&D expense ratio: 1.3 points (19.2% → 17.9%)

* ¥6.0billion → ¥6.0billion

· Due to the company's front-loaded application for approval of additional effects of Kipres, a drug for allergic rhinitis.

SGAE(except R&D): up by 1.5 points (39.2% → 40.7%)

* As domestic pharmaceuticals sales increased, sales costs and general expenses also increased.

(¥12.2 billion → ¥13.7 billion)

Operating profit: ¥ 2.4 billion

Operating profit ratio:

7.2% (up by 2.1 points)

Mid-year net profit: ¥ 1.5 billion

Dividend : ¥10.0

Comparison to
previous year
(up by ¥2.4 billion)

(up by ¥2.4 billion)

(+0.9)

(+0.8)

(+0.5)

(down by ¥ 1.2 billion) (down by ¥ 0.6 billion)

(1.3)

(down by ¥0.1billion)

(0.1)

(up by ¥1.3billion)

(+1.1)

(up by ¥ 1.5 billion)

(up by ¥ 0.8 billion)

(up by ¥ 0.2 billion)

(up by ¥ 0.2 billion)

(down by ¥ 0.4 billion)

Fiscal Year Ending in March 2006 Sales Forecast (Consolidated)

(Units: ¥ billions)

	March/05 (actual)	March/06 (forecast)	±
Sales	66.3	72.2	+ 5.9
Pharm(Jpn)	52.8	54.5	+ 1.7
Pharm(Frn)	8.8	7.8	1.0
Healthcare etc.	3.3	3.2	0.1
Related business etc.	1.4	6.7	+ 5.3
Op profit	5.9	6.6	+ 0.7
Rec profit	6.4	7.2	+ 0.8
Net profit	2.0	3.7	+ 1.7

Sales: ¥72.2 billion

Prescription drugs for the Japanese market ¥54.5 billion

	3/05	3/06	
· Kipres	11.8	13.1	(+1.3)
· Mucodyne	19.0	19.2	(+0.2)
· Gatiflo	2.3	2.6	(+0.3)
· Pentasa	6.4	7.1	(+0.7)
· Ketas etc.			(0.6)

Prescription drugs for overseas market ¥7.8 billion

· Gatiflo	8.0	6.9	(1.1)
*Decrease "Tequin" bulk material exports from the previous year			

Healthcare etc ¥3.2 billion

· Milton	2.3	2.2	(0.1)
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Related business etc ¥6.7 billion

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

*Acquisition of Dr.Program(includes its 7-month financial result due to its accounting period change)

Cost ratio: up by about 2 ~ 3 points

*Rising factor: Consolidation of Toyo Pharmar
R&D expense ratio: 4.9 points (19.2% → 14.3%)

* ¥12.7billion → ¥10.3billion
SGAE(except R&D): up by about 2.0 points

* Rising factor:

As domestic pharmaceuticals sales increased, sales costs and general expenses also increased.

The company consolidated Toyo Pharmar, Dr.Program.

Operating profit: ¥6.6 billion (up by ¥ 0.7 billion) (up by ¥ 0.8 billion)

Operating profit ratio: 9.1% (up by 0.3 points)

Current term profit: ¥ 3.7 billion (up by ¥ 1.7 billion) (up by ¥ 0.4 billion)

Dividend : ¥20.0(According to the schedule at beginning of period)

Comparison to previous year
(up by ¥ 5.9billion)

Comparison to forecast
(up by ¥ 1.2billion)

(up by ¥ 1.7billion)

(up by ¥ 0.7billion)

(down by ¥ 1.0billion) (up by ¥ 0.3billion)

(1.1)

(down by ¥ 0.1billion) (down by ¥ 0.3 billion)

(up by ¥ 5.3 billion) (up by ¥ 0.5billion)

(down by ¥2.4billion) (down by ¥ 0.1billion)

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

New Corporate Image and Identity

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

Business Schemes

Compound in the late stage:one per year

Healthcare business
which are recommended
by physicians

Core business
Drug creation
business

Generic(GE)business
that wins consumer
confidence

Business growth
through Bistner
investment and M&A

Wellness businesses effectuated
in cooperation with medical treatment

Toyo Pharmar Co., Ltd.

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**

“Create New Basis for Growth”

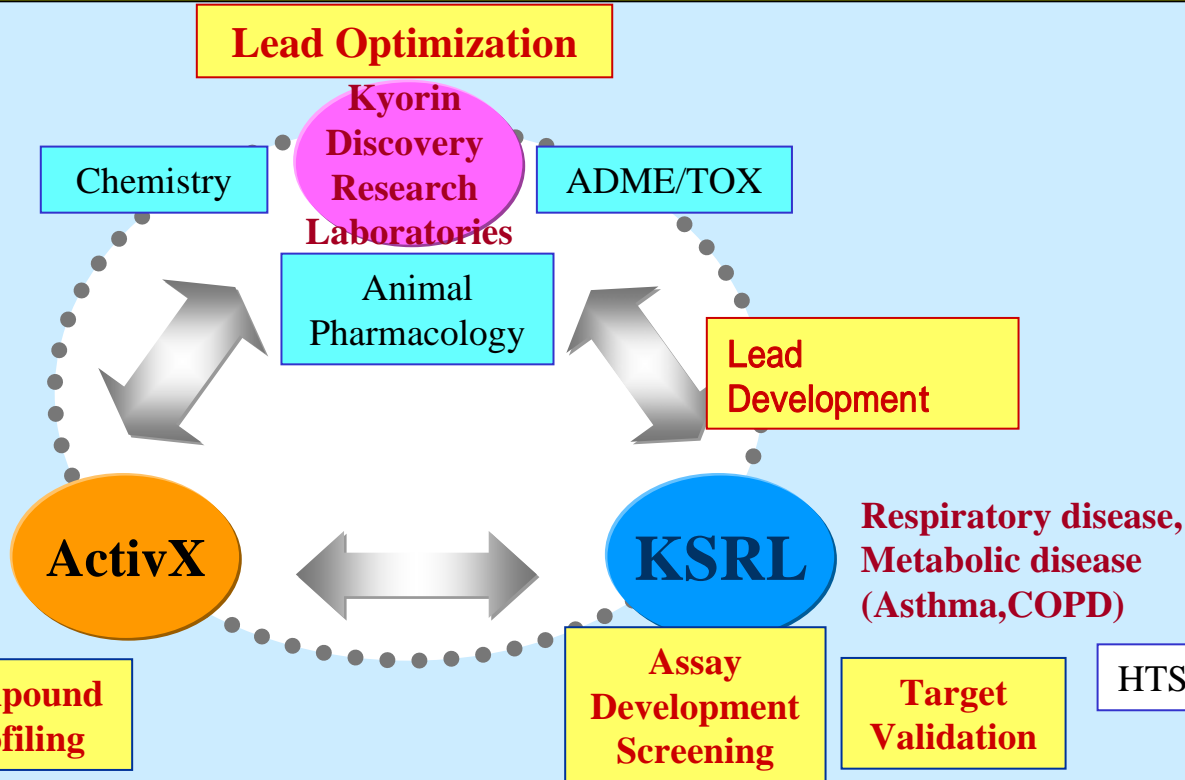
— Switch and Combine for New Corporate Image and Identity —

