

November 11, 2004

Non-Consolidated Financial Results for the Fiscal Year Ending September 30, 2004

Company name: **FUJI PHARMACEUTICAL Co., Ltd.**
 Code number: 4554
 (URL <http://www.fujiopharm.co.jp>)
 Stock Exchange listing: JASDAQ
 Company Domicile: Tokyo, Japan
 Representative: Hirofumi Imai
 Representative Director and President
 Contact: Shigeru Hongo
 Director and General Manager of Administration Department
 Tel: 81-(3)-3556-3344

Date of board meeting for approving financial results: November 11, 2004

Date of regular shareholders meeting: December 17, 2004

Interim dividend: The Company issues an interim dividend.

Trading Unit: 1,000 shares

1. Financial Results for the Fiscal Year Ending September 2004 (October 1, 2003 to September 30, 2004)

(1) Operating Results

	Net sales		Operating income		Ordinary income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Fiscal Year ended Sep. 2004	9,694	11.7	1,435	15.0	1,447	-0.6
Fiscal Year ended Sep. 2003	8,676	26.6	1,249	53.3	1,455	35.1

	Net income		Net income per share	Diluted net income per share
	Million Yen	YoY change (%)	Yen	Yen
Fiscal Year ended Sep. 2004	853	6.3	71.12	-
Fiscal Year ended Sep. 2003	803	35.7	64.61	-

	Return on equity	Return on assets	Profit margin on sales
	(%)	(%)	(%)
Fiscal Year ended Sep. 2004	8.4	10.6	14.9
Fiscal Year ended Sep. 2003	8.1	11.3	16.8

Notes: 1. Earnings on investments in equity-method affiliates:

Fiscal year ended Sep. 2004: None

Fiscal year ended Sep. 2003: None

2. Average number of shares outstanding:
 - Fiscal year ended Sep. 2004: 11,867,929 shares
 - Fiscal year ended Sep. 2003: 12,259,911 shares
3. Changes in accounting principles applied: None
4. The percentage change of sales, operating income, ordinary income and net income represents the percentage change over the same period of the previous year.

(2) Dividends

	Dividends per share			Total amount of dividends paid (annual)	Dividend payout ratio	Ratio of dividends to shareholders' equity
	Yen					
	Annual	1H	2H	Million yen	(%)	(%)
Fiscal year ended Sep. 2004	14.00	6.00	8.00	166	19.7	1.6
Fiscal year ended Sep. 2003	13.00	5.00	8.00	154	20.1	1.6

(3) Financial Positions

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million Yen	Million Yen	(%)	Yen
Fiscal year ended Sep. 2004	14,226	10,528	74.0	886.42
Fiscal year ended Sep. 2003	13,013	9,853	75.7	829.28

Notes: 1. Number of shares outstanding: 11,866,390 shares as of Sep. 30, 2004

11,868,130 shares as of Sep. 30, 2003

2. Number of treasury stocks: 1,003,610 shares as of Sep. 30, 2004

1,001,870 shares as of Sep. 30, 2003

(4) Cash Flows

	Net cash used by			Cash and cash equivalents balance at end of the fiscal year
	Operating activities	Investing activities	Financing activities	
	Million Yen	Million Yen	Million Yen	Million Yen
Fiscal year ended Sep. 2004	854	-787	-171	3,860
Fiscal year ended Sep. 2003	730	-601	-847	3,961

2. Forecast for the Fiscal Year Ending September 2004 (October 1, 2004 to September 30, 2005)

	Net sales	Ordinary income	Net income	Annual dividend per share (Interim dividend per share)
	Million Yen	Million Yen	Million Yen	Yen
First half ended Mar. 2005	5,150	660	400	14.00
Fiscal year ended Sep. 2005	10,800	1,620	970	(7.00)

Reference: Estimated net income per share for the fiscal year ending Sep. 2005: ¥ 81.74

Note: The above forecasts are based on the information available as of the date of this release and the assumption of several factors which may affect the company's results in the future. Actual results could significantly differ from the above estimate because of subsequent changes in the circumstances.

. Group Organization

The Company neither forms nor belongs to any corporate group. Furthermore, we do not have any ongoing or close business relationship with any party. Therefore, this item is not applicable.

. Management Policies

1. Fundamental Management Policy

Our corporate mission is "Making a contribution to society through the economical and stable supply of effective and safe pharmaceutical products facilitating the improvement and cure of medical conditions and disorders". Under this mission, we intend to fulfil our responsibility to our customers, shareholders, employees and other stakeholders by supplying good-quality pharmaceutical products and expand our corporate value.

2. Profit Allocation Policy

The key management assignment is to achieve a consecutive dividend or dividend per share increase. We determine profit allocation based on the net profit generated during the period concerned, but also comprehensively taking account of future company performance and earnings to be retained for future business operation. In the meantime, we will determine our profit allocation on the basis of 20% of dividend payout. We plan to re-invest retained earnings in ways to improve business efficiency and to expand corporate value including the expansion and upgrading of production facilities and the reinforcement of research and development.

3. Opinion on the Change of Trading Unit

We regard the need for increase in the number of shareholders and the improvement of the liquidity of our shares as key issues of our capital policy. Therefore, we plan to lower the trading unit of our shares in the fiscal year ending September 30, 2005.

4. Performance Indicator and Targets

Maximum effort will be made to generate earnings sufficient to realize our dividend policy and to cover the cost of upgrading or expansion of production facilities and improvement of our research and development system. We set measurable targets in our "Mid-term Business Plan" for the four-year period ended September 30, 2008 as follows: 3.04 billion yen of "Ordinary Profit" (1.447 billion yen for the fiscal year ended September 30, 2004); 20% of "Ordinary Profit to Sales" (14.9% as of the fiscal year ended

September 30, 2004); 9% of “Return on Assets” (Ordinary Profit / Total Assets, 6.3% of the fiscal year ended September 30, 2004). Furthermore, from the viewpoint of the rise in shareholder value, we also regard “Net Income per Share” as an important performance indicator and will target on 130 yen or more as of the fiscal year ended September 30, 2008 (71.12 yen as of the fiscal year ended September 30, 2004).

