

May 17, 2005

Non-Consolidated Interim Financial Results for the Fiscal Year Ending March 31, 2005

Company name: **FUJI PHARMACEUTICAL Co., Ltd.**
Code number: 4554
(URL <http://www.fuji-pharma.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 17, 2005

Interim dividend: The Company issues an interim dividend.

Starting date of dividend payment: June 10, 2005

Trading Unit: 100 shares

1. Financial Results for the First Half of the Fiscal Year Ending September 30, 2005 (October 1, 2004 to March 31, 2005)

(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. 2005	4,902	3.5	185	-70.0	189	-68.8
First Half ended Mar. 2004	4,736	16.3	618	8.3	607	-22.9
Fiscal Year ended Sep. 2004	9,694		1,435		1,447	

	Net income		Net income per share	Diluted net income per share
	Million Yen	YoY change (%)	Yen	Yen
First Half ended Mar. 2005	129	-65.4	10.88	-
First Half ended Mar. 2004	372	-8.2	31.40	-
Fiscal Year ended Sep. 2004	853		71.12	-

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

First half period ended March 2005: None

First half period ended March 2004: None

Fiscal year ended September 2004: None

2. Average number of shares outstanding:

First half period ended March 2005: 11,866,390 Shares

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

Fiscal year ended September 2004: 11,867,929 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 2005	7.00	-
First half ended March 2004	6.00	-
Fiscal year ended September 2004	-	14.00

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million Yen	Million Yen	(%)	Yen
First half ended March 2005	13,987	10,558	75.5	889.75
First half ended March 2004	13,299	10,127	76.1	853.30
Fiscal year ended September 2004	14,226	10,528	74.0	886.42

Notes: 1. Number of shares outstanding: 11,866,390 shares as of March 2005
11,868,130 shares as of March 2004
11,866,390 shares as of September 2004

2. Number of treasury stocks: 1,003,610 shares as of March 2005
1,001,870 shares as of March 2004
1,003,610 shares as of September 2004

(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 2005	23	-604	-95	3,184
First half ended March 2004	535	-238	-96	4,148
Fiscal year ended September 2004	854	-787	-171	3,860

2. Forecast for the Fiscal Year Ending September 2005 (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
Fiscal year ended Sep. 2005	10,100	960	600	14.00 (7.00)

Reference: Estimated net income per share for the fiscal year ending Sep. 2005: ¥50.56

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.

I. 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.

II. Management Policies

1. Fundamental Management Policy

Our corporate mission is "Making a contribution to society by economically and stably supplying effective and safe pharmaceutical products useful for improving and overcoming diseases and disorders". Under this mission, we intend to continue to provide high-quality pharmaceutical products and to fulfil our responsibilities to our customers, shareholders, employees, society and other stakeholders.

2. Profit Allocation Policy

We regard the distribution of a stable dividend or a dividend increase as one of the most important management issues. In deciding profit distribution, we will comprehensively take into account various factors such as the net profit generated in the period concerned, earning outlook over the next few years and retained earnings for future business development.

We plan to re-invest retained earnings in ways to improve business efficiency and marketing/sales system, to strengthen research and development activity leading to the growth of corporate value, and to expand and upgrade production facilities.

3. Opinion on the Change of Trading Unit

We reduced the trading unit from 1,000 shares to 100 shares on January 4, 2005 with the recognition that the maintenance of appropriate trading units is a useful measures to facilitate the investment from private investors and to improve the liquidity of our company shares. We will take other approaches for investing in environmental improvement.