Basic Item

1. Construction of Global Drug Creation System
2. Fostering of Hard-and Fast Competitiveness of the Pharmaceutical Business
3. Entry into the New Business Domain and Acquisition of the Business as the Basis for New Business Domain
4. Performance of Brand Strategy and Personal-System Reform

Construction of Global Drug Creation System

<Trilateral organization >



POC Project
- FY2005 -

KRP-101
Ph a

KRP-204
(N-5984)
Ph a

KRP-104
(DPP inhibitor)

KRP-203
(S1P receptor agonist)

Reference
DPP IV :
Dipeptidyl-peptidase IV
S1P :
Sphingosine-1-phosphate

Kyorin Drug Creation Global Network

- Construction and management of efficient global pharmaceutical manufacturing systems:
1. Expedite presence at POC
 - * Increase momentum of overseas clinical trials
 2. Establishment of systems and methods
 - * Consideration of the establishment of a POC evaluation system and overseas clinical development bases

* POC:Proof of concept Confirmation of effectiveness and safety by human, ~ Ph a

“Create New Basis for Growth”

— Switch and Combine for New Corporate Image and Identity —

Basic Item

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- 2. Fostering of Hard-and Fast Competitiveness of the
Pharmaceutical business**
3. Entry into the New Business Domain and Acquisition
of the Business as the Basis for New Business Domain
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Fostering of Hard-and Fast Competitiveness of the Pharmaceutical Business

FC Strategy: Strengthening Partner Relationships with Potential Long-term Consumers

Sales and marketing system

MR:630 persons

**FC(Franchise Customer):
respiratory internal medicine,
otorhinology and urology
26,000 doctors**

Product

Lifecycle program

Customer

Long-term

promotion for FC

**Other unit:24,000 doctors
(pediatric,neurosurgery,
neurology etc.)**

Concentrate sales and marketing resources into FC on a continuous basis

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)

Domestic Ethical Drug Sales Situations Kipres

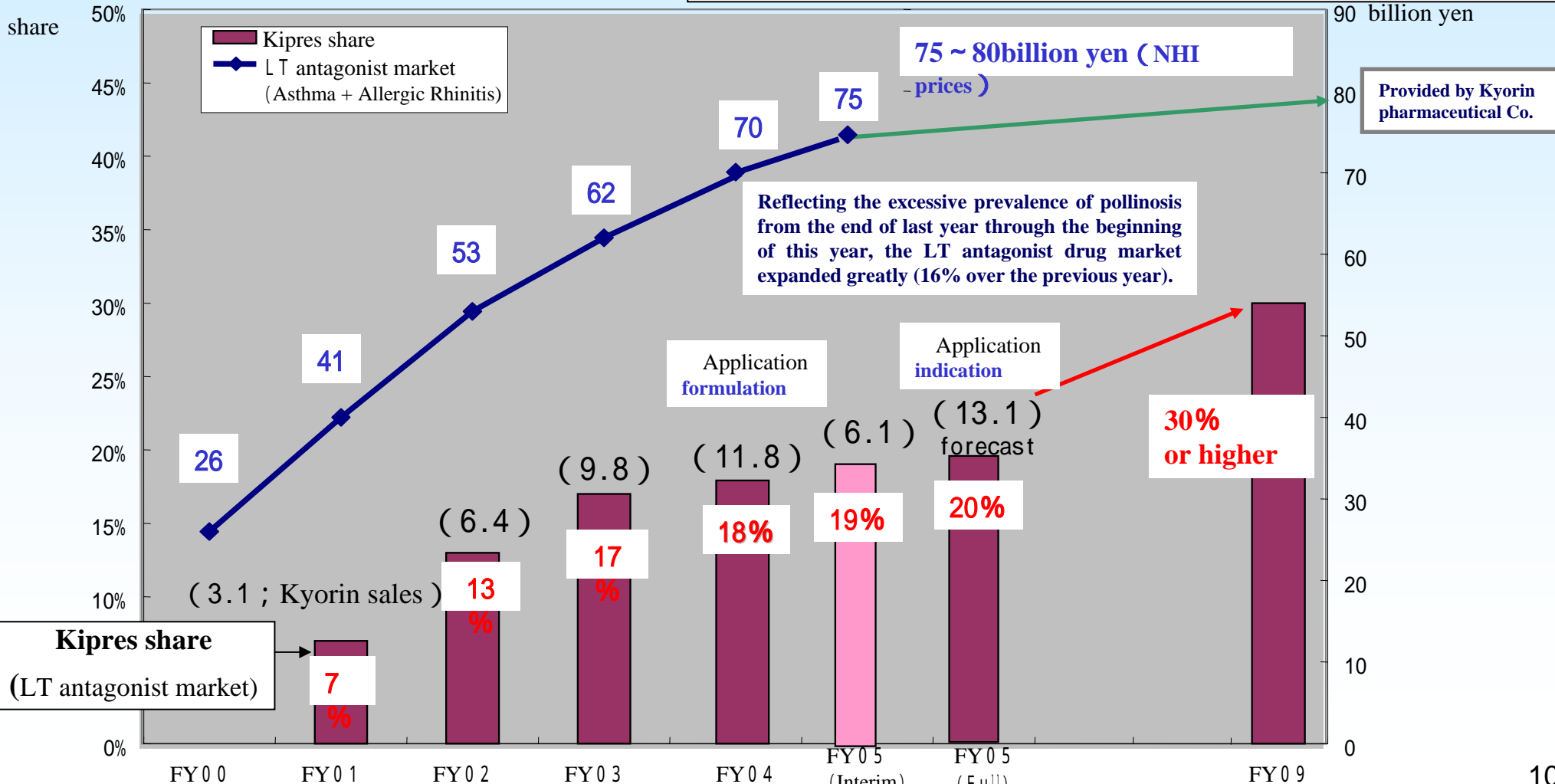
Immediate Objectives: Achievement of a 20% Share in FY 2005

Increase prescriptions through the Franchise Customer (FC) strategy promotion
New patients
Switchover from other drugs

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. 6.0 billion yen
- * Allergic rhinitis: approx. 9.0 billion yen (among LT antagonists)



