

May 13, 2004

Non-Consolidated Interim Financial Results for the Fiscal Year Ending March 31, 2004

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

Date of board meeting for approving financial results: May 13, 2004

Interim dividend: The Company issues an interim dividend.

Starting date of dividend payment: June 10, 2004

Trading Unit: 1,000 shares

1. Financial Results for the First Half of the Fiscal Year Ending September 2004 (October 1, 2003 to March 31, 2004)

(1) Operating Results

	Net sales		Operating income		Ordinary income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
First Half ended Mar. 2004	4,736	16.3	618	8.3	607	-22.9
First Half ended Mar. 2003	4,071	22.0	570	33.9	787	23.5
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
First Half ended Mar. 2004	372	-8.2	31.40	-
First Half ended Mar. 2003	406	14.1	32.09	-
Fiscal Year ended Sep. 2003	803	35.7	64.61	-

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

First half period ended March 2004: None

First half period ended March 2003: None

Fiscal year ended September 2003: None

2. Average number of shares outstanding:

First half period ended March 2004: 11,868,130 Shares

First half period ended March 2003: 12,653,844 Shares

Fiscal year ended September 2003: 12,259,911 Shares

3. Changes in accounting principles applied: None

4. The percentage change of sales, operating income, ordinary income and (interim) net income represents the percentage change over the same period of the previous year.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	Yen	Yen
First half ended March 2004	6.00	-
First half ended March 2003	5.00	-
Fiscal year ended September 2003	-	13.00

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million Yen	Million Yen	(%)	Yen
First half ended March 2004	13,299	10,127	76.1	853.30
First half ended March 2003	12,372	9,511	76.9	801.45
Fiscal year ended September 2003	13,013	9,853	75.7	829.28

Notes: 1. Number of shares outstanding: 11,868,130 shares as of March 2004
11,868,130 shares as of March 2003
11,868,130 shares as of September 2003

2. Number of treasury stocks: 1,001,870 shares as of March 2004
1,001,870 shares as of March 2003
1,001,870 shares as of September 2003

(4) Cash Flow

	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
First half ended March 2004	535	-238	-96	4,148
First half ended March 2003	398	-205	-789	4,103
Fiscal year ended September 2003	730	-601	-847	3,961

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

	Net sales	Ordinary income	Net income	Annual dividend per share (Interim dividend per share)
	Million Yen	Million Yen	Million Yen	Yen
Fiscal year ended Sep. 2004	10,100	1,460	840	12.00 (6.00)

Reference: Estimated net income per share for the fiscal year ending Sep. 2004: ¥70.78

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

. Group Organization

The Company does not form any corporate group nor belong to any corporate group. Furthermore, we do not have any on going or close business relationships 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 supplying pharmaceutical products". Under this mission, we intend to continue to provide high-quality pharmaceutical products and to fulfil our responsibilities to our customers, shareholders, employees and other stakeholders.

2. Profit Allocation Policy

We intend to strengthen our operating foundation and improve the profit allotted to shareholders simultaneously. We plan to re-invest retained earnings in ways to improve business efficiency including expansion and upgrading of production facilities and strengthening of research and development.

3. Opinion on the Change of Trading Unit

We believe the present trading unit of 1,000 shares, to be highly adequate. However, we regard the reduction in the unit as an effective method to improve the liquidity of our shares and to encourage the participation of private investors in the equity market. We have not determined any concrete timing and method to reduce the mandatory unit of transaction. However, we will take a judicious approach in dealing with this issue, taking into account the demands of the market and the business results and share price trend of our company.

4. Performance Indicator and Targets

In preparation for the upgrading or expansion of production facilities and the increase in research and development costs, which will be accompanied by future business expansion, we will pursue the profit-oriented management style. We set 20% of "Ordinary Income to Sales" and 15% of "Return on

Assets: Ordinary Income / Total Assets” (16.8% and 11.3% as of the fiscal year ended September 30, 2003 respectively) as the goal of our new “Mid-term Business Plan” for the four-year period ended September 30, 2007. Furthermore, with regard to the rise in shareholder value, we see the “Net Income per Share” as an important performance indicator and will target on 130 yen as of the fiscal year ended September 30, 2007 (64.61 yen as of the fiscal year ended September 30, 2003).