4. Performance Indicator and Targets

Meeting shareholders' expectation about profit allocation as well as preparing 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 3,040 million yen of ordinary income, 20% of "Ordinary Income to Sales" and 9% of "Return on capital employed" (1,447 million yen, 14.9% and 6.3% as of the fiscal year ended September 30, 2004 respectively) as the goal of our new "Mid-term Business Plan" for the four-year period ended September 30, 2008. 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 more than 130 yen 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 comprehensive inpatient cost calculation system based on the diagnosis procedure combination was introduced to university hospitals and advanced treatment hospitals in 2003 and now its application is being applied to some ordinary hospitals on a trial basis. Therefore, the demand for generic drugs is expected to gradually rise. Additionally, as a result of the enforcement of the amendatory Pharmaceutical Affairs Law in April 2005, the approval system for pharmaceutical manufacturing and distribution was changed. While the Health, Labour and Welfare Ministry gave the approval for pharmaceutical manufacturing and distribution only to entities having production facilities before the enforcement, the Ministry gives the approval to entities bearing final responsibility for the market under the amended law. This means that the Ministry expects pharmaceutical companies to further improve product quality control and strengthen post-marketing surveillance.

Under these circumstances, we determined to be responsible for the whole process of research & development, manufacturing, marketing & sales and post-marketing surveillance. In order to realize our policy, we will implement the following actions:

- 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.
- 3) Meeting the requirements set under the amendatory Pharmaceutical Affairs Law enforced in April 2005, we will further improve and upgrade our quality assurance system.
- 4) We will actively take approaches to support women's health care.

6. Key Issues to be Resolved

Under the current difficult business environment and with the tightening competition, we will focus on resolving the following issues to achieve our mid-term business plan:

- 1) We will strengthen our research and development ability through our alliance with other pharmaceutical manufacturers.
- 2) We will shore up our sales force through staffing more MRs and building logistic support.
- 3) Responding to tightening and internationalized GMP and the reform of the Pharmaceutical Affairs Law, we will increase our production capacity through active investment such as factory construction for new medicines.
- 4) The importance of corporate social responsibility has been gradually recognized. We will adopt thoroughgoing measures to secure product quality/safety and environmental protection, and to educate our employees to comply with pharmaceutical business related laws/regulations and ethical standards.

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 regard establishing a management system which can respond appropriately and quickly to changes in the business environment as one of our important management challenges.

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 seven 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 surveying the operational and financial conditions at the Headquarters and branch offices.

Our accounting auditor is Azsa & Co. We are subject to their audits and exchange opinions with them periodically. Furthermore, we consult the auditor about important accounting issues in order to adopt appropriate accounting procedures.

The Board of Directors had seven 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.

Our company's internal control system is based on effective mutual supervision. The internal Auditor controlled directly by the president, conducts internal auditing to confirm whether the operational management in each department is appropriate or not and reports the results of the internal auditing to the senior management. The Auditor also conducts follow-up auditing in order to confirm whether corrective actions for the significant matters identified in the initial auditing have been taken.

Our company does not have any special relations in human resources, capital and business transactions with any of the directors and auditors. The president, directors and the manager of each function have a liaison meeting once a month in order to share our company policy within the senior management.

8. Other Significant Information on Management

In November 2004, our company entered into a license agreement on a joint development and a distributorship grant for renal anemia agents with Jcr Pharmaceuticals Co., Ltd.

III. Review of Operating Performance and Financial Conditions

1. Review of Operating Performance

During the interim period concerned, the Japanese economy was still vulnerable. Japanese business conditions as a whole were favorable, supported by brisk exports and recovery in corporate earnings. However, there was also uncertainty over the Japanese economy because of concerns over the U.S. economy and rising oil prices.

The business environment surrounding generic drug companies has become more competitive. While the expansion of the trial introduction of the so-called DPC system (Comprehensive inpatient cost calculation system based on diagnosis procedure combination) caused further growing interest from hospitals in generic drugs, original drug manufacturers' marketing and sales activity became more aggressive. As a result, the growth of hospitals' demand for generic drugs slightly slowed.

Under these circumstances, we implemented an active marketing and sales strategy. We set up the following two special teams: Fertility treatment drug special team in gynaecology that is one of our focus areas; Public national hospitals and advanced treatment hospitals in the area of radiology. These two teams made efforts to expand our market share of key products in the above two areas. In addition, we signed a license agreement with Jcr pharmaceutical Co., Ltd. in November 2004 and started to participate in genetically-modified medicine development as a strategic move for the future.