5. Medium- and Long-term Management Strategy

The government has been reforming the Medical Insurance System for the reduction or moderation in health care cost. As part of the reform, national hospitals and national university hospitals were incorporated in April 2004 and more advanced treatment hospitals started adopting the new calculation method for the hospital treatment fees. Furthermore, with the enforcement of the amended New Pharmaceutical Law in April 2005, the approval system for pharmaceutical manufacturers and distributors will be changed and the further enhancement in quality control and pharmacovigilance alerts will be needed.

On the other hand, the government has been instructing hospitals to use more generic products and to proceed with the reassessment of product quality for promotion of generic products. Therefore, the demand for generic drugs is expected to continue to expand. Not to miss out this wave, we will further strengthen our organizational ability and respond to environmental changes appropriately and quickly. In the said “New Mid-term Business Plan”, we specify the following actions to realize sustainable growth:

- 1) We will form a new marketing and sales structure to approach the national, public and advanced treatment hospital markets: e.g. Recruiting and developing professional MRs, forming a project team, supporting scholarly activities and strengthening inter-department cooperation).
- 2) Because we expect the growth of our sales with the expansion of the generic drug market, we will increase our production capacity and build the stable supply system.
- 3) In preparation for the New Pharmaceutical Law, we will develop a quality assurance system.
- 4) We will work on female health care support projects.

6. Fundamental Policy for Corporate Governance

Our company is supported by many stakeholders including shareholders, customers and suppliers. Therefore, we understand the necessity to establish an appropriate management system and quickly respond to changes in the business environment as well as achieving a steady growth in order to meet our social obligations.

- 1) Management control system and other corporate governance systems related to decision making, execution and auditing of management

The Board of Directors and the Board of Auditors are responsible for supervising and auditing the management respectively. The former consists of eight directors (including two external directors). They determine management policy, the items stipulated in the Commercial Code and significant items

of management as well as supervising business operations.

The latter consists of three auditors (All of them are external auditors). Based on the auditing policy and task assignment determined by the Board of Auditors, each member surveys the business activities of the directors and the company's financial conditions.

Our accounting auditor is AZSA & Co. We are periodically subject to their audit and gets advice from that auditor about issues related to accounting as the need arises. Furthermore, we consult with legal advisors in various fields of expertise about important issues concerning the Company.

- 2) Relationship between outside directors/auditors and the Company in terms of human resources, capital and business

The Company had a real estate leasing agreement with Director, Michiko Imai and received recruiting and employee training services from IBAC Co., Ltd. run by an External Director, Tadahiro Kozawa. However, we terminated both of these relations in the fiscal year ended September 30, 2004. We also have business relations with Image Plan Co., Ltd. run by External Auditor, Yoshifumi Taguchi. The company provides consulting and employee training services to us. However, the auditor is scheduled to resign from the position of external auditor on the date of next regular shareholders meeting.

- 3) Measures to improve corporate governance systems which have been implemented during the fiscal year concerned

We held the Board of Directors' meeting twelve times, determined basic management policy, the items stipulated in the Commercial Code and other significant matters related to management and supervised business activities of each department in the fiscal year concerned. Additionally, we held a status report meeting in which the president, directors and each department's general managers participated on a monthly basis in order to fully communicate company policy.

7. Other Significant Information on Management

Not applicable.

. Review of Operations and Outlook

1. Review of Operations

(1) Operating Performance

During the fiscal year concerned, the Japanese economy has been recovering, supported by strong exports and a rebound in private capital investment. The ethical pharmaceutical industry faced many reforms to curb the exponential growth of medical spending and identified the tendency for hospitals

and clinics to further reduce pharmaceutical costs. Moreover, NHI price revision was implemented in April 2004 for the first time in two years. Pharmaceutical prices were reduced by 4.2% on average in the industry. In the meantime, national hospitals and national university hospitals were incorporated under the national medical spending control policy and more advanced treatment hospitals started to adopt the new calculation method for hospital treatment fees. As a result, the number of public medical institutions, which started using generic pharmaceuticals, steadily grew.

Under these circumstances, we conducted active sales and marketing activity targeting public medical institutions. Particularly, we focused on fertility treatment drugs in the area of gynaecology and urinary tract and angiographic agents in the area of radiology.

The expansion of our business in the above segment offset the influence of the NHI Price Revision. The sales for the fiscal year concerned recorded 9,694 million yen (11.7% YoY growth). On the profit side, we booked 1,435 million yen of operating income (15.0% YoY growth) because the increase in sales covered the increase in research & development cost, and selling expenses. However, the ordinary income was 1,447 million yen, a decrease of 0.6% because we did not book any non-operating income corresponding to the income from leveraged lease agreement which had been terminated in the fiscal year ended September 30, 2003. The net income for the fiscal year concerned was 853 million yen (6.3% YoY growth).

The breakdown of the sales being reviewed, the sales of diagnostic agents (3,690 million yen or 29.8% YoY growth) and circulatory drugs (1,023 million yen or 13.0% YoY growth) expanded significantly. On the other hand, the poor performer was hormone drugs. Its sales were 2,483 million yen, a decrease of 1.3%. For the detailed breakdown of the sales, please refer to the table in page 24.

Sales of our major products are as follows:

OYPALOMIN(Urinary tract and angiographic agent): 2,826 million yen

ALYPROST injection(Cardiovascular preparation): 798 million yen

IOPAQUE (Urinary tract and angiographic agent): 517 million yen

HMG Fuji Pharm. (Neurohypophysial hormone drug): 455 million yen

(2) Cash Flows

i) Net cash provided by operating activities

340 million yen of depreciation and 137 million yen of increase in trade payable were added to 1,410 million yen of net income before income tax for the fiscal year concerned. On the other hand, negative factors for the cash flow in operating activities were as follows: 590 million yen of income tax payment; 237 million yen of increase in trade receivables; 117 million yen of long-term prepaid expenses. Consequently, net cash provided by operating activities for the fiscal year

concerned was 854 million yen (17.0% YoY increase).

ii) Net cash used in investing activities

While we received the proceeds from sales of leased assets of 340 million yen, we spent 640 million yen, 340 million yen and 100 million yen for the purchase of tangible fixed assets, the purchase of leased assets and the pay-in of time deposit respectively. Consequently, net cash used in investment activities was 787 million yen (30.9% YoY increase).

iii) Net cash used in financing activities

Net cash used in financing activities was 171 million yen (79.8% YoY decrease) because we paid 167 million yen as dividends and purchased treasury stock worth 3 million yen.