5. Medium- and Long-term Management Strategy

The government has been reforming the Medical Insurance Plan and promoting the adoption of generic products for the reduction in or moderation of health care costs. Therefore, the demand for generic drugs is expected to continue to rise. Not to miss out on this wave, we will further strengthen our organizational ability and respond to environmental changes appropriately and quickly. We stated our business issues in the said “New Mid-term Business Plan” (for the period from October 2003 through September 2007). We will implement the following actions to address these issues and realize sustainable growth:

- 1) We will take a company-wide approach to expand our shares in the national, public and advanced treatment hospital market: e.g. recruiting and developing professional MRs, forming project teams, supporting scholarly activities and strengthening inter-department cooperation.
- 2) Because we expect growth of our sales with the expansion of the generic drug market, we will increase our production capacity and build a stable supply system. In preparation for the New Pharmaceutical Law scheduled to take effect in April 2005, we will further improve and upgrade our quality assurance system.
- 3) We will develop and launch “Plus-something-extra” products and value-added products in order to meet the market needs (those which have alternative administrating paths, new dosage forms and dose rates) at the earliest possible date by employing outside resources effectively.
- 4) We will base our actions on high ethical standards to reflect our involvement with medical products, which affect human lives and bodies. Therefore, we will constantly educate our employees about the importance of and compliance with these ethical standards.

6. Key Issues to be Resolved

- 1) The gross margin has been falling since the fiscal year ended September 2000. The reasons for the decline are as follows: the impact of the price revision executed by the National Health Insurance; intensifying competition; changes in product mix and distribution channels; the increase in running costs caused by the setting up of a new plant. We intend to improve profitability by decreasing procurement costs and raising production efficiency.
- 2) Our major customers are nongovernmental general hospitals and local physicians. We have just started sales promotion activities targeting national, public and advanced treatment hospitals. In order to further expand our business as a generic product manufacturer and to increase our dealings with these medical institutions, we need to build a new sales and marketing system based on the

inter-departmental cooperation at an early stage and to adopt new strategies such as supporting research activities.

7. Fundamental Policy and Measures for Corporate Governance

Our company is supported by many stakeholders including shareholders, customers and suppliers. Therefore, we have to continue our trend of stable business performance in order to meet our social obligations. Moreover, we will establish a management system which can respond appropriately and quickly to changes in the business environment and to thoroughly communicate the company management policy to all employees as one of our key management challenges.

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

Company management consists of the Board of Directors and the Board of Auditors, who are responsible for supervising and auditing the management respectively. The former consists of eight members (including two outside directors). They determine management policy, matters stipulated in the Commercial Code and significant matters of management as well as supervising business operations. The latter consists of three outside auditors. Based on the auditing policy and task assignment determined by the Board of Auditors, each member audits the business activities of the directors through attendance at meetings of the Board of Directors and by surveys of the company's financial conditions.

Our accounting auditor is Azsa & Co. This company periodically subject us to audits and gives advice about accounting-related issues 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

We have business relations with IBAC Co., Ltd. run by one of the outside directors, Mr. Tadahiro Kozawa, and with Image Plan Co., Ltd. run by one of the outside auditors, Mr. Yoshifumi Taguchi. The former is a recruitment subcontractor and the latter provides consulting services and employee-training services.

For your information, we report two outside auditors, Mr. Hitoshi Nakamura and Mr. Yoshifumi Taguchi, who hold 70,000 shares and 3,000 shares in our company respectively as of March 31, 2004.

- 3) Measures to improve corporate governance systems which have been implemented during the past half a year

- a. The Board of Directors had six meetings to determine basic management policy, matters stipulated in the Commercial Code and significant management matters during the interim period concerned. Moreover, the Board monitored the progress of the operations of each function and performed other tasks of supervising business transactions of the company.
- b. The president, directors and the manager of each function have a liaison meeting once a month in order to thoroughly communicate company policy to employees.

8. Other Significant Information on Management

There is no applicable item.

. Review of Operations and Outlook

1. Review of Operations

(1) Operating Performance

During the interim period concerned, the outlook of the Japanese economy as a whole was still unclear. While the Japanese economy rallied due to increases in exports and corporate investment and while there were some bright signs such as the recovery in corporate earnings, the upturn in stock prices and economic indicators identified a general pick-up in performance, consumer spending has continued to be weakened by the increase in tax burden/social insurance contributions and the insecurity about the future.

The business environment surrounding the ethical pharmaceutical industry has become more challenging. The reform of the Medical Insurance System has made further progress and the rule for the elderly people's partial burden of medical costs was amended. On the other hand, the relevant authorities released guidelines to promote the use of generic drugs in order to improve the financial situation of Medical Insurance. This caused a growing interest from national hospitals in generic drugs. In addition, the comprehensive assessment scale was applied to the NHI (National Health Insurance) coverage rate assigned to specific diseases treated at advanced treatment hospitals (the NHI coverage rate for specific diseases per day are pre-assigned). Consequently, at these hospitals, the recognition of the necessity to reduce drug costs rose and the introduction of generic drugs made some progress.