The sales for the interim period concerned recorded 4,902 million yen (3.5% YoY growth), supported by the favourable sales of diagnostic drugs and hormone drugs. On the profit side, we recorded 189 million yen of ordinary income (68.8% YoY decrease) and 129 million yen of interim net income (65.4 % YoY

decrease). These decreases in profits were caused by the substantial increase in research and development cost (744 million yen and 131.7% increase) that were attributed to the initial fee incurred by the said license agreement.

2. Financial Conditions

(1) Financial Conditions

The closing balance of assets as at the end of the period concerned decreased by 239 million yen to 13,987 million yen, compared to the opening balance. While the closing balance of inventories increased by 301 million yen, that of cash on hand/at bank and marketable securities decreased by 275 million yen and 399 million yen respectively.

The closing balance of liabilities as at the end of the period concerned decreased by 268 million yen to 3,429 million yen, compared to the opening balance. While trade accounts payable increased by 315 million yen, other accounts payable, accrued income tax and accrued bonuses decreased by 284 million yen, 126 million yen and 89 million yen respectively.

The closing balance of shareholder's equity as of the end of the period concerned increased by 29 million yen to 10,558 million yen, compared to the opening balance, because of the increase in retained earnings.

(2) Cash Flow

During the period concerned, net cash provided by operating activities was less than net cash used in investing and financing activities. As a result, the closing balance of cash and cash equivalents as of the end of the period decreased by 675 million yen to 3,184 million yen, compared to the opening balance.

i) Net cash provided by operating activities

203 million yen of depreciation and 281 million yen of increase in purchase liabilities were added to 183 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: 352 million yen increase in corporate tax; 301 million yen increase in inventories; 89 million yen decrease in accrued bonuses. Consequently, net cash provided by operating activities for the period concerned was 23 million yen (95.6% YoY decrease).

ii) Net cash used in investing activities

We spent 552 million yen and 49 million yen for the purchase of tangible and intangible fixed assets respectively. Consequently, net cash used in investment activities was 604 million yen

(153.0% YoY increase).

iii) Net cash used in financing activities

Net cash used in financing activities was 95 million yen (1.2% YoY decrease) because we paid 95 million yen as dividends.

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

	FY2003H1	FY2004H1	FY2005H1	FY2003	FY2004
Equity ratio (%)	76.9	76.1	75.5	75.7	74.0
Market value basis equity ratio (%)	77.7	123.1	146.8	116.7	110.9
Debt redemption period (Years)	0.3	0.2	4.3	0.3	0.2
Interest coverage ratio (Times)	1,027.2	752.3	22.9	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
(In case of interim periods, operating cash flow×2)
- 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. Outlook

Our projection for the fiscal year ending September 30, 2005 is 10,100 million yen of sales, 960 million yen of ordinary income and 600 million yen of net income.

Although the sales for this interim period recorded 3.5% YoY increase, the momentum in sales growth has been slowing during the period and the sales was 95.2% of our initial projection (248 million yen less than the projection). Accordingly, the ordinary income for the period was 72.7% of our projection (71 million yen less than the projection). We will start to sell a product transferred from a pharmaceutical company in the third quarter and launch a new product in the fourth quarter. However, we revised our projection for this fiscal year because we estimate the current tendency in the sales of existing products will continue.

4. Operational Risk

Risks related to the information contained in the financial statements for the interim period concerned which may have significant influences on investors' decision are as follows:

(1) Statutory Regulation

Our company manufactures and distributes pharmaceutical products under the Pharmaceutical Affairs Law and related regulations. In April 2005, the amended Pharmaceutical Affairs Law was enforced. This amendment and the revision in other laws/regulations related to the pharmaceutical industry,

which may be made in future, may have influences on our financial condition and business performance.

(2) Research and Development for Pharmaceutical Products

There is a possibility that our research and development projects will be behind schedule, a new product development period will be extended and the development will be suspended or even terminated. These events may have an impact on our business performance.