- Promotion of the Franchise Customer (FC) Strategy and Lifecycle Management

(1) FC strategy

Promotional activities focused on respiratory and otorhinology specialists

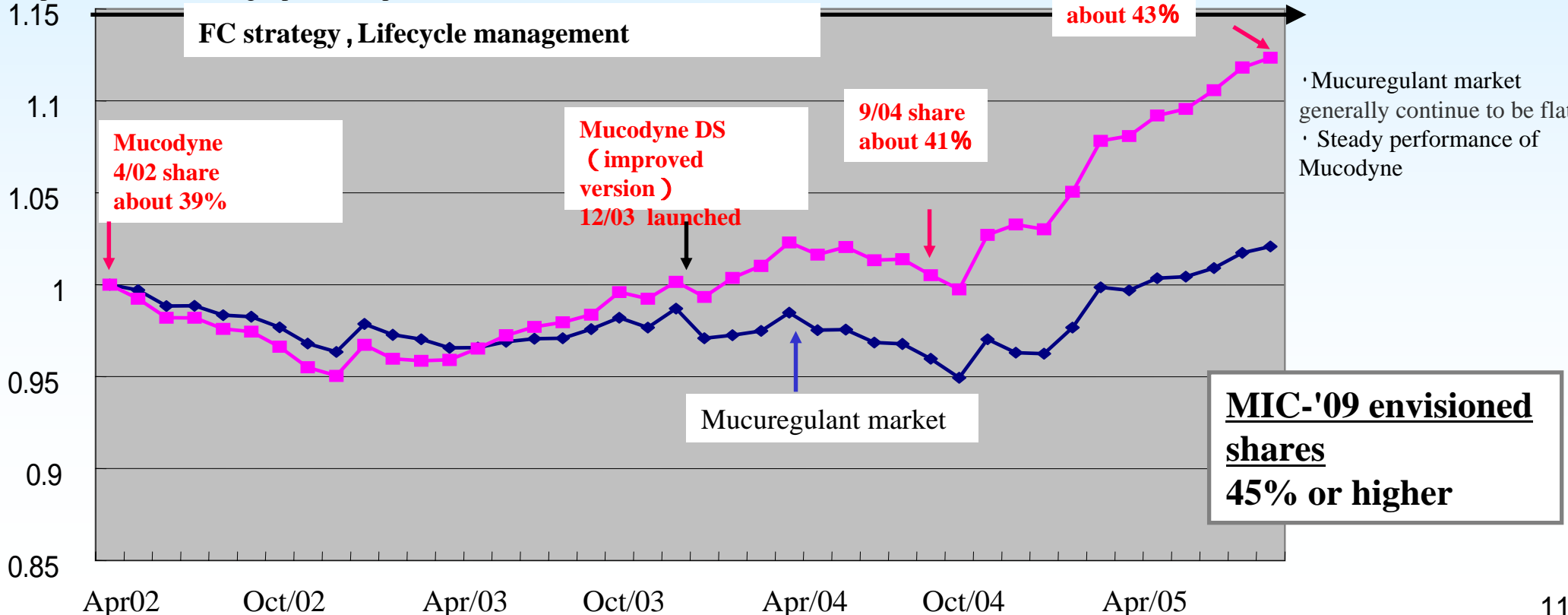
(2) Lifecycle management

Aggressive sales of the Mucodyne DS*

***DS: Abbreviation of “dry syrup”**

Collection of evidence data

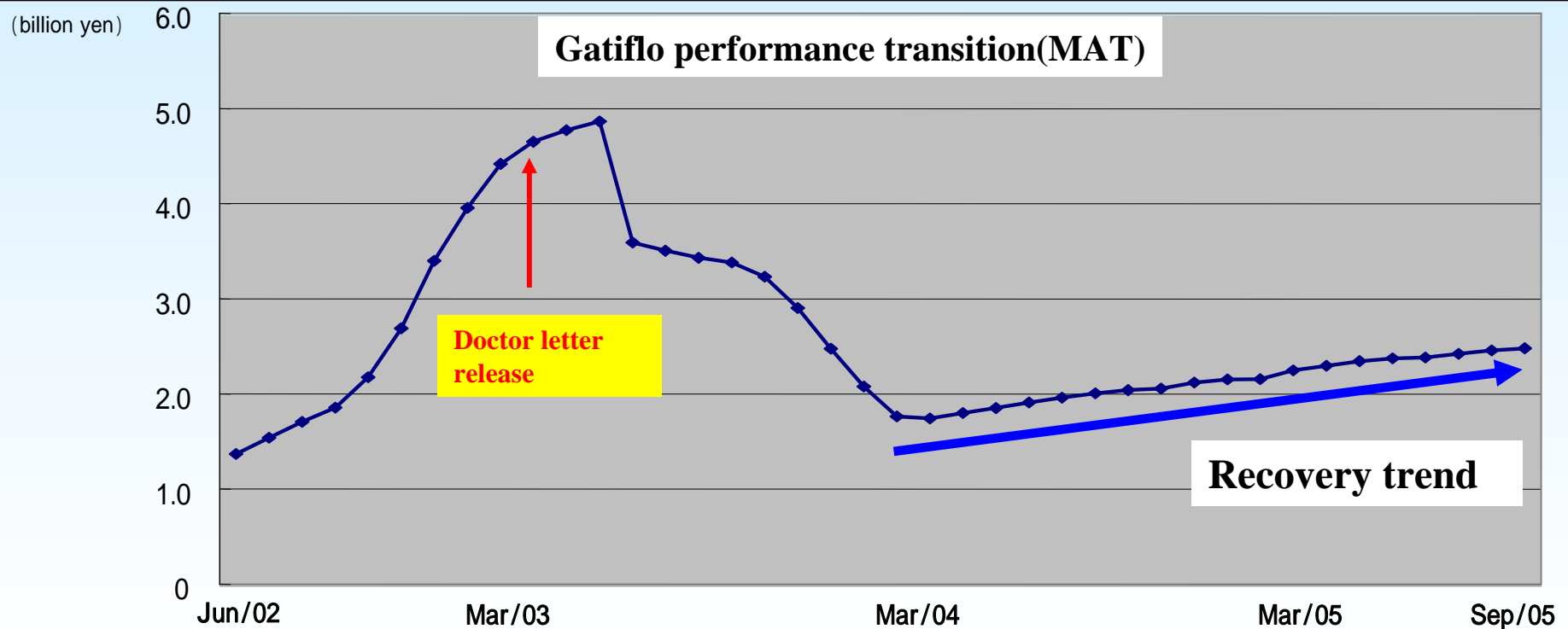
Index number based on the one-year sales of pharmaceuticals using April, 2002 prices as 1.



Highlights of the Mid-Year Results and Immediate Action Plans

Reinforcement of the benefits of Gatiflo

- Establishment of the positioning for respiratory infections (lower airway), urology and otorhinology areas
- Strengthen promotional activity emphasizing clinical benefit of Gatiflo in assistance of infection disease KOL and hold seminars country wide.