Under these circumstances, we implemented an active marketing and sales strategy. Particularly, we focused on fertility treatment drugs in the area of gynaecology and the urinary tract and angiographic agents in the area of radiology and tried to expand our market share of these products based on our policy to concentrate management resources on target sectors.

The sales for the interim period concerned recorded 4,736 million yen (16.3% YoY growth), supported

by the favourable sales of diagnostic drugs and circulatory drugs. On the profit side, we recorded 607 million yen of ordinary income (22.9% YoY decrease) and 372 million yen of interim net income (8.2 % YoY decrease). These decreases in profits was caused by the fact that we did not generate any large amount of non-operating income such as the gain on investment in anonymous association booked for the first half of FY 2003.

(2) Cash Flow

) Net cash provided by operating activities

159 million yen of depreciation and 167 million yen of increase in purchase liabilities were added to 606 million yen of net income before income taxes for the interim period concerned. On the other hand, negative factors for the cash flow in operating activities were as follows: 126 million yen of increase in inventories; 109 million yen of decrease in accrued bonuses; 357 million yen of income tax payment. Consequently, net cash provided by operating activities for the period concerned was 535 million yen (34.4% YoY increase).

) Net cash used in investing activities

We spent 231 million yen and 6 million yen for the purchase of tangible and intangible fixed assets respectively. Consequently, net cash used in investment activities was 238 million yen (16.3% YoY increase).

) Net cash used in financing activities

Net cash used in financing activities was 96 million yen (87.8% YoY decrease) because we paid 96 million yen as dividends.

As a result, cash and cash equivalents at the end of the period was 4,148 million yen and an increase of 186 million yen, compared to the opening balance.

(3) Dividend

We determined to increase an interim dividend per share by 1 yen to 6 yen. As for the annual dividend per share, we plan to pay 12 yen per share.

(4) Investments

The amount invested in plant and equipment was 304 million yen. Most of this was spent on the upgrading of production facilities for contrast media.

2. Outlook

There are positive factors and negative factors facing the generic drug industry. The NHI price revision executed in April 2004 is expected to result in the decline in the sales price of products. On the other hand, the comprehensive medical treatment fee system has been stimulating the introduction of generic drugs at advanced treatment hospitals.

Reviewing our steady business performance in the first half period, we maintained our initial projection, 10,100 million yen of sales, 1,460 million yen of ordinary income and 840 million yen of net income.

. Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of Mar. 31, 2003		As of Mar. 31, 2004		As of Sep. 30, 2003	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Assets						
Current assets						
Cash on hand and cash at banks	3,100,241		3,148,073		2,961,493	
Trade notes receivable	806,978		744,130		865,053	
Trade accounts receivable	2,327,096		2,818,381		2,787,126	
Marketable securities	1,003,111		1,000,275		1,000,247	
Inventories	1,641,324		1,792,201		1,665,906	
Advance payment	21,446		22,550		58,147	
Prepaid expenses	21,526		19,805		26,746	
Deferred tax assets	127,611		149,071		194,834	
Other accounts receivable	49,025		2,381		15,152	
Other currents assets	16,659		12,359		10,497	
Allowance for doubtful receivables	-988		-1,068		-1,110	
Total current assets	9,114,034	73.7	9,708,164	73.0	9,584,097	73.6
Fixed assets						
Property, plant and equipment						
Buildings	1,606,471		1,519,237		1,575,917	
Structures	18,051		14,558		16,108	
Machinery and equipment	471,313		406,922		441,521	
Vehicles and other transportation equipment	2,679		5,544		1,961	
Tools, furniture and fixtures	93,432		122,000		84,352	
Land	210,190		267,252		267,252	
Construction in progress	-		202,200		5,037	
Total property, plant and equipment	2,402,138	19.4	2,537,716	19.1	2,392,152	18.4
Intangible fixed assets						
Trade mark	462		412		437	
Software	70,373		63,831		64,932	
Telephone subscription rights	7,976		7,976		7,976	
Total intangible assets	78,812	0.6	72,220	0.5	73,347	0.6
Investments and other assets						
Investment securities	131,822		159,437		147,203	
Investments in anonymous association	370		470		470	
Claim for bankruptcy and reorganization claim	2,194		-		-	
Long-term prepaid expenses	96,415		95,108		95,762	
Deferred tax assets	167,856		139,851		134,368	
Guaranteed deposits	377,943		381,204		382,215	
Insurance reserve fund	3,424		5,480		4,280	
Restricted fund	-		200,000		200,000	
Allowance for doubtful receivables	-2,194		-		-	
Total investments and other assets	777,833	6.3	981,552	7.4	964,299	7.4
Total fixed assets	3,258,785	26.3	3,591,489	27.0	3,429,798	26.4
Total assets	12,372,819	100.0	13,299,654	100.0	13,013,895	100.0