(3) Competition

We have a policy to sell our products at reasonable prices with the consideration of the profitability of products. However, some of our products have been suffering from considerable market price decline because of the hard competition with many competitors. Moreover, some original drug manufacturers have taken an aggressive approach to maintain their market share. Therefore, there is a possibility that we will not manage to achieve our projection.

IV. Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of Mar. 31, 2004		As of Mar. 31, 2005		As of Sep. 30, 2004	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Assets						
Current assets						
Cash on hand and cash at banks	3,148,073		2,084,246		2,359,924	
Trade notes receivable	744,130		721,189		704,100	
Trade accounts receivable	2,818,381		3,076,214		3,185,315	
Marketable securities	1,000,275		1,100,310		1,500,289	
Purchased goods	90,438		105,169		87,541	
Products	659,639		654,008		702,037	
Raw materials	563,010		854,875		667,203	
Products in progress	456,953		387,758		241,657	
Inventory goods	22,161		32,465		34,529	
Advance payment	22,550		31,143		28,319	
Prepaid expenses	19,805		40,262		68,214	
Deferred tax assets	149,071		155,999		211,915	
Other accounts receivable	2,381		38,148		9,381	
Other currents assets	12,359		12,535		11,134	
Allowance for doubtful receivables	-1,068		-1,139		-1,166	
Total current assets	9,708,164	73.0	9,293,188	66.4	9,810,398	69.0
Fixed assets						
Property, plant and equipment※1						
Buildings	1,519,237		1,915,134		1,974,137	
Structures	14,558		17,116		13,011	
Machinery and equipment	406,922		566,387		521,415	
Vehicles and other transportation equipment	5,544		10,935		11,984	
Tools, furniture and fixtures	122,000		125,862		118,893	
Land	267,252		483,721		456,748	
Construction in progress	202,200		20,370		18,320	
Total property, plant and equipment	2,537,716	19.1	3,139,526	22.5	3,114,511	21.9
Intangible fixed assets						
Trade mark	412		362		387	
Software	63,831		95,026		67,890	
Telephone subscription rights	7,976		7,976		7,976	
Total intangible assets	72,220	0.5	103,365	0.7	76,254	0.5
Investments and other assets						
Investment securities	159,437		189,326		180,384	
Investments in anonymous association	470		470		470	
Long-term prepaid expenses	95,108		213,060		213,714	
Deferred tax assets	139,851		357,590		143,918	
Guaranteed deposits	381,204		384,161		380,851	
Insurance reserve fund	5,480		6,849		6,336	
Restricted fund	200,000		300,000		300,000	
Total investments and other assets	981,552	7.4	1,451,458	10.4	1,225,675	8.6
Total fixed assets	3,591,489	27.0	4,694,351	33.6	4,416,442	31.0
Total assets	13,299,654	100.0	13,987,540	100.0	14,226,841	100.0

(Thousands of yen)

	As of Mar. 31, 2004		As of Mar. 31, 2005		As of Sep. 30, 2004	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Liabilities						
Current liabilities						
Trade notes payable	228,554		228,757		262,736	
Trade accounts payable	1,262,332		1,513,500		1,198,128	
Other accounts payable	381,257		355,044		639,814	
Current portion of long-term other accounts payable	31,740		31,674		31,683	
Accrued expenses	90,444		99,254		105,203	
Accrued income taxes	197,907		224,724		351,702	
Accrued consumption taxes	39,635		-		26,415	
Accrued bonuses	260,052		286,954		376,396	
Notes payable for purchase of equipment	22,558		27,072		71,868	
Other current liabilities	62,303		48,746		46,269	
Total current liabilities	2,576,785	19.4	2,815,729	20.1	3,110,219	21.9
Long-term liabilities						
Long-term other accounts payable	63,480		31,674		31,683	
Guaranteed deposits received	195,047		200,843		197,209	
Accrued retirement benefits for employees	267,813		308,050		285,781	
Accrued retirement benefits for directors	69,511		73,144		73,302	
Total long-term liabilities	595,852	4.5	613,712	4.4	587,977	4.1
Total liabilities	3,172,638	23.9	3,429,442	24.5	3,698,196	26.0
Shareholders' equity						
Common stock	1,616,950	12.2	1,616,950	11.6	1,616,950	11.4
Capital reserve						
Additional paid-in capital	2,226,020		2,226,020		2,226,020	
Total of capital reserve	2,226,020	16.7	2,226,020	15.9	2,226,020	15.6
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	1,836,017		2,270,292		2,246,141	
Total of retained earnings	7,000,096	52.6	7,434,371	53.1	7,410,220	52.1
Unrealized holding gain on securities	9,849	0.1	10,020	0.1	4,717	0.0
Treasury stock	-725,899	-5.5	-729,264	-5.2	-729,264	-5.1
Total shareholders' equity	10,127,016	76.1	10,558,097	75.5	10,528,644	74.0
Total liabilities and shareholders' equity	13,299,654	100.0	13,987,540	100.0	14,226,841	100.0