As a result, cash and cash equivalents at the end of the fiscal year was 3,860 million yen, a decrease of 101 million yen, compared to the opening balance.

Trends observed in the company's cash flow indicators are as follows:

	FY2000	FY2001	FY2002	FY2003	FY2004
Equity ratio (%)	79.4	78.1	78.2	75.7	74.0
Market value basis equity ratio (%)	43.2	42.9	48.8	116.7	110.9
Debt redemption period (Years)	0.4	0.4	1.5	0.3	0.2
Interest coverage ratio (Times)	587.7	1,694.9	481.5	620.2	632.6

- Equity ratio: Shareholders' equity / Total assets
- Market value basis equity ratio: Market capitalization / Total assets
- Debt redemption period: Interest-bearing debt / Operating cash flow
- Interest coverage ratio: Operating cash flow / Interest paid

“Guaranteed deposit received” in the Liability Section of the Balance Sheet is used as interest-bearing debt.

“Net cash provided by operating activities” in Cash Flow Statements and “Interest paid” in Notes to Income Statements are used as Operating cash flow and Interest paid.

(3) Dividend

Taking account of the reservation of retained earnings for operating foundation development and business expansion, we plan to issue 8 yen of dividend per share (6 yen as ordinary dividend and 2 yen as special dividend for the 40th anniversary of our company's founding). Because we have already issued 6 yen of interim dividend per share, the annual dividend per share will amount to 14 yen.

(4) Investments

The amount invested in plant and equipment was 1,069 million yen. Most of this was spent on the purchase of the HQ office, upgrading of production facilities for contrast media and improvement of the warehouse at the Toyama Factory.

2. Outlook

We expect that generic product markets will continue expanding, backed by the increasing use of generic drugs at national and public hospitals and the effects of the comprehensive assessment scale introduced to advanced treatment hospitals. Among our products, the urinary tract and angiographic agent, and fertility treatment related drugs are promising. However, there are some negative factors including product price decline caused by intensified company competition. Reflecting these conditions, we projected sales, ordinary income and net income for the fiscal year September 2005 at 10,800 million yen, 1,620 million yen and 970 million yen respectively.

. Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of Sep. 30, 2003		As of Sep. 30, 2004		YoY change in amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Assets					
Current assets					
Cash on hand and cash at banks	2,961,493		2,359,924		-601,568
Trade notes receivable	865,053		704,100		-160,952
Trade accounts receivable	2,787,126		3,185,315		398,189
Marketable securities	1,000,247		1,500,289		500,042
Purchased goods	107,745		87,541		-20,203
Products	625,587		702,037		76,449
Raw materials	593,773		667,203		73,430
Products in progress	319,356		241,657		-77,699
Inventory goods	19,445		34,529		15,083
Advance payment	58,147		28,319		-29,827
Prepaid expenses	26,746		68,214		41,468
Deferred tax assets	194,834		211,915		17,081
Other accounts receivable	15,152		9,381		-5,770
Other current assets	10,497		11,134		636
Allowance for doubtful receivables	-1,110		-1,166		-56
Total current assets	9,584,097	73.6	9,810,398	69.0	226,301
Fixed assets					
Property, plant and equipment 1					
Buildings	1,575,917		1,974,137		398,220
Structures	16,108		13,011		-3,097
Machinery and equipment	441,521		521,415		79,894
Vehicles and other transportation equipment	1,961		11,984		10,022
Tools, furniture and fixtures	84,352		118,893		34,540
Land	267,252		456,748		189,495
Construction in progress	5,037		18,320		13,283
Total property, plant and equipment	2,392,152	18.4	3,114,511	21.9	722,359
Intangible fixed assets					
Trade mark	437		387		-50
Software	64,932		67,890		2,957
Telephone subscription rights	7,976		7,976		-
Total intangible assets	73,347	0.6	76,254	0.5	2,907
Investments and other assets					
Investment securities	147,203		180,384		33,181
Investments in anonymous association	470		470		-
Long-term prepaid expenses	95,762		213,714		117,951
Deferred tax assets	134,368		143,918		9,550
Guaranteed deposits	382,215		380,851		-1,363
Insurance reserve fund	4,280		6,336		2,056
Restricted fund	200,000		300,000		100,000
Total investments and other assets	964,299	7.4	1,225,675	8.6	261,376
Total fixed assets	3,429,798	26.4	4,416,442	31.0	986,644
Total assets	13,013,895	100.0	14,226,841	100.0	1,212,945

(Thousands of yen)

	As of Sep. 30, 2003		As of Sep. 30, 2004		YoY change in amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Liabilities					
Current liabilities					
Trade notes payable	209,122		262,736		53,613
Trade accounts payable	1,114,526		1,198,128		83,601
Other accounts payable	262,967		639,814		376,847
Current portion of long-term other accounts payable	33,178		31,683		-1,494
Accrued expenses	102,587		105,203		2,615
Accrued income taxes	357,730		351,702		-6,027
Accrued consumption taxes	112,868		26,415		-86,452
Deposits received	9,705		11,305		1,599
Accrued bonuses	369,603		376,396		6,792
Notes payable for purchase of Equipment	1,102		71,868		70,766
Other current liabilities	-		34,964		34,964
Total current liabilities	2,573,391	19.8	3,110,219	21.9	536,827
Long-term liabilities					
Long-term other accounts payable	66,356		31,683		-34,672
Guaranteed deposits received	206,353		197,209		-9,143
Accrued retirement benefits for employees	246,558		285,781		39,222
Accrued retirement benefits for directors	68,185		73,302		5,117
Total long-term liabilities	587,454	4.5	587,977	4.1	523
Total liabilities	3,160,845	24.3	3,698,196	26.0	537,351
Common stock	1,616,950	12.4	1,616,950	11.4	-
Capital reserve					
Additional paid-in capital	2,226,020		2,226,020		-
Total of capital reserve	2,226,020	17.1	2,226,020	15.6	-
Retained earnings					
Legal reserve	164,079		164,079		-
Voluntary reserve					
General reserve	5,000,000		5,000,000		-
Unappropriated retained earnings	1,569,305		2,246,141		676,835
Total of retained earnings	6,733,384	51.8	7,410,220	52.1	676,835
Unrealized holding gain on securities	2,593	0.0	4,717	0.0	2,124
Treasury stock	-725,899	-5.6	-729,264	-5.1	-3,364
Total shareholders' equity	9,853,049	75.7	10,528,644	74.0	675,594
Total liabilities and shareholders' equity	13,013,895	100.0	14,226,841	100.0	1,212,945