(Thousands of yen)

	As of Mar. 31, 2003		As of Mar. 31, 2004		As of Sep. 30, 2003	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Liabilities						
Current liabilities						
Trade notes payable	323,856		228,554		209,122	
Trade accounts payable	810,879		1,262,332		1,114,526	
Other accounts payable	275,657		381,257		262,967	
Current portion of long-term other accounts payable	-		31,740		33,178	
Accrued expenses	82,050		90,444		102,587	
Accrued income taxes	327,739		197,907		357,730	
Accrued consumption taxes	54,934		39,635		112,868	
Accrued bonuses	222,174		260,052		369,603	
Notes payable for purchase of equipment	61,301		22,558		1,102	
Other current liabilities	14,237		62,303		9,705	
Total current liabilities	2,172,830	17.6	2,576,785	19.4	2,573,391	19.8
Long-term liabilities						
Long-term other accounts payable	-		63,480		66,356	
Guaranteed deposits received	206,321		195,047		206,353	
Accrued retirement benefits for employees	417,204		267,813		246,558	
Accrued retirement benefits for directors	64,733		69,511		68,185	
Total long-term liabilities	688,259	5.5	595,852	4.5	587,454	4.5
Total liabilities	2,861,090	23.1	3,172,638	23.9	3,160,845	24.3
Shareholders' equity						
Common stock	1,616,950	13.1	1,616,950	12.2	1,616,950	12.4
Capital reserve						
Additional paid-in capital	2,226,020		2,226,020		2,226,020	
Total of capital reserve	2,226,020	18.0	2,226,020	16.7	2,226,020	17.1
Retained earnings						
Legal reserve	164,079		164,079		164,079	
Voluntary reserve						
General reserve	5,000,000		5,000,000		5,000,000	
Unappropriated (interim) retained earnings	1,231,587		1,836,017		1,569,305	
Total of retained earnings	6,395,666	51.7	7,000,096	52.6	6,733,384	51.8
Unrealized holding gain on securities	-1,007	-0.0	9,849	0.1	2,593	0.0
Treasury stock	-725,899	-5.9	-725,899	-5.5	-725,899	-5.6
Total shareholders' equity	9,511,729	76.9	10,127,016	76.1	9,853,049	75.7
Total liabilities and shareholders' equity	12,372,819	100.0	13,299,654	100.0	13,013,895	100.0

(2) Income Statements

(Thousands of yen)

	First half ended Mar. 31, 2003		First half ended Mar. 31, 2004		Fiscal year ended Sep. 30, 2003	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net sales	4,071,978	100.0	4,736,245	100.0	8,676,135	100.0
Cost of sales	2,267,077	55.7	2,631,324	55.5	4,819,715	55.5
Gross profit	1,804,900	44.3	2,104,920	44.5	3,856,419	44.5
Selling, general and administrative expenses	1,233,960	30.3	1,486,370	31.4	2,607,308	30.1
Operating income	570,940	14.0	618,549	13.1	1,249,110	14.4
Non-operating income	225,090	5.5	6,774	0.1	243,355	2.8
Non-operating expenses	8,828	0.2	18,254	0.4	36,933	0.4
Ordinary income	787,201	19.3	607,070	12.8	1,455,532	16.8
Extraordinary gains	3,363	0.1	41	0.0	20,448	0.2
Extraordinary losses	69,405	1.7	1,075	0.0	60,155	0.7
Income before income taxes	721,159	17.7	606,036	12.8	1,415,825	16.3
Income taxes-current	327,992	8.0	198,080	4.2	661,804	7.6
Income taxes-deferred	-12,845	-0.3	35,299	0.7	-49,051	-0.6
Net income	406,013	10.0	372,656	7.9	803,072	9.3
Retained earnings at the beginning of the period	825,574		1,463,360		825,574	
Dividend	-		-		59,340	
Unappropriated retained earnings at the end of the period	1,231,587		1,836,017		1,569,305	