March/2005		March/2006	
Sep.interim term	Full term	Sep.interim term	Full term (forecast)
¥ 0.9billion	2.3	1.1	2.6

Overseas Ethical Drug Sales Situations Gatifloxacin

Highlights of the Mid-Year Results

1. The situation of Tequin at BMS

- Decrease local base performance

2. Steady performance of Zymar at Allergan

- Top share achieved in the ophthalmology area
- More than 25% share achieved in the antibiotic eye drop market
- Strengthening of pediatrics area

	Sales in 2002	Sales in 2003	Sales in 2004		Sales in 2005	
			First half	Full term	First half	Full term
Tequin	\$ 248MM	\$ 215MM	\$ 100MM	\$ 175MM	\$ 72MM	\$ 170MM
Zymar		\$ 30MM	\$ 35MM	\$ 74MM	\$ 46MM	\$ 86MM
Sales by Kyorin (¥ billion)	5.1	7.1	4.8	8.1	3.5	6.9

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

IMS data :Tequin and Zymar sales

“Create New Basis for Growth”

— Switch and Combine for New Corporate Image and Identity —

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Development of New Business: Entry into the GE Business

Restraint of Medical (Pharmaceutical) Expenses in an Ageing Society Expansion of GE use is a Key Factor

<Favorable wind for the expansion of the GE market>

Development of the government-led strategy for the promotion of the use of GE pharmaceuticals.

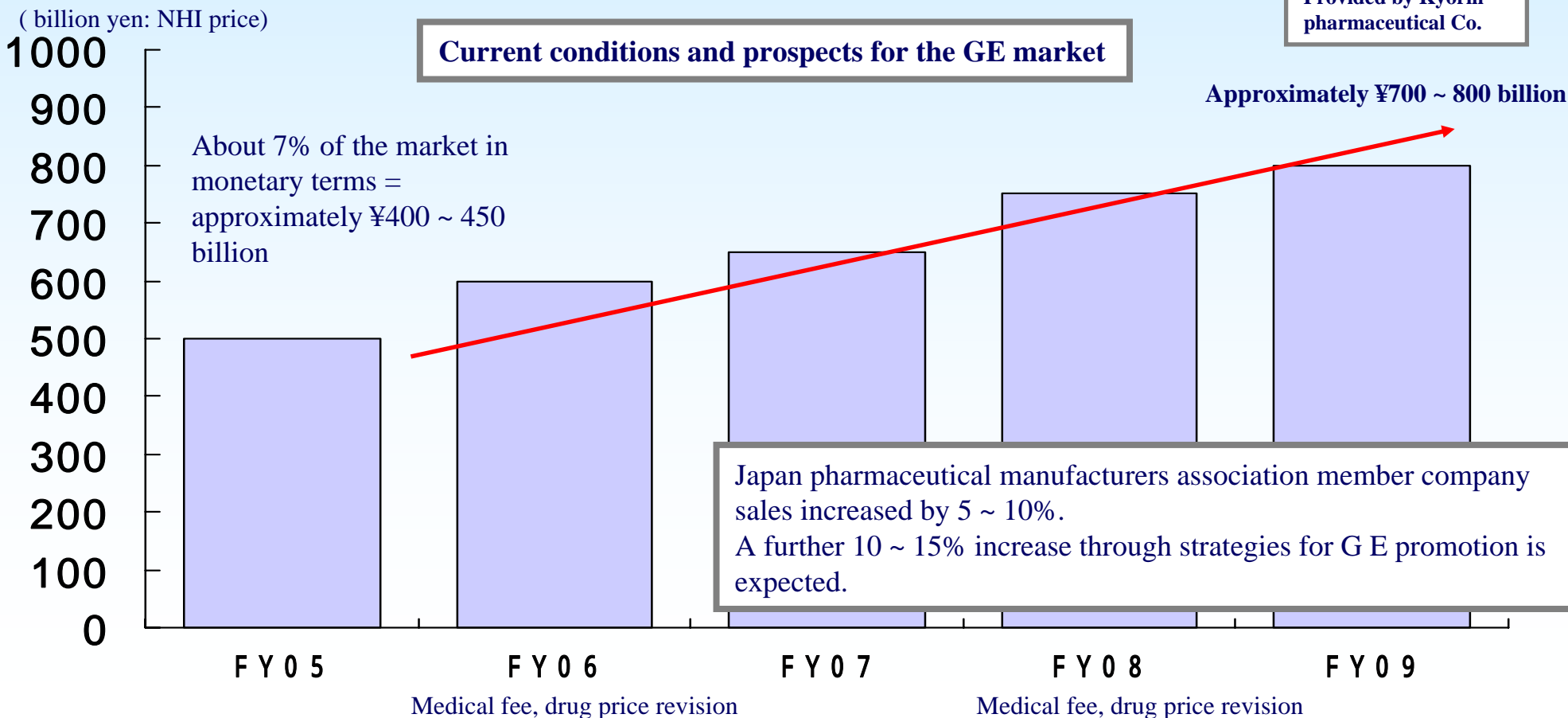
* The future goal is to obtain 50 % of the drug market in quantity terms.

Increase in the level of awareness of GE pharmaceuticals

* Over 70 % of general consumers are aware of GE pharmaceuticals.

Provided by Kyorin pharmaceutical Co.

Current conditions and prospects for the GE market



Japan pharmaceutical manufacturers association member company sales increased by 5 ~ 10%.
A further 10 ~ 15% increase through strategies for G E promotion is expected.

New Business Development: Synergy Effect with Toyo Pharmar

Results

financial result due :

Jun/04 ~ May/05

Sales : ¥6.5 bil.

Rec Profit: ¥ 0.1 bil.

Net Profit: ¥ 0.1 bil.

Forecast(includes its 8-month

financial result due :

Jun/05 ~ Jan/06

¥4.3 bil.

¥0.1 bil.

¥0.1 bil.

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

Support From Kyorin to Enhance:

New product development

- Strengthening of development ability
- Construction of an efficient development system

Sales and marketing

- Promotion of hospital dealings
- Expansion of market(wholesale channel)
- Co-sales with group companies

Productivity

- Manufacturing consignment of Kyorin's product
- Increase factory operating rate

The company aims to be “The New GE corporation for the New Age”

- **Establishment of a high level of trustworthiness**
- **Steady meeting of needs**
- **Offering of appropriate information**

Kyorin aims to strengthen its operating foundation.