(2) Income Statement

(Thousands of yen)

	Fiscal year ended Sep. 30, 2003			Fiscal year ended Sep. 30, 2004			YoY change in amount
	Amount		Ratio (%)	Amount		Ratio (%)	
Net sales							
Sales of goods	7,945,916			8,951,487			
Sales of merchandise	730,218	8,676,135	100.0	743,274	9,694,761	100.0	1,018,626
Cost of sales							
Opening balance of merchandise and goods stocked	774,135			733,333			
Goods purchased for the period	375,801			352,663			
Cost of goods manufactured for the period	4,418,190			5,110,679			
Total	5,568,127			6,196,676			
Closing balance of merchandise and goods stocked	733,333			789,579			
Transfer to other accounts 1	15,078	4,819,715	55.5	10,539	5,396,557	55.7	576,842
Gross profit		3,856,419	44.5		4,298,203	44.3	441,784
Selling, general and administrative expenses 2, 6		2,607,308	30.1		2,862,241	29.5	254,932
Operating income		1,249,110	14.4		1,435,962	14.8	186,851
Non-operating income 3		243,355	2.8		18,310	0.2	-225,044
Non-operating expenses 3		36,933	0.4		6,974	0.1	-29,958
Ordinary income		1,455,532	16.8		1,447,298	14.9	-8,234
Extraordinary gains 4		20,448	0.2		4,530	0.1	-15,918
Extraordinary losses 4		60,155	0.7		40,997	0.4	-19,157
Income before income taxes		1,415,825	16.3		1,410,830	14.6	-4,994
Income taxes – current		661,804	7.6		584,931	6.1	-76,873
Income taxes – deferred		-49,051	-0.6		-28,089	-0.3	20,962
Net income		803,072	9.3		853,989	8.8	50,916
Retained earnings at the beginning of the period		825,574			1,463,360		637,786
Interim dividends		59,340			71,208		11,868
Unappropriated retained earnings at the end of the period		1,569,305			2,246,141		676,835

(3) Manufacturing Statement

(Thousands of yen)

	Fiscal year ended Sep. 30, 2003		Fiscal year ended Sep. 30, 2004		YoY change in amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Materials cost	2,890,297	67.9	3,596,749	71.0	706,451
Labor cost	554,838	13.0	608,048	12.0	53,210
Overheads 1	812,986	19.1	859,590	17.0	46,603
Cost of goods manufactured for the period	4,258,123	100.0	5,064,389	100.0	806,265
Opening balance of work-in-progress	482,920		319,356		-163,564
Total	4,741,044		5,383,745		642,701
Closing balance of work-in-progress	319,356		241,657		-77,699
Transfer to other accounts 2	3,497		31,408		27,911
Total cost of goods manufactured for the period	4,418,190		5,110,679		692,489

Notes to manufacturing statement

Fiscal year ended Sep. 30, 2003	Fiscal year ended Sep. 30, 2004
We applied the simple cost accounting method on the basis of historical cost for cost accounting.	Same as on the left.
Notes: 1 Breakdown of overheads is as follows: Depreciation 296,026 thousand yen Rent expense 135,786 thousand yen Others 381,174 thousand yen	Notes: 1 Breakdown of overheads is as follows: Depreciation 290,947 thousand yen Rent expense 138,494 thousand yen Others 430,148 thousand yen
2. Breakdown of transfer to other accounts is as follows: Other accounts receivable 3,202 thousand yen	2. Breakdown of transfer to other accounts is as follows: Loss on revaluation of inventories 31,408 thousand yen

(4) Cash Flow Statements

(Thousands of yen)

	Fiscal year ended Sep. 30, 2003	Fiscal year ended Sep. 30, 2004	YoY change in amount
Cash flows from operating activities			
Income before income taxes	1,415,825	1,410,830	-4,994
Depreciation and amortization	339,831	340,997	1,165
Increase in retirement benefits for employees	52,162	39,222	-12,940
Increase (Decrease) in retirement benefits for directors	-1,658	5,117	6,775
Increase (Decrease) in allowance for doubtful receivables	-20,510	56	20,567
Increase in accrued bonuses	124,587	6,792	-117,794
Interest and dividends income	-2,356	-3,291	-935
Foreign exchange gain	-	-2,744	-2,744
Foreign exchange loss	23,057	-	-23,057
Gain on sales of investment securities	-	-4,211	-4,211
Loss on disposal of capital assets	13,322	4,829	-8,492
Special premiums for the withdrawal from employees' pension fund	46,833	-	-46,833
Increase in trade receivable	-677,286	-237,236	440,050
Decrease (Increase) in inventories	134,585	-67,059	-201,645
Decrease (Increase) in other accounts receivable	-14,478	5,770	20,248
Increase in long-term prepaid expenses	-31,956	-117,951	-85,995
Increase in trade payables	67,403	137,215	69,812
Increase in other accounts payable	21,856	17,379	-4,477
Increase in accrued expenses	46,672	2,615	-44,056
Increase (Decrease) in accrued consumption taxes	112,868	-86,452	-199,320
Decrease in consumption taxes receivable	19,465	-	-19,465
Increase in guaranteed deposits received	3,506	-9,143	-12,650
Decrease in long-term other accounts payable	-212,131	-	212,131
Payments of bonuses to directors and auditors	-3,400	-11,000	-7,600
Other	-52,090	46,279	98,370
Sub total	1,406,110	1,478,014	71,904
Interests and dividends received	2,402	3,224	821
Payment of special premiums for the withdrawal from employees' pension fund	-46,833	-	46,833
Payment of prepaid retirement benefit	-57,114	-	57,114
Funds transferred to defined contribution pension account	-33,178	-36,166	-2,988
Income taxes paid	-541,380	-590,958	-49,578
Net cash used by operating activities	730,006	854,114	124,107
Cash Flows from Investing Activities			
Pay-in of time deposits	-200,000	-100,000	100,000
Purchase of investment securities	-99,980	-30,000	69,980
Proceeds from sales of investment securities	-	4,611	4,611
Purchase of property, plant and equipment	-570,277	-640,013	-69,736
Loss on disposal of property, plant and equipment	-12,362	-1,176	11,186
Purchase of intangible fixed assets	-5,167	-18,664	-13,497
Purchase of leased assets	-127,672	-340,200	-212,527
Proceeds from sales of leased assets	273,265	340,200	66,934
Reimbursement of the investment in anonymous association	162,408	-	-162,408
Pay-in of guaranteed deposits	-20,000	-	20,000
Other	-1,555	-2,056	-500
Net cash used in investing activities	-601,340	-787,298	-185,958