(3) Cash Flow Statements

	First half ended Mar. 31, 2003	First half ended Mar. 31, 2004	Fiscal year ended Sep. 30, 2003
	Thousand yen	Thousand yen	Thousand yen
Cash flows from operating activities			
Income before income taxes	721,159	606,036	1,415,825
Depreciation and amortization	159,629	159,028	339,831
Increase in accrued retirement benefits for employees	33,000	21,254	52,162
Increase (Decrease) in accrued retirement benefits for directors	-5,111	1,326	-1,658
Decrease in allowance for doubtful receivables	-18,438	-41	-20,510
Increase (Decrease) in accrued bonuses	-22,841	-109,550	124,587
Interest and dividends income	-1,155	-1,520	-2,356
Foreign exchange loss	4,802	14,075	23,057
Loss on disposal of property, plant and equipment	13,262	1,075	13,322
Loss on revaluation of investment securities	9,306	-	-
Special premium for the withdrawal from the Employees' Pension Fund	46,836	-	46,833
Decrease (Increase) in trade receivable	-161,376	89,666	-677,286
Decrease (Increase) in inventories	159,168	-126,293	134,585
Decrease (Increase) in advance payment	-5,286	35,596	-41,987
Decrease (Increase) in other accounts receivable	-1,101	12,770	-14,478
Decrease (Increase) in long-term prepaid expenses	-32,610	653	-31,956
Increase (Decrease) in trade payables	-121,509	167,237	67,403
Increase in other accounts payable	16,437	70,742	21,856
Increase (Decrease) in accrued expenses	26,135	-12,143	46,672
Increase (Decrease) in accrued consumption taxes	54,934	-73,232	112,868
Decrease in consumption taxes receivable	19,465	-	19,465
Increase (Decrease) in guaranteed deposits received	3,474	-11,306	3,506
Decrease in long-term other accounts payable	-212,131	-	-212,131
Payments of bonuses to directors and auditors	-3,400	-11,000	-3,400
Others	-730	62,036	-10,102
Sub total	681,920	896,412	1,406,110
Interests and dividends received	1,183	1,520	2,402
Payment of special premium for the withdrawal from the Employees' Pension Fund	-46,836	-	-46,833
Payment of prepaid retirement benefit	-	-	-57,114
Funds transferred to defined contribution pension account	-	-4,314	-33,178
Income taxes paid	-237,557	-357,903	-541,380
Net cash used by operating activities	398,710	535,715	730,006

	First half ended Mar. 31, 2003	First half ended Mar. 31, 2004	Fiscal year ended Sep. 30, 2003
	Thousand yen	Thousand yen	Thousand yen
Cash Flow from Investing Activities			
Pay-in of time deposits	-	-	-200,000
Purchase of investment securities	-99,980	-	-99,980
Purchase of property, plant and equipment	-380,394	-231,052	-570,277
Disposal of property, plant and equipment	-12,362	-	-12,362
Purchase of intangible fixed assets	-	-6,495	-5,167
Purchase of leased assets	-80,422	-	-127,672
Proceeds from sales of leased assets	226,015	-	273,265
Reimbursement of the investment in anonymous association	162,408	-	162,408
Pay-in of guaranteed deposits	-20,000	-	-20,000
Others	-599	-1,198	-1,555
Net cash used in investing activities	-205,334	-238,745	-601,340
Cash Flows from Financing Activities			
Purchase of treasury stock	-725,000	-	-725,000
Cash dividends paid	-64,340	-96,286	-122,988
Net cash provided by financing activities	-789,340	-96,286	-847,988
Effects of exchange rate changes on cash and cash equivalents	-4,802	-14,075	-23,057
Increase in cash and cash equivalents	-600,767	186,607	-742,379
Cash and cash equivalents balance at the beginning of the period	4,704,120	3,961,741	4,704,120
Cash and cash equivalents balance at the end of the Period	4,103,352	4,148,349	3,961,741

(4) 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 buildings) is calculated by the straight-line method. The useful lives of property, plant and equipment are summarized as follows:

Buildings	10 to 50 years
Machinery and equipment	7 years

2) Amortization of intangible fixed assets:

Straight-line method. Amortization of the computer software utilized within our 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 under the company's defined benefit program with the amount calculated based on 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 conform to the accounting method for the usual lease contract are applied to 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

Tax-exclusive method is applied to the accounting for transactions subject to consumption tax. The net balance between consumption taxes paid tentatively and those received tentatively at the end of the interim period is represented as “Accrued consumption taxes” in Current liabilities.

(5) Notes to Financial Statements

(Notes to Balance Sheets)

	As of Mar. 31, 2003	As of Mar. 31, 2004	As of Sep. 30, 2003
Accumulated depreciation of property, plant and equipment	¥ 2,565,578 ths.	¥ 2,857,698 ths.	¥ 2,732,444 ths.