(2) Income Statements

(Thousands of yen)

	First half ended Mar. 31, 2004		First half ended Mar. 31, 2005		Fiscal year ended Sep. 30, 2004	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net sales	4,736,245	100.0	4,902,199	100.0	9,694,761	100.0
Cost of sales	2,631,324	55.5	2,768,307	56.5	5,396,557	55.7
Gross profit	2,104,920	44.5	2,133,891	43.5	4,298,203	44.3
Selling, general and administrative expenses ※1	1,486,370	31.4	1,948,493	39.7	2,862,241	29.5
Operating income	618,549	13.1	185,397	3.8	1,435,962	14.8
Non-operating income ※2	6,774	0.1	8,607	0.2	18,310	0.2
Non-operating expenses ※2	18,254	0.4	4,844	0.1	6,974	0.1
Ordinary income	607,070	12.8	189,161	3.9	1,447,298	14.9
Extraordinary gains ※3	41	0.0	-	-	4,530	0.1
Extraordinary losses ※3,4	1,075	0.0	5,666	0.2	40,997	0.4
Income before income taxes	606,036	12.8	183,494	3.7	1,410,830	14.6
Income taxes-current	198,080	4.2	215,807	4.4	584,931	6.1
Income taxes-deferred	35,299	0.7	-161,394	-3.3	-28,089	-0.3
Net income	372,656	7.9	129,082	2.6	853,989	8.8
Retained earnings at the beginning of the period	1,463,360		2,141,210		1,463,360	
Dividend	-		-		71,208	
Unappropriated retained earnings at the end of the period	1,836,017		2,270,292		2,246,141	

(3) Cash Flow Statements

	First half ended Mar. 31, 2004	First half ended Mar. 31, 2005	Fiscal year ended Sep. 30, 2004
	Thousand yen	Thousand yen	Thousand yen
I Cash flows from operating activities			
Income before income taxes	606,036	183,494	1,410,830
Depreciation and amortization	159,028	203,006	340,997
Increase in accrued retirement benefits for employees	21,254	22,269	39,222
Increase (Decrease) in accrued retirement benefits for directors	1,326	-157	5,117
Increase (Decrease) in allowance for doubtful receivables	-41	-27	56
Increase (Decrease) in accrued bonuses	-109,550	-89,441	6,792
Interest and dividends income	-1,520	-1,817	-3,291
Foreign exchange profit	-	-	-2,744
Foreign exchange loss	14,075	1	-
Gain on sales of investment securities	-	-	-4,211
Loss on disposal of property, plant and equipment	1,075	1,726	4,829
Decrease (Increase) in trade receivable	89,666	92,011	-237,236
Increase in inventories	-126,293	-301,309	-67,059
Decrease (Increase) in advance payment	35,596	-2,823	29,827
Decrease (Increase) in other accounts receivable	12,770	-28,766	5,770
Decrease (Increase) in long-term prepaid expenses	653	653	-117,951
Increase in trade payables	167,237	281,393	137,215
Increase in other accounts payable	70,742	34,653	17,379
Increase (Decrease) in accrued expenses	-12,143	-5,948	2,615
Decrease in accrued consumption taxes	-73,232	-26,415	-86,452
Increase consumption taxes receivable	-	-1,496	-
Increase (Decrease) in guaranteed deposits received	-11,306	3,633	-9,143
Payments of bonuses to directors and auditors	-11,000	-10,000	-11,000
Others	62,036	19,612	16,452
Sub total	896,412	374,251	1,478,014
Interests and dividends received	1,520	1,840	3,224
Funds transferred to defined contribution pension account	-4,314	-18	-36,166
Income taxes paid	-357,903	-352,508	-590,958
Net cash used by operating activities	535,715	23,528	854,114
II Cash Flow from Investing Activities			
Pay-in of time deposits	-	-100,000	-100,000
Reimbursement of time deposits	-	100,000	-
Purchase of investment securities	-	-	-30,000
Proceeds from sales of investment securities	-	-	4,611
Purchase of property, plant and equipment	-231,052	-552,914	-640,013
Disposal of property, plant and equipment	-	-1,444	-1,176
Purchase of intangible fixed assets	-6,495	-49,377	-18,664
Purchase of leased assets	-	-	-340,200
Proceeds from sales of leased assets	-	-	340,200
Others	-1,198	-363	-2,056
Net cash used in investing activities	-238,745	-604,099	-787,298
III Cash Flows from Financing Activities			
Purchase of treasury stock	-	-	-3,364
Cash dividends paid	-96,286	-95,086	-167,721
Net cash provided by financing activities	-96,286	-95,086	-171,086
IV Effects of exchange rate changes on cash and cash equivalents	-14,075	-1	2,744