(Thousands of yen)

	Fiscal year ended Sep. 30, 2003	Fiscal year ended Sep. 30, 2004	YoY change in amount
Cash Flows from Financing Activities			
Purchase of treasury stock	-725,000	-3,364	721,635
Cash dividends paid	-122,988	-167,721	-44,733
Net cash provided by financing activities	-847,988	-171,086	676,901
Effect of exchange rate changes on cash and cash equivalents	-23,057	2,744	25,802
Increase (Decrease) in cash and cash equivalents	-742,379	-101,526	640,852
Cash and cash equivalents balance at the beginning of the period	4,704,120	3,961,741	-742,379
Cash and cash equivalents balance at the end of the period	3,961,741	3,860,214	-101,526

(5) Appropriation Statement

(Thousands of yen)

	Fiscal year ended Sep. 30, 2003	Fiscal year ended Sep. 30, 2004
Unappropriated retained earnings at the end of the period	1,569,305	2,246,141
The above shall be appropriated as follows:		
Cash dividends	94,945 (8.00 per share)	94,931 (8.00 per share)
Bonuses for directors and corporate auditors (of which for Corporate Auditors)	11,000 (2,070)	10,000 (1,770)
Unappropriated retained earnings carried forward	1,463,360	2,141,210

Dividends per share

(Yen)

	Fiscal year ended Sep. 30, 2003			Fiscal year ended Sep. 30, 2004		
	First half	Second half	Annual	First half	Second half	Annual
Ordinary dividend	5.00	6.00	11.00	6.00	6.00	12.00
Special dividend	-	2.00	2.00	-	-	-
Anniversary dividend	-	-	-	-	2.00	2.00
Total	5.00	8.00	13.00	6.00	8.00	14.00

(6) Significant Accounting Policies**1. Valuation Methods for Securities Holding:****1) Marketable securities:**

Market value method on the basis of market price as of the balance sheet date

(Changes in unrealized gain or loss are included directly in shareholders' equity and the cost price of securities sold is calculated by the moving average method.)

2) Non-marketable securities: Moving average cost method**2. Valuation Methods for Inventories: First-in, first-out cost method**

3. Depreciation and Amortization of Fixed Assets

1) Depreciation on property, plant and equipment:

Declining-balance method. However, depreciation on the buildings which we bought after April 1, 1998 (excluding the facilities attached to the building) is calculated by the straight-line method. The useful lives of property, plant and equipment are summarized as follows:

Buildings	7 to 50 years
Machinery and equipment	7 years

2) Amortization of intangible fixed assets:

Straight-line method. Amortization of the computer software utilized within the company is calculated by the straight-line method on the basis of the available duration (5 years).

3) Amortization of long-term prepaid expenses: Straight-line method

4. Basis for Significant Allowances

1) Allowance for doubtful receivables

The allowance for doubtful receivables is provided for possible losses on bad debts at an amount determined by the following methods:

For ordinary receivables: loan loss ratio method (the historical experience of bad debts)

For receivables of high default risk, bankruptcy claim and reorganization claim: examining the possibility of recovery of the respective receivables.

2) Accrued bonuses

Accrued bonuses are provided for bonuses with the amount estimated to be paid to employees.

3) Accrued retirement benefits for employees

Accrued retirement benefits for employees are provided for retirement benefits to be paid with the amount calculated based on the potential retirement benefit obligation as of the end of the fiscal year concerned.

4) Accrued retirement benefits for directors

Accrued retirement benefits for directors are provided with the amount estimated to be paid in accordance with the internal rules for such retirement benefits for directors.

5. Accounting for Lease Transactions

The accounting procedures conforming to the accounting method for the usual lease contract are applied to the finance lease agreements excluding those stipulating the transfer of ownership of the leased assets to the lessee.

6. Cash and Cash Equivalents in Cash Flow Statements

Cash and cash equivalents consist of cash on hand and bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can easily be converted

to cash and are exposed to little risk of change in value.

7. Accounting for Consumption Tax

The tax-exclusive method is adopted for the accounting of transactions subject to consumption tax.

(7) Notes to Financial Statements

(Notes to Balance Sheets)

	As of Sep. 30, 2003	As of Sep. 30, 2004
1. Accumulated depreciation of property, plant and equipment	2,732,444 thousand yen	3,006,073 thousand yen
2. Dividend restriction	The assets specified in Clause 3, Article 124 in rules of practice for the Commercial Code was reassessed at market value and the increase in net asset value caused by this reassessment was 2,593 thousand yen.	The assets specified in Clause 3, Article 124 in rules of practice for the Commercial Code was reassessed at market value and the increase in net asset value caused by this reassessment was 4,717 thousand yen.