Main R&D Activities

R&D Products

Derived Products

New Business Situations

Bistner Business Fund

Main R&D Activities (November8 , 2005 Release)

* : Describe the latest changes

Stage		Compound/ Code	Efficacy	Origin	Features	Comments
Domestic	Overseas					
Application (10/04)	Ph	URITOS K R P - 197 (Tablets)	Urinary incontinence treatment	In-house	Potent anti-cholinergic agent, little dry mouth	Overseas:Licensing agreement with LGLS Domestic : Co development,Co- Marketing with ONO (Plan)
Application (7/04)	(Merck)	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
*Application (8/05)	(Merck)	KIPRES Tablets 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 (1/04)	(Galderma)	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	Agreement with Maruho for joint development
Ph (10/04)	Ph (10/04)	KRP-204 N - 5984 (Tablets)	Anti-obesity	Nisshin Flour Milling	A highly selective beta3-antagonist that may improve obesity and have less cardiac effect in comparison to previous compounds.	Developed with Nisshin Flour Milling
Ph (3/05)	(Dainippon Sumitomo) Ph	AS - 3201 (Tablets)	Diabetic neuropathy	Dainippon Sumitomo	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 Sumitomo
	Ph (6/04)	K R P - 101 (Tablets)	Anti-diabetes agent	In-house	A PPAR-alpha agonist. It may have an effect on diabetes in addition to lipid metabolism improvement including reduction of neutral fat.	
	Pre- clinical	*KRP-104	Anti-diabetes agent	In-house	A DPP4 inhibitor to reduce blood glucose through suppression of the degradation of insulin-releasing hormone. Diabetic therapy with fewer side effects is expected than existing treatments.	
	Pre - clinical	*KRP-203	Transplantation and anti- inflammation	In-house	An immunosuppressant with novel mechanism called S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunosuppressants.	

Main R&D Activities (November8, 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)	· Collaborative research · Entered into an exclusive license(7/04)
Alphagan/ Alphagan P	Ph (4/05)	Senju Seiyaku	Glaucoma	Allergan (US)	· Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution) · License-out to Senju (5/04)
Ketas	* Ph (8/05)	MediciNova (US)	Cerebrovascular disorders	In-house	· 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 (Anti-bronchial Asthma: 1/05) (interstitial cystitis: 5/05)	MediciNova (US)	Anti-bronchial asthma and interstitial cystitis agent	In-house	· 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

Update on Bistner Business Fund

- Start: September 2000
- Investment: ¥5 billion (¥4 billion already paid to Bistner by Kyorin and ¥2.6 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	8
Nursing Facilities, daycare at home, related products	4
Food, cosmetics, etc	8
Total	24 companies

Safe-Tech

15 million yen
Manufacturing sales of scentless soybean powder etc.

Health food region

Dr's cosmetic region

Dr. Program

501 million yen
Development and sales of skin-care products

IRYO DENSHI SEIKO

-
Hepatitis C temperature heat treatment device development

SUNBIO

209 million yen
Toilet for nursing care etc.

Drug generation related drugs

Sales
Main activities

Medical treatment
(nursing care/diagnosis/medical device/service)

Bioselent

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

JMA

-
Medical facilities and equipment lease

R&D Project:KRP-101
= PPAR agonist =

POC test results (Phase:Overseas)

- ' A metabolic improvement effect on fat equivalent to that of fibrate drugs was identified.
(Improvement of TG, T-Cho, HDL, LDL serum levels)
- ' From analysis of Phase IIa trial results and of new basic trial results, the possibility of KRP-101 being effective as diabetic therapeutic medicine has been suggested. Performance of new POC trials is under consideration.

R&D Project: KRP-101 Development Concept

New development concept

Past development concept

Ph 2a Trial analysis data
Subjects : Patients suffering
from hyperlipemia

Identification of effects

Drug for hyperlipemia
(as effective as fibrate drugs)

Analysis according
to groups
participating
in trials

+

Basic trial data

Possibility of use
as therapeutic
medicine for diabetics

Weight increase: none

Edema: none

Concern about established diabetic therapeutic drugs
(SU drugs, glitazone drugs)

Performance of new POC trials is under consideration.

R&D Project:KRP-204(N-5984)
= Selective 3 AR agonist =

POC test results for metabolic disease (Phase a)

【 Anti-obesity(Phase a :Overseas)】

- A significant reduction of internal fat area was identified after a 12-week administration of the drug.
- Tendency of improvement in the other obesity biomarkers was also identified.
- Although side effects (such as palpitation and tremor) also seen in the well-known 3 receptor agonist were noted, none was significant enough to discontinue the use of the drug.

【 Anti-diabetes (Phase a :Domestic)】

- At the dose and period of medication in this trial, no significant blood sugar lowering effects were identified.
- No side effects, including psychological effects, were identified in this trial.

Strategy of Uritos Launch

Exposition of “March 2005 Financial Results”

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

Estimate of the time required before the drug can be put on the market:

Judging from the current testing situation, approval for the drug is expected to be delayed. The company intends to make an announcement when the approval date is known.

State of the Dr. Program

Investment in the Dr. Program

- October 2001 ~ : Investment through Bistner Fund (The Company holds 80% of capital stocks)
- June 2005 : 100 % subsidization (subject for consolidation)

Characteristics of the Dr. Program

Product : Brand name "TRINITYLINE"

Sales channel : Mainly mail order sales (partly store sales)

Promotion : Mainly newspaper and magazine

* Application of the pharmaceutical manufacturing techniques to the development and sales of highly functional cosmetics