(Notes to Income Statements)

	For the first half ended Mar. 31, 2003	For the first half ended Mar. 31, 2004	For the fiscal year ended Sep. 30, 2003
1. Breakdown of selling, general and administrative expenses:			
Salaries and bonuses	¥ 313,589 ths.	¥ 327,882 ths.	¥ 743,941 ths.
Research and development expenses	¥ 172,527 ths.	¥ 321,365 ths.	¥ 352,882 ths.
Sales commission	¥ 124,062 ths.	¥ 116,837 ths.	¥ 253,698 ths.
Provision for bonuses	¥ 141,431 ths.	¥ 159,338 ths.	¥ 231,845 ths.
Welfare expenses	¥ 83,841 ths.	¥ 118,193 ths.	¥ 170,224 ths.
Rent	¥ 70,566 ths.	¥ 75,877 ths.	¥ 145,907 ths.
Packaging and transportation expenses	¥ 67,708 ths.	¥ 70,618 ths.	¥ 142,539 ths.
Provision for retirement benefits	¥ 17,945 ths.	¥ 16,749 ths.	¥ 31,789 ths.
2. Major items of non-operating income and expenses			
(1) Non-operating income			
Interest received and discount income	¥ 365 ths.	¥ 812 ths.	¥ 683 ths.
Dividends received	¥ 75 ths.	¥ 63 ths.	¥ 272 ths.
Gain on investment in anonymous association	¥ 212,131 ths.	-	¥ 212,131 ths.
(2) Non-operating expenses			
Interests paid	¥ 388 ths.	¥ 712 ths.	¥ 1,177 ths.
Exchange rate loss	¥ 4,802 ths.	¥ 14,075 ths.	¥ 23,057 ths.
3. Major items of extraordinary profits and losses			
(1) Extraordinary profits			
Reversal of allowance for doubtful Receivables	¥ 3,363 ths.	¥ 41 ths.	¥ 3,915 ths.
Subsidy	-	-	¥ 16,533 ths.
(2) Extraordinary losses			
Special premium for the withdrawal from the Employees' Pension Fund	¥ 46,836 ths.	-	¥ 46,833 ths.
Loss on revaluation of investment securities	¥ 9,306 ths.	-	-
Loss on disposal of property, plant and equipment	¥ 13,262 ths.	¥ 1,075 ths.	¥ 13,322 ths.

	For the first half ended Mar. 31, 2003	For the first half ended Mar. 31, 2004	For the fiscal year ended Sep. 30, 2003
4. Breakdown of loss on disposal of property, plant and equipment			
Buildings	¥ 12,387 ths.	-	¥ 12,447 ths.
Machinery and equipment	¥ 476 ths.	¥ 275 ths.	¥ 476 ths.
Tools, furniture and fixtures	¥ 398 ths.	¥ 800 ths.	¥ 398 ths.
5. Research and development expenses	¥ 172,527 ths.	¥ 321,365 ths.	¥ 352,882 ths.
6. Depreciation and amortization recognized			
Tangible fixed assets	¥ 146,742 ths.	¥ 145,317 ths.	¥ 314,028 ths.
Intangible fixed assets	¥ 12,887 ths.	¥ 13,710 ths.	¥ 25,803 ths.

(Notes to Cash Flow Statements)

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

	(As of Mar. 31, 2003)	(As of Mr. 31, 2004)	(As of Sep. 30, 2003)
Cash on hand and at banks	¥ 3,100,241 ths.	¥ 3,148,073 ths.	¥ 2,961,493 ths.
Securities	¥ 1,003,111 ths.	¥ 1,000,275 ths.	¥ 1,000,247 ths.
Cash and cash equivalents ¹	¥ 4,103,352 ths.	¥ 4,148,349 ths.	¥ 3,961,741 ths.

(Notes to Lease Transactions)

For the first half ended Mar. 31, 2003	For the first half ended Mar. 31, 2004	For the fiscal year ended Sep. 30, 2003
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		
(Machinery and equipment)	(Machinery and equipment)	(Machinery and equipment)
Acquisition costs: ¥ 927,890 ths.	Acquisition costs: ¥ 927,890 ths.	Acquisition costs: ¥ 927,890 ths.
Accumulated depreciation: <u>¥ 95,275 ths.</u>	Accumulated depreciation: <u>¥ 194,394 ths.</u>	Accumulated depreciation: <u>¥ 144,834 ths.</u>
Net book value: ¥ 832,614 ths.	Net book value: ¥ 733,495 ths.	Net book value: ¥ 783,055 ths.
(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)
Acquisition costs: ¥ 94,351 ths.	Acquisition costs: ¥ 104,410 ths.	Acquisition costs: ¥ 105,662 ths.
Accumulated depreciation: <u>¥ 42,573 ths.</u>	Accumulated depreciation: <u>¥ 49,995 ths.</u>	Accumulated depreciation: <u>¥ 41,857 ths.</u>
Net book value: ¥ 51,777 ths.	Net book value: ¥ 54,414 ths.	Net book value: ¥ 63,804 ths.