	First half ended Mar. 31, 2004	First half ended Mar. 31, 2005	Fiscal year ended Sep. 30, 2004
	Thousand yen	Thousand yen	Thousand yen
V Increase in cash and cash equivalents	186,607	-675,658	-101,526
VI Cash and cash equivalents balance at the beginning of the period	3,961,741	3,860,214	3,961,741
VII Cash and cash equivalents balance at the end of the Period	4,148,349	3,184,556	3,860,214

(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	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 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 be easily 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 is represented as "Accrued consumption taxes" in Current liabilities for the interim fiscal year ended March 2004 and the fiscal year ended September 2004 and as "Other current assets" in Current assets for the interim fiscal year ended March 2005.

(5) Supplementary Information

(Pro Forma Standard Taxation)

"Local Taxation Reform Law" (No. 9 issued in 2003) was promulgated on March 31, 2003. Under this law, the pro forma standard taxation shall be applied to any corporation for any fiscal year commencing April 1, 2004 or after. Our company booked corporate tax calculated by added-value and capital basis method in the section of selling, general and administrative expense

for the period concerned in accordance with “Accounting Practices for the Booking of Pro Forma Basis Tax in Income Statements” (Accounting Practices No.12 issued by the Corporate Accounting Standards Committee on February 13, 2004).

This adoption increased the selling, general and administrative expenses by 9,722 thousand yen and decreased operating income, ordinary income and net income before tax by the same amount.

(6) Notes to Financial Statements

(Notes to Balance Sheets)

	As of Mar. 31, 2004	As of Mar. 31, 2005	As of Sep. 30, 2004
※1 Accumulated depreciation of property, plant and equipment	¥ 2,857,698 ths.	¥ 3,190,281 ths.	¥ 3,006,073 ths.

(Notes to Income Statements)