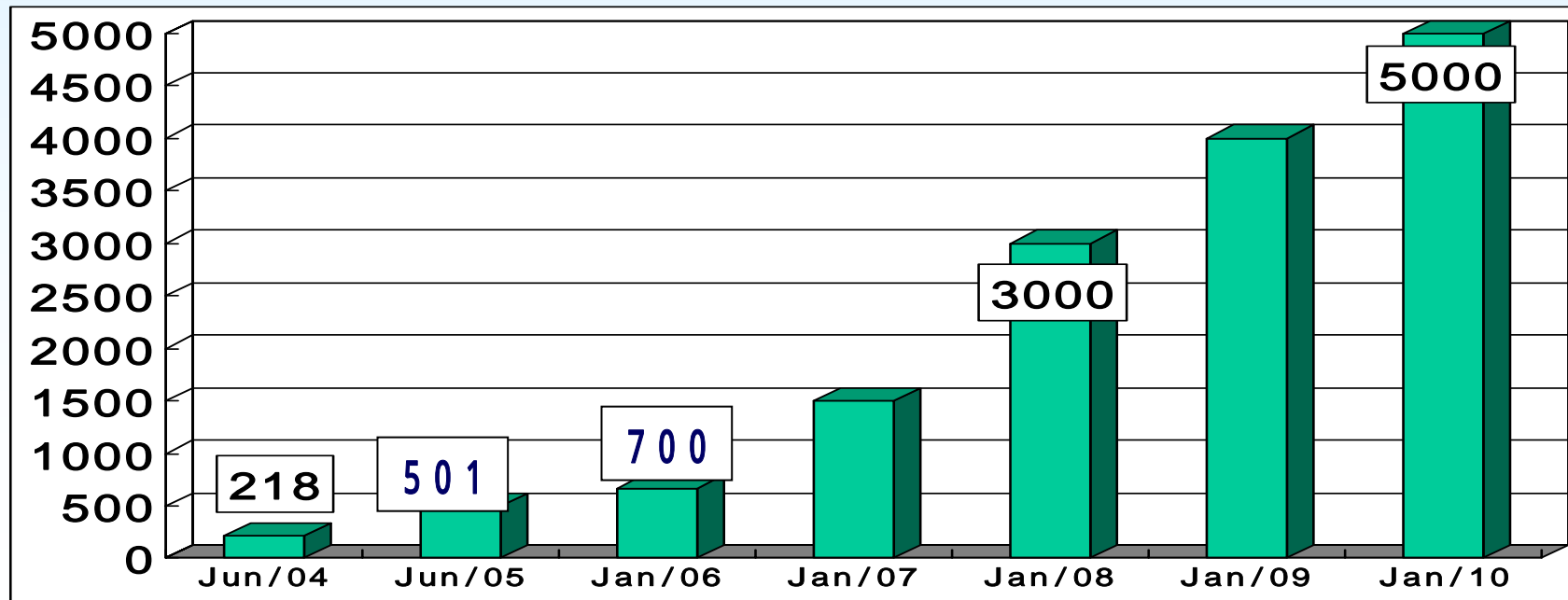
Kyorin



Giving direct financial, human resources, and technological support

Gaining new clients through aggressive investments in promotions, the company tries to achieve an expansion in sales.

million
yen



(predicted accounts for
7 months)

Reference

P&L summary : Consolidated

(Units: ¥ millions)

< Consolidated >	Sep/04 Interim term		Sep/05 Interim term			
	actual	% sales	actual	% sales	Yr chg	Amt chg
Sales	31,056	100.0%	33,511	100.0%		2,455
COGS	11,311	36.4%	11,450	34.2%	1.3%	138
Gross profit	19,744	63.6%	22,061	65.8%	11.7%	2,316
SG&A (of which R&D)	18,149 (5,972)	58.5% 19.2%	19,655 (6,001)	58.6% 17.9%	8.3% (0.5%)	1,505 (29)
Operating profit	1,595	5.1%	2,406	7.2%	50.8%	810
Non-op income	477	1.6%	451	1.3%	5.5%	26
Non-op expense	98	0.3%	103	0.3%	5.8%	5
Recurring profit	1,974	6.4%	2,753	8.2%	39.4%	778
Extraordinary profits	239	0.7%	53	0.1%	77.6%	185
Extraordinary losses	191	0.6%	75	0.2%	60.4%	115
Pretax profit	2,022	6.5%	2,731	8.1%	35.0%	708
Corporate, inhabitants and enterprise taxes	777	2.5%	104	0.3%	86.6%	672
Tax adjustments	61	0.2%	1,137	3.4%	-	1,199
Net profit	1,307	4.2%	1,459	4.4%	11.6%	152

< Sales >

Consolidated companies (8) Kyobundo, Bistner, Kyorin USA,

Bistner Fund No.1, Kyorin Europe GmbH
ActivX Biosciences, Inc.
Toyo Pharmar
Dr. Program

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

(¥ billions)

	04 / 9	05 / 9
Sales	31.1	33.5
< Pharmaceuticals >	30.4	31.6
Domestic	23.7	26.1
= By product =		
Mucodyne	7.7	8.5
Baccidal	0.3	0.3
Ketas	3.2	3.2
Aplace	1.3	1.2
Rocaltrol	1.2	1.1
Pentasa	3.1	3.6
Kipres	5.2	6.1
Gatiflo	0.9	1.1
< Exports >	5.2	4.0
Norfloxacin	0.2	0.2
Gatifloxacin	4.8	3.5
< Other products >	1.6	1.5
o/w Milton	1.2	1.1
(Other business)	0.6	1.9

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SG&A (of which R&D)	18,149 (5,972)	58.5% 19.2%	19,655 (6,001)	58.6% 17.9%	8.3% (0.5%)	1,505 (29)
Operating profit	1,595	5.1%	2,406	7.2%	50.8%	810
Non-op income	477	1.6%	451	1.3%	5.5%	26
Non-op expense	98	0.3%	103	0.3%	5.8%	5
Recurring profit	1,974	6.4%	2,753	8.2%	39.4%	778
Extraordinary profits	239	0.7%	53	0.1%	77.6%	185
Extraordinary losses	191	0.6%	75	0.2%	60.4%	115
Pretax profit	2,022	6.5%	2,731	8.1%	35.0%	708
Corporate, inhabitants and enterprise taxes	777	2.5%	104	0.3%	86.6%	672
Tax adjustments	61	0.2%	1,137	3.4%	-	1,199
Net profit	1,307	4.2%	1,459	4.4%	11.6%	152

COGS 11,450 million (+ 0.1 billion)

Cost ratio
36.4% 34.2% (2.2point)

·Running ratio(Nogi plant) increase by plant consolidating

R&D expense 6,001million (± 0 billion)

R&D expense ratio
19.2% 17.9% (1.3point)

SGAE(except R&D) 13,653 million (+ 1.5 billion)

SGAE(except R&D) ratio
39.2% 40.7% (+ 1.5point)

·As domestic pharmaceuticals sales increased, sales costs and general expenses also increased.

Operating profit 2,406 million (+ 0.8billion)

Operating profit ratio
5.1% 7.2% (+ 2.1point)

Recurring profit 2,753 million (+ 0.8billion)

Recurring profit
6.4% 8.2% (+ 1.8point)

Net profit 1,459 million (+ 0.2billion)

BS summary:Consolidated

(Units: ¥ millions)

< Consolidated >	Sep/04 Interim term		Mar/05 Full term		Sep/05 Interim term		
	actual	%total	actual	%total	actual	%total	Amt chg
Current assets	72,539	61.2%	51,782	47.4%	55,284	47.4%	3,501
Cash, deposits	24,969		8,760		12,030		
A/R, notes receivable	19,569		24,655		23,529		
Mk securities	13,523		3,010		611		
Inventory	9,464		10,152		15,553		
Other	5,012		5,202		3,559		
Fixed assets	46,018	38.8%	57,452	52.6%	61,282	52.6%	3,830
Tangible assets	16,218		16,997		19,367		
Intangible assets	4,690		5,571		6,245		
Investments	25,110		34,883		35,669		
Current liabilities	11,782	10.0%	11,220	10.3%	16,404	14.1%	5,184
A/P, notes payable	4,636		5,827		8,666		
Other	7,145		5,392		7,738		
Non-current liab.	15,316	12.9%	7,470	6.8%	7,579	6.5%	109
Total liabilities	27,098	22.9%	18,690	17.1%	23,984	20.6%	5,293
Minority interests	-	-	-	-	1,098	0.9%	1,098
Common stock	4,317	3.6%	4,317	3.9%	4,317	3.7%	
Capital surplus	949	0.8%	949	0.9%	949	0.8%	
Retained earnings Net	105,257	88.8%	105,294	96.4%	105,989	90.9%	
Unrealized(losses)gains of securities	1,597	1.3%	713	0.7%	964	0.8%	
Foreign currency adjustment account	2	0.0%	6	0.0%	15	0.0%	
Treasury stock	20,659	17.4%	20,724	19.0%	20,752	17.7%	
Total shareholders' eq.	91,460	77.1%	90,544	82.9%	91,483	78.5%	939
Total Liabilities & sh/s eq.	118,558	100.0%	109,234	100.0%	116,566	100.0%	7,332