(Notes to Income Statements)

(Thousands of yen)

	For the fiscal year ended Sep. 30, 2003	For the fiscal year ended Sep. 30, 2004
1. Details of transfer to other accounts	Selling, general and administration expenses: 5,831 Miscellaneous losses: 4,733 Other accounts receivable: 4,513	Selling, general and administrative expenses: 4,048 Miscellaneous losses: 1,734 Loss on revaluation of inventories: 4,759
2. Breakdown of selling, general and administrative expenses:		
Salaries and bonuses	743,941	775,660
Research and development expenses	352,882	508,978
Provision for bonuses	231,845	233,504
Sales commission	253,698	224,204
Welfare expense	170,224	206,317
Rent	145,907	154,736
Packaging and transportation expense	142,539	145,456
Provision for retirement benefits	31,789	31,486
3. Major items of non-operating income and expenses		
(1) Non-operating income		
Interest received and discount income	683	1,598
Dividends received	272	318
Gain on sales of investment securities	-	4,211
Exchange rate gain	-	2,744
Gain on investment in anonymous association	212,131	-
(2) Non-operating expenses		
Interest paid	1,177	1,350
Exchange rate loss	23,057	-

4. Major items of extraordinary profits and losses		
(1) Extraordinary profits		
Reversal of allowance for doubtful receivables	3,915	-
Subsidy	16,533	4,530
(2) Extraordinary losses		
Loss of revaluation of inventories	-	36,168
Loss on disposal of property, plant and equipment	13,322	4,829
Special premiums for the withdrawal from employees' pension fund	46,833	-
5. Breakdown of loss on disposal of property, plant and equipment		
Buildings	12,447	2,911
Machinery and equipment	476	660
Tools, furniture and fixtures	398	1,256
6. Research and development expenses	352,882	508,978
7. Depreciation and amortization recognized		
Tangible fixed assets	314,028	312,266
Intangible fixed assets	25,803	28,731

(Notes to Cash Flow Statements)

Cash and cash equivalents balance at the end of the fiscal year and the relationship between the balance and the amount booked in the balance sheets:

	(As of Sep. 30, 2003)	(As of Sep. 30, 2004)
Cash on hand and at banks	2,961,493 thousand yen	2,359,924 thousand yen
<u>Securities holding</u>	<u>1,000,247 thousand yen</u>	<u>1,500,289 thousand yen</u>
Cash and cash equivalents	3,961,741 thousand yen	3,860,214 thousand yen

(Notes to Lease Transactions)

(Thousands of yen)

	For the fiscal year ended Sep. 30, 2003	For the fiscal year ended Sep. 30, 2004
1. Finance lease transactions except for those agreements stipulating the transfer of ownership of the leased assets to the lessee		
(1) The pro forma amounts of the acquisition costs, accumulated depreciation and net book value of the leased assets	(Vehicles and other transportation equipment) Acquisition costs: 105,662 <u>Accumulated depreciation: 41,857</u> Net book value: 63,804 (Machinery and equipment) Acquisition costs: 927,890 <u>Accumulated depreciation: 144,834</u> Net book value: 783,055	(Vehicles and other transportation equipment) Acquisition costs: 96,844 <u>Accumulated depreciation: 46,755</u> Net book value: 50,089 (Machinery and equipment) Acquisition costs: 1,258,807 <u>Accumulated depreciation: 247,017</u> Net book value: 1,011,789

	For the fiscal year ended Sep. 30, 2003	For the fiscal year ended Sep. 30, 2004
	(Tools, furniture and fixtures) Acquisition costs: 49,110 <u>Accumulated depreciation:</u> 5,762 Net book value: 43,348	(Tools, furniture and fixtures) Acquisition costs: 49,110 <u>Accumulated depreciation:</u> 14,084 Net book value: 35,026
	(Total) Acquisition costs: 1,082,662 <u>Accumulated depreciation:</u> 192,454 Net book value: 890,208	(Total) Acquisition costs: 1,404,761 <u>Accumulated depreciation:</u> 307,857 Net book value: 1,096,904
(2) The pro forma amounts of unexpired lease payments	Due in one year or less: 129,370 <u>Due after one year:</u> 791,697 Total 921,067	Due in one year or less: 165,509 <u>Due after one year:</u> 965,021 Total 1,130,530
(3) Lease payments and depreciation of lease assets	Lease payments: 154,412 Depreciation: 123,624 Interest paid: 18,642	Lease payments: 160,629 Depreciation: 130,085 Interest paid: 17,144
(4) Methods of calculation of depreciation	Depreciation of leased assets is calculated on the basis of the straight-line method assuming the respective lease terms as the useful lives. As for the residual value, in the case of agreements stipulating the residual value assured, the residual value concerned is adopted and in any other cases, the residual value is assumed at zero.	Same as left.
(5) Methods of calculation of interests	The difference between the total amount of the lease payments and the acquisition cost is treated as interest and the way of allocating the interest to the respective fiscal years applied is by the interest method.	Same as left.
2. Operating lease transactions	(Unexpired lease payments) Due in one year or less: 24,000 <u>Due after one year:</u> 167,980 Total 191,980	(Unexpired lease payments) Due in one year or less: 24,000 <u>Due after one year:</u> 143,980 Total 167,980

(Notes to Securities Holding)

1. Breakdown of the marketable securities

As of the fiscal year ended September 30, 2003

(Thousands of yen)

		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Securities whose value booked exceeds their acquisition cost	(1) Stock	22,321	31,868	9,547
	(2) Debt securities			
	1. Government bonds	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	22,321	31,868	9,547
Securities whose value booked does not exceed their acquisition cost	(1) Stock	20,327	16,215	-4,112
	(2) Debt securities			
	1. Government bonds	99,980	98,919	-1,060
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	120,307	115,134	-5,173
	Total	142,628	147,002	4,374

As of the fiscal year ended September 30, 2004

(Thousands of yen)

		Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Securities whose value booked exceeds their acquisition cost	(1) Stock	42,248	50,039	7,790
	(2) Debt securities			
	1. Government bonds	99,980	100,145	165
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	142,228	150,184	7,956
Securities whose value booked does not exceed their acquisition cost	(1) Stock	-	-	-
	(2) Debt securities			
	1. Government bonds	-	-	-
	2. Corporate bonds	-	-	-
	3. Others	-	-	-
	(3) Others	-	-	-
	Sub Total	-	-	-
	Total	142,228	150,184	7,956

2. Marketable securities sold during the fiscal year concerned

(Thousands of yen)