	For the first half ended Mar. 31, 2004	For the first half ended Mar. 31, 2005	For the fiscal year ended Sep. 30, 2004
※1. Breakdown of selling, general and administrative expenses:			
Research and development expenses	¥ 321,365 ths.	¥ 744,588 ths.	¥ 508,978 ths.
Salaries and bonuses	¥ 327,882 ths.	¥ 339,461 ths.	¥ 775,660 ths.
Provision for bonuses	¥ 159,338 ths.	¥ 178,757 ths.	¥ 233,504 ths.
Sales commission	¥ 116,837 ths.	¥ 116,939 ths.	¥ 224,204 ths.
Welfare expenses	¥ 118,193 ths.	¥ 91,411 ths.	¥ 206,317 ths.
Rent	¥ 75,877 ths.	¥ 74,388 ths.	¥ 154,736 ths.
Packaging and transportation expenses	¥ 70,618 ths.	¥ 68,481 ths.	¥ 145,456 ths.
Provision for retirement benefits	¥ 16,749 ths.	¥ 16,130 ths.	¥ 31,486 ths.
※2. Major items of non-operating income and expenses			
(1) Non-operating income			
Interest received and discount income	¥ 812 ths.	¥ 866 ths.	¥ 1,598 ths.
Dividends received	¥ 63 ths.	¥ 48 ths.	¥ 318 ths.
(2) Non-operating expenses			
Interests paid	¥ 712 ths.	¥ 1,028 ths.	¥ 1,350 ths.
Exchange rate loss	¥ 14,075 ths.	¥ 1 ths.	-
※3. Major items of extraordinary profits and losses			
(1) Extraordinary profits			
Reversal of allowance for doubtful receivables	¥ 41 ths.	-	-
Subsidy	-	-	¥ 4,530 ths.
(2) Extraordinary losses			
Loss on revaluation of inventories	-	¥ 3,939 ths.	¥ 36,168 ths.
Loss on disposal of property, plant and equipment	¥ 1,075 ths.	¥ 1,726 ths.	¥ 4,829 ths.

	For the first half ended Mar. 31, 2004	For the first half ended Mar. 31, 2005	For the fiscal year ended Sep. 30, 2004
※4. Breakdown of loss on disposal of property, plant and equipment			
Buildings	-	¥ 1,568 ths	¥2,911 ths.
Machinery and equipment	¥ 800 ths	¥ 157 ths	¥ 1,256 ths.
Tools, furniture and fixtures	¥ 275 ths	-	¥ 660 ths
5. Depreciation and amortization recognized			
Tangible fixed assets	¥ 145,317 ths.	¥ 189,787 ths.	¥ 312,266 ths.
Intangible fixed assets	¥13, 710 ths.	¥ 13,219 ths.	¥ 28,731 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, 2004)	(As of Mr. 31, 2005)	(As of Sep. 30, 2004)
Cash on hand and at banks	¥ 3,148,073 ths.	¥ 2,084,246 ths.	¥ 2,359,924 ths.
Securities	¥ 1,000,275 ths.	¥ 1,100,310 ths.	¥ 1,500,289 ths.
Cash and cash equivalents	¥ 4,148,349 ths.	¥ 3,184,556 ths.	¥ 3,860,214 ths.

(Notes to Lease Transactions)

For the first half ended Mar. 31, 2004	For the first half ended Mar. 31, 2005	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		
(Machinery and equipment)	(Machinery and equipment)	(Machinery and equipment)
Acquisition costs: ¥ 927,890 ths.	Acquisition costs: ¥ 1,258,807 ths.	Acquisition costs: ¥ 1,258,807 ths.
Accumulated depreciation: <u>¥194,394 ths.</u>	Accumulated depreciation: <u>¥314,961 ths.</u>	Accumulated depreciation: <u>¥ 247,017 ths.</u>
Net book value: ¥ 733,495 ths.	Net book value: ¥ 943,845 ths.	Net book value: ¥ 1,011,789 ths.
(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)	(Vehicles and other transportation equipment)
Acquisition costs: ¥104,410 ths.	Acquisition costs: ¥ 96,390 ths.	Acquisition costs: ¥ 96,844 ths.
Accumulated depreciation: <u>¥ 49,995 ths.</u>	Accumulated depreciation: <u>¥ 54,941 ths.</u>	Accumulated depreciation: <u>¥ 46,755 ths.</u>
Net book value: ¥ 54,414 ths.	Net book value: ¥ 41,449 ths.	Net book value: ¥ 50,089 ths.
(Tools, furniture and fixtures)	(Tools, furniture and fixtures)	(Tools, furniture and fixtures)
Acquisition costs: ¥ 49,110 ths.	Acquisition costs: ¥ 49,110 ths.	Acquisition costs: ¥ 49,110 ths.
Accumulated depreciation: <u>¥ 9,923 ths.</u>	Accumulated depreciation: <u>¥18,245 ths.</u>	Accumulated depreciation: <u>¥ 14,084 ths.</u>
Net book value: ¥ 39,187 ths.	Net book value: ¥ 30,865 ths.	Net book value: ¥ 35,026 ths.