Current assets(up ¥3,501 million yoy)

· Cash,deposits (up ¥3,269 million yoy)

· A/R, notes receivable (down ¥1,125 million yoy)

· Mk securities (down ¥2,399 million yoy)

· Inventory(up ¥5,401 million)

· Other (down ¥1,643 million yoy)

Fixed assets (up¥3,830 million yoy)

· Tangible assets(up ¥2,370 million yoy)

· Intangible assets(up ¥673 million yoy)

· Investments (up ¥ 786 million yoy)

Current liabilities (up ¥5,184 million yoy)

· Notes payable and Trade accounts payable

(up ¥2,839 million yoy)

· Other (up ¥2,345 million yoy)

Non-current liab (up ¥109 million yoy)

Total shareholders' eq.(up ¥939 million yoy)

· Retained earnings (up ¥694 million yoy)

R&D, capex & depreciation

(Units: ¥ millions)

<Full term>

3 / 06
(Forecast)

10,300

4,300

4,000

<Interim term>	9 / 01	9 / 02	9 / 03	9 / 04	9 / 05	
					actual	YoY
R&D expense	2,954	3,130	3,577	5,972	6,001	0.5%
Capex (book base)	950	2,448	3,564	3,281	982	70.
Depreciation expense	1,518	1,597	1,655	1,789	1,660	7.2%

< Capital expenditure (Result / Forecast) >

	3 / 05	3 / 06	
	actual	Interim term (actual)	Full term (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		
(Result/Forecast)			
Noshiro preparation plant and other production equipment (each plant)		¥0.8 billion	¥3.8 billion
Equipment for control, sales activities			¥0.3 billion
Equipment for research		¥0.1 billion	¥0.2 billion

Product sales update

(Units: ¥ billions)

		Sep/02	Sep/03	Sep/04	Sep/05		Mar/05	Mar/06 (forecast)
					actual	YoY		
Domestic Sales	Kipres (LT receptor antagonist)	2.5	4.3	5.2	6.1	17.8%	11.8	13.1
	Gatiflo (Kyorin) (Antibacterial agent)	1.9	0.6	0.9	1.1	20.8%	2.3	2.6
	Mucodyne (Mucuregulant)	7.4	7.8	7.7	8.5	11.2%	19.0	19.2
	Baccidal (Antibacterial agent)	0.6	0.4	0.3	0.3	18.8%	0.7	0.6
	Ketas (For bronchial asthma and cerebrovasculas disorders)	3.6	3.5	3.2	3.2	0.2%	6.6	6.4
	Aplace (Anti-ulcer agent)	1.8	1.5	1.3	1.2	8.2%	2.6	2.3
	Rocaltrol (Osteoporosis remedy)	1.6	1.4	1.2	1.1	7.6%	2.4	2.1
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	2.6	3.0	3.1	3.6	14.8%	6.4	7.1
Foreign Sales	Total	3.1	3.6	5.1	4.0	21.8%	8.8	7.8
	Gatifloxacin (Bulk · Royalty)	1.9	3.0	4.8	3.5	25.9%	8.0	6.9
	Norfloxacin (Bulk · Royalty)	0.8	0.6	0.2	0.2	6.6%	0.4	0.3
	Foreign sales ratio (%)	10.0%	11.9%	16.7%	12.6%		13.3%	11.2%
Healthcare etc	Milton (Effervescent disinfectant)	1.6	1.4	1.2	1.1	8.8%	2.3	2.2
In-house ratio (%)		83.1%	82.0%	81.4%	79.3%		82.2%	82.8%

Financial summary (Consolidated)

<Interim term>					<Full term>	(Units: ¥ millions)	
	9 / 02	9 / 03	9 / 04	9 / 05	3 / 05	3 / 06 (forecast)	
Sales (Exports)	31,878 (3,191)	30,831 (3,672)	31,056 (5,172)	33,511 (4,043)	66,296 (8,838)	72,200 (7,800)	
COGS Ratio to sales(%)	9,848 (30.9%)	10,427 (33.8%)	11,311 (36.4%)	11,450 (34.2%)	22,682 (34.2%)		
SGA Ratio to sales(%)	17,222 (54.0%)	17,015 (55.2%)	18,149 (58.5%)	19,655 (58.6%)	37,747 (57.0%)		
R&D expense Ratio to sales(%)	3,130 (9.8%)	3,577 (11.6%)	5,972 (19.2%)	6,001 (17.9%)	12,698 (19.2%)	10,300 (14.3%)	
Operating profit Ratio to sales(%)	4,806 (15.1%)	3,387 (11.0%)	1,595 (5.1%)	2,406 (7.2%)	5,866 (8.8%)	6,600 (9.1%)	
Recurring profits Ratio to sales(%)	4,904 (15.4%)	3,336 (10.8%)	1,974 (6.4%)	2,753 (8.2%)	6,430 (9.7%)	7,200 (10.0%)	
Net profit Ratio to sales(%)	1,555 (4.9%)	4,643 (15.1%)	1,307 (4.2%)	1,459 (4.4%)	2,013 (3.1%)	3,700 (5.1%)	
EPS (¥)	18.05	53.93	17.59	19.65	26.48	49.82	
Capital	4,317	4,317	4,317	4,317	4,317	4,317	
Assets	135,017	138,980	118,558	116,566	109,234		
Shareholders' equity	103,228	109,504	91,460	91,483	90,544		
BPS (¥)	1,197	1,272	1,230	1,231	1,218.22		
ROE (%)	1.5%	4.3%	1.4%	1.6%	2.2%		
Equity ratio (%)	76.5%	78.8%	77.1%	78.5%	82.9%		
Employee	1,757	1,775	1,700	1,947	1,703		
Capital expenditure	2,448	3,565	3,281	982	6,172	4,300	
Depreciation expense	1,603	1,660	1,794	1,660	3,894	4,000	

P&L summary : Parent

(Units: ¥ millions)