For the first half ended Mar. 31, 2003	For the first half ended Mar. 31, 2004	For the fiscal year ended Sep. 30, 2003
(Tools, furniture and fixtures) Acquisition costs: ¥ 45,000 ths. Accumulated depreciation: <u>¥ 1,875 ths.</u> Net book value: ¥ 43,125 ths.	(Tools, furniture and fixtures) Acquisition costs: ¥ 49,110 ths. Accumulated depreciation: <u>¥ 9,923 ths.</u> Net book value: ¥ 39,187 ths.	(Tools, furniture and fixtures) Acquisition costs: ¥ 49,110 ths. Accumulated depreciation: <u>¥ 5,762 ths.</u> Net book value: ¥ 43,348 ths.
(Total) Acquisition costs: ¥ 1,067,241 ths. Accumulated depreciation: <u>¥ 139,723 ths.</u> Net book value: ¥ 927,517 ths.	(Total) Acquisition costs: ¥ 1,081,410 ths. Accumulated depreciation: <u>¥ 254,313 ths.</u> Net book value: ¥ 827,096 ths.	(Total) Acquisition costs: ¥ 1,082,662 ths. Accumulated depreciation: <u>¥ 192,454 ths.</u> Net book value: ¥ 890,208 ths.
(2) The pro forma amounts of unexpired lease payments Due in one year or less: ¥ 124,990 ths. Due after one year: <u>¥ 829,416 ths.</u> Total ¥ 954,406 ths.	Due in one year or less: ¥ 128,872 ths. Due after one year: <u>¥ 728,893 ths.</u> Total ¥ 857,766 ths.	Due in one year or less: ¥ 129,370 ths. Due after one year: <u>¥ 791,697 ths.</u> Total ¥ 921,067 ths.
(3) Lease payments and depreciation of leased assets Lease payments: ¥ 77,461 ths. Depreciation: ¥ 60,711 ths. Interest paid: ¥ 9,543 ths.	Lease payments: ¥ 80,179 ths. Depreciation: ¥ 64,114 ths. Interest paid: ¥ 8,780 ths.	Lease payments: ¥ 154,412 ths. Depreciation: ¥ 123,624 ths. Interest paid: ¥ 18,642 ths.
(4) Method of calculation of depreciation Depreciation of leased assets is calculated by the straight-line method assuming the respective lease terms as the useful lives. As for the residual value assured, in the case of agreements stipulating the residual value concerned is adopted and in any other cases, the residual value is assumed at zero.	Same as left.	Same as left.
(5) Method of calculation of interests The difference between the total amount of the lease payments (from which maintenance and administrative cost are excluded) and the acquisition cost is treated as interests and the way of allocating the interests to the respective fiscal years applied is by the interest method.	Same as left.	Same as left.
2. Operating lease transaction (Unexpired lease payment) Due in one year or less: ¥ 24,000 ths. Due after one year: <u>¥ 179,980 ths.</u> ¥ 203,980 ths.	Due in one year or less: ¥ 24,000 ths. Due after one year: <u>¥ 155,980 ths.</u> ¥ 179,980 ths.	Due in one year or less: ¥ 24,000 ths. Due after one year: <u>¥ 167,980 ths.</u> ¥ 191,980 ths.

(Notes to Securities Holding)**As of the first half ended March 31, 2003**

1. Breakdown of marketable securities

(Thousands of yen)

	Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Stock	33,342	26,624	-6,717
Debt securities	99,980	104,998	5,018
Total	133,322	131,622	-1,699

(Note) The acquisition costs of stocks are reassessed under impairment accounting rules. The total amount of impairment loss recognized in the interim period concerned is 9,306 thousand yen.

2. Breakdown of nonmarketable securities

(Thousands of yen)

	Value booked in the balance sheets
Free Financial Fund	550,146
Money Management Fund	502,964
Unlisted stock (excluding over-the-counter shares)	200

As of the first half ended March 31, 2004

1. Marketable securities

(Thousands of yen)

	Acquisition cost	Value booked in the balance sheets	Unrealized gain (loss)
Stock	42,648	59,924	17,276
Debt securities	99,980	99,313	-666
Total	142,628	159,237	16,609

2. Breakdown of the nonmarketable securities

(Thousands of yen)

	Value booked in the balance sheets
Free Financial Fund	800,171
Money Management Fund	200,103
Unlisted stock (excluding over-the-counter shares)	200

As of the end of the fiscal year ended September 30, 2003

1. Marketable securities

(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	99,980	98,919	-1,060
	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

2. The breakdown of the nonmarketable securities

(Thousands of yen)

	Value booked in the balance sheets
Free Financial Fund	800,156
Money Management Fund	200,090
Unlisted stock (excluding over-the-counter shares)	200

(Notes to Derivative Transactions)

The Company did not have any derivative transactions.

(Notes to Earnings on investments in equity-method affiliates)

There is no applicable item.