	Fiscal year ended September 30, 2003	Fiscal year ended September 30, 2004
Sales Proceeds	-	4,611
Total gain	-	4,211
Total loss	-	-

3. Breakdown of the nonmarketable securities

(Thousands of yen)

	Fiscal year ended September 30, 2003	Fiscal year ended September 30, 2004
	Value booked in the balance sheets	Value booked in the balance sheets
Other securities		
Free Financial Fund	800,156	800,187
Money Management Fund	200,090	200,115
Commercial paper	-	499,986
Unlisted stock (excluding over-the-counter shares)	200	30,200

4. Estimated redemption amount of fixed-term securities

(Thousands of yen)

	Fiscal year ended September 30, 2003				Fiscal year ended September 30, 2004			
	Less than 1 year	1-5 years	5- 10 years	Over 10 years	Less than 1 year	1-5 years	5- 10 years	Over 10 years
1. Debt securities								
(1) Government Bonds	-	-	98,919	-	-	-	100,145	-
(2) Corporate Bonds	-	-	-	-	-	-	-	-
(3) Others	-	-	-	-	499,986	-	-	-
2. Others	-	-	-	-	-	-	-	-
Total	-	-	98,919	-	499,986	-	100,415	-

(Notes to Derivative Transactions)

The company did not have any derivative transactions.

(Notes to Retirement Benefit System)

1. Description of the retirement benefit system

We provide a retirement benefit system in accordance with the internal rules. Furthermore, we are a member of the Mutual Aid Corporation for the Retirement Benefit of Small Size Companies. We may provide the premium severance pay depending on the reason of an employee's resignation.

In April 2003, we amended the Retirement Benefit System and introduced the Defined Contribution Pension Plan and the Retirement Benefit Prepayment Plan.

2. Breakdown of the retirement benefit obligation

(Thousands of yen)

	As of Sep. 30, 2003	As of Sep. 30, 2004
1. Retirement benefit obligation	467,223	489,912
2. Estimated retirement benefit provided by Mutual Aid Corporation	<u>220,664</u>	<u>204,131</u>
3. Accrued retirement benefit (1-2)	246,558	285,781

(Note) The pension assets to be transferred to the defined contribution pension account amounts to 132,712 thousand yen and the transfer is scheduled to be completed in four years. Outstanding amounts to be transferred as of the fiscal year ended September 30, 2004 was 63,367 thousand yen and booked as "Current portion of long-term other accounts payable" and "Long-term other accounts payable".

3. Breakdown of the expenses related to retirement benefit

(Thousands of yen)

	As of Sep. 30, 2003	As of Sep. 30, 2004
1. Retirement benefit paid on the basis of service years	52,162	53,424
2. Premium severance pay	1,179	5,905
3. Premiums paid to the Employees' Pension Fund	11,351	-
4. Special premiums paid at the withdrawal from the Employees' Pension Fund	46,833	-
5. Premiums paid to the Defined Contribution Pension Fund	7,838	16,018
6. Prepaid retirement benefit	2,360	4,358
7. Total expenses	121,726	79,707

4. Method for calculating the retirement benefit obligation

We applied the simplified method for the calculation of the retirement benefit obligation. Therefore, we do not provide the assumptions of estimating the obligation.

(Notes to Tax Effect Accounting)

1. Breakdown of deferred tax assets and liabilities

	(As of Sep. 30, 2003)	(As of Sep. 30, 2004)
(Deferred tax assets)		
Nondeductible provision for bonuses	136,226	153,193
Nondeductible provision for retirement benefits for employees	70,795	99,424
Nondeductible provision for retirement benefits for directors	27,751	29,834
Nondeductible accrued enterprise tax	35,539	26,700
Accrued retirement benefits which had not been transferred to the Defined Contribution Pension System	40,989	25,790
Others	19,680	24,129
Total of the deferred tax assets	330,982	359,072
(Deferred tax liabilities)		
Disparity in the estimated value of other marketable securities	-1,780	-3,238
Net value of the deferred tax assets	329,202	355,834

2. Disparity between the effective tax rate and the rate of corporate tax based on the tax effect accounting method

We do not specify the disparity between the effective tax rate and the rate of corporate tax based on the tax effect accounting method because it is less than 5% of the statutory effective tax rate.

Fiscal year ended September 30, 2004

Statutory tax rate	42.1 %
(Disparity)	
Deductible research and development cost	-4.1
Provincial tax to be levied for the fiscal year concerned	0.7
Permanent nondeductible items such as entertainment expenses	0.5
Revision of the deferred tax assets as of the end of the fiscal year because of the change in tax rate applied	0.5
Others	<u>-0.2</u>
Statutory tax rate based on the tax effect accounting	<u>39.5</u>

(Notes to Equity in Income of Affiliates)

Not applicable.

(Transactions with the Parties Concerned)

Fiscal year ended Sep. 30, 2003 (From Oct. 1, 2002 to Sep. 30, 2003)

Directors and major individual shareholders

Name	Details of Transaction	
Hirofumi Imai	<u>Category</u> Director*1 <u>Occupation</u> President of the Company <u>Voting interest</u> 24.87%	<u>Description of transaction</u> Reimbursement of guaranty deposit <u>Transaction value</u> 1,200 thousands
Michiko Imai	<u>Category</u> Director*1 <u>Occupation</u> Director of the Company <u>Voting interest</u> 10.79%	<u>Description of transaction</u> Lease of a building*2 <u>Transaction value</u> 2,142 thousands yen <u>Prepaid expense</u> 714 thousand yen
Yoshifumi Taguchi	<u>Category</u> Director <u>Occupation</u> Auditor of the Company and President of Image Plan Co., Ltd.	<u>Description of transaction</u> Consulting services*3 <u>Transaction value</u> 4,600 thousand yen <u>Payment due</u> 525 thousand yen
Yoshifumi Taguchi	<u>Category</u> Director <u>Occupation</u> Auditor of the Company and President of International Information Symbiosis Co., Ltd.	<u>Description of transaction</u> Employee education and training service*3 <u>Transaction value</u> 6,000 thousand yen <u>Payment due</u> 525 thousand yen

(Notes)

1. Hirofumi Imai and Michiko Imai also fall into the category of major individual shareholders.
2. The rent of the building concerned was set on the basis of the neighbouring reasonable rent level.
3. Yoshifumi Taguchi conducted the transactions concerned with the Company as the representative of a disinterested party. The conditions of the transactions including fees were provided on the basis of reasonable transaction practices.
4. The amounts of money mentioned above do not include consumption tax.