< Parent >	Sep/04 Interim term		Sep/05 Interim term			
	actual	% sales	actual	% sales	Yr chg	Amt chg
Sales	30,423	100.0%	31,609	100.0%	3.9%	1,186
COGS	10,830	35.6%	10,100	32.0%	6.7%	730
Gross profit	19,592	64.4%	21,509	68.0%	9.8%	1,916
SG&A	17,999	59.2%	19,282	61.0%	7.1%	1,283
(of which R&D)	(5,972)	19.6%	(5,979)	18.9%	(0.1%)	(6)
Operating profit	1,593	5.2%	2,226	7.0%	39.8%	633
Non-op income	341	1.1%	328	1.1%	3.8%	12
Non-op expense	144	0.4%	177	0.6%	23.0%	33
Recurring profit	1,790	5.9%	2,378	7.5%	32.8%	587
Extraordinary profits	182	0.6%	32	0.1%	82.3%	150
Extraordinary losses	191	0.6%	75	0.2%	60.5%	115
Pretax profit	1,782	5.9%	2,335	7.4%	31.0%	552
Corporate, inhabitants and enterprise taxes	746	2.5%	35	0.1%	95.2%	710
Tax adjustments	78	0.3%	1,121	3.6%	—	1,199
Net profit	1,114	3.7%	1,178	3.7%	5.7%	63

COGS 10,100 million (0.7 billion)

Cost ratio
35.6% 32.0% (3.6point)

R&D expense 5,979million (± 0 billion)

R&D expense ratio
19.6% 18.9% (0.7point)

SGAE(except R&D) 13,303 million (+ 1.3 billion)

SGAE(except R&D) ratio
39.5% 42.1% (+ 2.6point)

· As domestic pharmaceuticals sales increased, sales costs and general expenses also increased.

Operating profit 2,226 million (+ 0.6 billion)

Operating profit ratio
5.2% 7.0% (+ 1.8point)

Recurring profit 2,378 million (+ 0.6 billion)

Recurring profit
5.9% 7.5% (+ 1.6point)

Net profit 1,178 million (+ 0.1 billion)

BS summary : Parent

(Units: ¥ millions)

< Parent >	Sep/04 Interim term		Mar/05 Full term		Sep/05 Interim term		
	actual	%total	actual	%total	actual	%total	Amt chg
Current assets	70,109	60.1%	49,096	46.2%	46,454	43.4%	2,641
Cash, deposits	23,001		6,823		8,889		
Notes receivable	434		251		-		
Accounts receivable	18,842		23,955		20,320		
Mk securities	13,411		2,899		499		
Inventory	9,454		10,181		13,896		
Other	4,964		4,986		2,847		
Fixed assets	46,542	39.9%	57,168	53.8%	60,559	56.6%	3,391
Tangible assets	16,187		16,623		16,543		
Intangible assets	4,687		5,569		5,067		
Investments	25,667		34,975		38,949		
Current liabilities	11,431	9.8%	10,082	9.5%	11,848	11.1%	1,766
Notes payable	1,055		1,236		1,334		
Trade accounts payable	3,086		4,083		4,739		
Other	7,290		4,762		5,775		
Non-current liab.	15,262	13.1%	7,342	6.9%	5,648	5.3%	1,694
Total liabilities	26,694	22.9%	17,425	16.4%	17,497	16.4%	72
Common stock	4,317	3.7%	4,317	4.1%	4,317	4.0%	
Capital surplus	949	0.8%	949	0.9%	949	0.9%	
Retained earnings Net	103,793	89.0%	103,625	97.5%	104,095	97.3%	
Unrealized(losses)gains of securities	1,552	1.3%	667	0.6%	903	0.8%	
Treasury stock	20,655	17.7%	20,720	19.5%	20,748	19.4%	
Total shareholders' eq.	89,957	77.1%	88,839	83.6%	89,516	83.6%	677
Total liabilities & sh/s eq.	116,652	100.0%	106,264	100.0%	107,014	100.0%	749

Current assets(down ¥2,641 million yoy)

- Cash,deposits (up ¥2,066 million yoy)
- notes receivable (down ¥3,634 million yoy)
- Mk securities (down ¥2,399 million yoy)
- Inventory(up ¥3,715 million)
- Other (down ¥2,139 million yoy)

Fixed assets (up ¥3,391 million yoy)

- Intangible assets(down ¥502 million yoy)
- Investments (up ¥ 3,974 million yoy)

Current liabilities (up ¥1,766 million yoy)

- Notes payable and Trade accounts payable (up ¥753 million yoy)
- Other (up ¥1,012 million yoy)

Non-current liab (down ¥1,694 million yoy)

Total shareholders' eq.(up ¥677 million yoy) · Retained earnings (up ¥469 million yoy)

Financial summary (Parent)

<Full term> (Units: ¥ millions)

<Interim term>	9 / 01	9 / 02	9 / 03	9 / 04	9 / 05	3 / 05	3 / 06 (forecast)
Sales (Exports)	28,695 (5,984)	31,164 (3,191)	30,137 (3,672)	30,423 (5,172)	31,609 (4,043)	64,938 (8,838)	65,500 (7,800)
COGS Ratio to sales(%)	9,169 (32.0%)	9,315 (29.9%)	9,899 (32.8%)	10,830 (35.6%)	10,100 (32.0%)	21,653 (33.3%)	
SGA Ratio to sales(%)	15,743 (54.9%)	17,109 (54.9%)	16,854 (55.9%)	17,999 (59.2%)	19,282 (61.0%)	37,373 (57.6%)	
R&D expense Ratio to sales(%)	2,954 (10.3%)	3,130 (10.0%)	3,577 (11.9%)	5,972 (19.6%)	5,979 (18.9%)	12,698 (19.6%)	10,200 (15.6%)
Operating profit Ratio to sales(%)	3,788 (13.2%)	4,739 (15.2%)	3,383 (11.3%)	1,593 (5.2%)	2,226 (7.0%)	5,911 (9.1%)	6,600 (10.1%)
Recurring profits Ratio to sales(%)	3,874 (13.5%)	4,626 (14.8%)	3,291 (11.0%)	1,790 (5.9%)	2,378 (7.5%)	5,723 (8.8%)	6,700 (10.2%)
Net profit Ratio to sales(%)	867 (3.0%)	1,319 (4.2%)	4,614 (15.3%)	1,114 (3.7%)	1,178 (3.7%)	1,615 (2.5%)	3,400 (5.2%)
EPS (¥)	15.07	15.31	53.60	14.99	15.86	21.19	45.78
Capital	3,623	4,317	4,317	4,317	4,317	4,317	4,317
Assets	126,829	133,696	137,391	116,652	107,014	106,264	
Shareholders' equity	99,791	102,355	108,337	89,957	89,516	88,839	
BPS (¥)	1,733	1,187	1,258	1,210	1,205	1,195.26	
ROE (%)	0.9%	1.3%	4.3%	1.2%	1.3%	1.8%	
Equity ratio (%)	78.7%	76.5%	78.9%	77.1%	83.6%	83.6%	
Employee	1,692	1,695	1,717	1,646	1,633	1,619	
Capital expenditure	950	2,448	3,564	3,281	962	6,171	4,200
Depreciation expense	1,518	1,597	1,655	1,789	1,553	3,883	3,800