(Information on Subsequent Event)

First half ended March 31, 2003 (From October 1, 2002 to March 31, 2003)

The Company introduced the Defined Contribution Pension Plan and Advanced Payment Retirement Plan as part of the Retirement Allowance System on April 1, 2003 because the Defined Contribution Pension Law went into effect. Moreover, we will apply the "Accounting for Transition of Retirement Allowance System" (Article 1 in Application Guideline for Corporate Accounting Standards). These two plans will be applied to some portions of the amount calculated based on potential obligation of retirement benefits for people who voluntarily resign as of March 31, 2003. Therefore, the transition of the system will not have any effect on earnings.

We estimate that the total amount of the assets transferred to the Defined Contribution Pension Plan and the tentative payment of advanced retirement benefits will be 189,827 thousand yen and it will take four years to complete the transfer.

First half ended March 31, 2004 (From October 1, 2003 to March 31, 2004)

There are no significant subsequent events to be reported.

Fiscal year ended September 30, 2003 (From October 1, 2002 to September 30, 2003)

There are no significant subsequent events to be reported.

. Goods Manufactured, Orders Received and Sales**(1) Breakdown of goods manufactured**

(Thousand of yen)

Business segment	First half ended March 31, 2003		First half ended March 31, 2004		Fiscal year ended September 30, 2003	
	Amount	(%)	Amount	(%)	Amount	(%)
Diagnostic drugs	1,113,469	31.2	1,972,800	43.6	2,770,028	34.7
Hormone drugs	1,223,865	34.3	1,142,984	25.2	2,592,336	32.5
Circulatory drugs	364,473	10.2	534,126	11.8	932,692	11.7
Antibiotics & Chemotherapeutics	250,890	7.1	342,490	7.6	579,634	7.3
Urogenital drugs	168,888	4.7	151,497	3.3	357,246	4.5
Dermatological preparation	144,210	4.1	130,387	2.9	257,871	3.2
Others	298,103	8.4	253,318	5.6	482,691	6.1
Total	3,563,902	100.0	4,527,604	100.0	7,972,501	100.0

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

2. Fractions less than one thousand yen are omitted.

(2) Breakdown of goods purchased

(Thousands of yen)

Business segment	First half ended March 31, 2003		First half ended March 31, 2004		Fiscal year ended September 30, 2003	
	Amount	(%)	Amount	(%)	Amount	(%)
In vitro diagnostics	147,765	90.3	128,253	82.5	322,479	85.8
Dermatological preparation	10,261	6.3	19,857	12.8	34,467	9.2
Hormone drugs	5,526	3.4	5,526	3.6	11,007	2.9
Antibiotics & Chemotherapeutics	-	-	1,800	1.1	1,380	0.4
Others	-	-	-	-	6,466	1.7
Total	163,553	100.0	155,437	100.0	375,801	100.0

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

2. Fractions less than one thousand yen are omitted.

(3) Manufacturing based on the orders received

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

(4) Breakdown of sales

(Thousand of yen)

Business segment	First half ended March 31, 2003		First half ended March 31, 2004		Fiscal year ended September 30, 2003	
	Amount	(%)	Amount	(%)	Amount	(%)
Goods manufactured						
Diagnostic drugs	1,252,718	30.8	1,825,735	30.8	2,842,149	32.8
Hormone drugs	1,249,237	30.7	1,200,465	30.7	2,502,229	28.8
Circulatory drugs	398,640	9.8	531,906	11.1	905,853	10.5
Antibiotics & Chemotherapeutics	248,638	6.1	262,729	5.5	514,286	5.9
Urogenital drugs	164,482	4.0	157,253	3.3	341,118	3.9
Dermatological preparation	132,733	3.2	134,797	2.8	279,317	3.2
Others	275,637	6.8	272,116	6.6	560,961	6.5
Sub total	3,722,087	91.4	4,385,004	92.6	7,945,916	91.6
Goods purchased						
In vitro diagnostic	284,517	7.0	283,341	5.9	588,448	6.8
Dermatologic preparation	49,323	1.2	47,463	1.0	108,455	1.2
Antibiotics & Chemotherapeutics	8,403	0.2	10,015	0.2	18,149	0.2
Hormone drugs	7,646	0.2	7,354	0.2	14,855	0.2
Others	-	-	3,064	0.1	309	0.0
Sub total	349,890	8.6	351,240	7.4	730,218	8.4
Total	4,071,978	100.0	4,736,245	100.0	8,676,135	100.0

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

2. Fractions less than one thousand yen are omitted.

(Information on major clients)

Client	Amount	Composition
Konica Minolta Medical & Graphic.Inc.	1,252,536 thousand yen	26.2%