Fiscal year ended Sep. 30, 2004 (From Oct. 1, 2003 to Sep. 30, 2004)

Directors and major individual shareholders

Name	Details of Transaction	
Hirofumi Imai	<u>Category</u> Director*1 <u>Occupation</u> President of the Company <u>Voting interest</u> 26.97%	<u>Description of transaction</u> Lease of a building*2 <u>Transaction value</u> 1,263 thousand yen
Michiko Imai	<u>Category</u> Director*1 <u>Occupation</u> Director of the Company <u>Voting interest</u> 11.70%	<u>Description of transaction</u> Lease of a building*2 <u>Transaction value</u> 8,571 thousands yen
Michiko Imai	<u>Category</u> Director*1 <u>Occupation</u> Director of the Company <u>Voting interest</u> 11.70%	<u>Description of transaction</u> Sale of the HQ building*3 <u>Transaction value</u> 315,871 thousands yen
Tadahiro Kozawa	<u>Category</u> Director <u>Occupation</u> Auditor of the Company and President of IBAC Co., Ltd.	<u>Description of transaction</u> Employee training and recruiting services*4 <u>Transaction value</u> 1,320 thousand yen
Yoshifumi Taguchi	<u>Category</u> Director <u>Occupation</u> Auditor of the Company and President of Image Plan Co., Ltd.	<u>Description of transaction</u> Consulting and employee training service*4 <u>Transaction value</u> 11,400 thousand yen <u>Payment due</u> 1,102 thousand yen

(Notes)

1. Hirofumi Imai and Michiko Imai also fall into the category of major individual shareholders.
2. The rent of the building concerned was set on the basis of the neighbouring reasonable rent level.
3. The selling price of the building concerned was set on the basis of real estate appraisal and the neighbouring reasonable real estate price.
4. Tadahiro Kozawa and Yoshifumi Taguchi conducted the transactions concerned with the Company as the representative of a disinterested party. The conditions of the transactions including fees were provided on the basis of reasonable transaction practices.
5. The amounts of money mentioned above do not include consumption tax.

(Significant Subsequent Events)

Any significant subsequent events to be reported have not occurred.

5. Goods Manufactured, Orders Received and Sales

(1) Breakdown of goods manufactured

(Thousands of yen)

Business segment	Fiscal year ended Sep. 30 2003		Fiscal year ended Sep. 30 2004	
	Amount	(%)	Amount	(%)
Diagnostic drugs	2,770,028	34.7	3,822,511	41.7
Hormone drugs	2,592,336	32.5	2,520,223	27.5
Circulatory drugs	932,692	11.7	1,064,706	11.6
Antibiotics & Chemotherapeutics	579,634	7.3	550,449	6.0
Urogenital drugs	357,246	4.5	301,768	3.3
Dermatologic preparation	257,871	3.2	280,923	3.1
Others	482,691	6.1	627,636	6.8
Total	7,972,501	100.0	9,168,218	100.0

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.

2. Fractions less than one thousand yen are omitted.

(2) Breakdown of goods purchased

(Thousand of yen)

Business segment	Fiscal year ended Sep. 30 2003		Fiscal year ended Sep. 30 2004	
	Amount	(%)	Amount	(%)
In vitro diagnostic	322,479	85.8	307,386	87.3
Dermatologic preparation	34,467	9.2	31,395	8.9
Antibiotics & Chemotherapeutics	1,380	0.4	7,720	2.2
Hormone drugs	11,007	2.9	5,526	1.6
Others	6,466	1.7	635	0.0
Total	375,801	100.0	352,663	100.0

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.

2. Fractions less than one thousand yen are omitted.

(3) Manufacturing based on the orders received

The Company manufactures the products not on the build-to-order basis, but on the sales projection basis.

(4) Breakdown of sales

(Thousand of yen)

Business segment	Fiscal year ended Sep. 30 2003		Fiscal year ended Sep. 30 2004	
	Amount	(%)	Amount	(%)
Goods manufactured				
Diagnostic drugs	2,842,149	32.8	3,690,203	38.1
Hormone drugs	2,502,229	28.8	2,469,819	25.5
Circulatory drugs	905,853	10.5	1,023,405	10.5
Antibiotics & Chemotherapeutics	514,286	5.9	526,039	5.4
Urogenital drugs	341,118	3.9	327,859	3.4
Dermatologic preparation	279,317	3.2	285,808	2.9
Others	560,961	6.5	628,350	6.5
Sub total	7,945,916	91.6	8,951,487	92.3
Goods purchased				
In vitro diagnostic	588,448	6.8	596,435	6.2
Dermatologic preparation	108,455	1.2	106,030	1.1
Antibiotics & Chemotherapeutics	18,149	0.2	17,504	0.2
Hormone drugs	14,855	0.2	13,907	0.1
Others	309	0.0	9,397	0.1
Sub total	730,218	8.4	743,274	7.7
Total	8,676,135	100.0	9,694,761	100.0

(Notes) 1. The above amounts are calculated based on selling prices and do not include consumption tax.

2. Fractions less than one thousand yen are omitted.

(Information on major clients)

Client	Transaction amount	Composition
Konica Minolta Medical & Graphic , Inc.	2,506,142 thousand yen	25.9%

. Reshuffle in the Board of Directors and the Board of Auditors

We will implement the following reshuffle in the Board of Directors and the Board of Auditors after obtaining the approval of shareholders in the regular shareholder meeting scheduled on December 17, 2004.

(1) Change of representative director

Not applicable.

(2) Reshuffle of other board members

1. Retiring director

Michiko Imai, Director

2. Newly-appointed director

Minoru Nakamura, Part-time Auditor (Currently, Advisor of The Diamond Capital Co., Ltd.)

3. Retiring auditor

Yoshifumi Taguchi, Part-time Auditor