For the first half ended Mar. 31, 2004	For the first half ended Mar. 31, 2005	For the fiscal year ended Sep. 30, 2004
(Total) Acquisition costs: ¥ 1,081,410 ths. Accumulated depreciation: <u>¥ 254,313 ths.</u> Net book value: ¥ 827,096 ths.	(Total) Acquisition costs: ¥ 1,404,307 ths. Accumulated depreciation: <u>¥ 388,147 ths.</u> Net book value: ¥ 1,016,160 ths.	(Total) Acquisition costs: ¥ 1,404,761 ths. Accumulated depreciation: <u>¥ 307,857 ths.</u> Net book value: ¥ 1,096,904 ths.
(2) The pro forma amounts of unexpired lease payments 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: ¥ 164,905 ths. Due after one year: <u>¥ 884,037 ths.</u> Total ¥ 1,048,943 ths.	Due in one year or less: ¥ 165,509 ths. Due after one year: <u>¥ 965,021 ths.</u> Total ¥ 1,130,530 ths.
(3) Lease payments and depreciation of leased assets Lease payments: ¥ 80,179 ths. Depreciation: ¥ 64,114 ths. Interest paid: ¥ 8,780 ths.	Lease payments: ¥ 96,866 ths. Depreciation: ¥ 81,756 ths. Interest paid: ¥ 8,669 ths.	Lease payments: ¥ 160,629 ths. Depreciation: ¥ 130,085 ths. Interest paid: ¥ 17,144 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>¥ 155,980 ths.</u> ¥ 179,980 ths.	(Unexpired lease payment) Due in one year or less: ¥ 24,000 ths. Due after one year: <u>¥ 131,980 ths.</u> ¥ 155,980 ths.	(Unexpired lease payment) Due in one year or less: ¥ 24,000 ths. Due after one year: <u>¥ 143,980 ths.</u> ¥ 167,980 ths.

(Notes to Securities Holding)

1. Breakdown of marketable securities

(Thousands of yen)

	As of Mar. 31, 2004			As of Mar. 31, 2005			As of Sep. 30, 2004		
	Acquisition cost	Value booked	Unrealized gain (loss)	Acquisition cost	Value booked	Unrealized gain (loss)	Acquisition cost	Value booked	Unrealized gain (loss)
Stock	42,648	59,924	17,276	42,248	57,349	15,100	42,248	50,039	7,790
Debt securities	99,980	99,313	-666	99,980	101,777	1,797	99,980	100,145	165
Total	142,628	159,237	16,609	142,228	159,126	16,897	142,228	150,184	7,956

2. Breakdown of non-marketable securities

(Thousands of yen)

	As of Mar. 31, 2004	As of Mar. 31, 2005	As of Sep. 30, 2004
Commercial paper	-	499,984	499,986
Free Financial Fund	800,171	400,197	800,187
Money Management Fund	200,103	200,127	200,115
Unlisted stock (excluding over-the-counter shares)	200	30,200	30,200

(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.

V. Goods Manufactured, Orders Received and Sales

(1) Breakdown of goods manufactured

(Thousand of yen)

Business segment	First half ended March 31, 2004		First half ended March 31, 2005		Fiscal year ended September 30, 2004	
	Amount	(%)	Amount	(%)	Amount	(%)
Diagnostic drugs	1,972,800	43.6	1,912,797	42.2	3,822,511	41.7
Hormone drugs	1,142,984	25.2	1,325,879	29.3	2,520,223	27.5
Circulatory drugs	534,126	11.8	513,510	11.3	1,064,706	11.6
Antibiotics & Chemotherapeutics	342,490	7.6	184,873	4.1	550,449	6.0
Urogenital drugs	151,497	3.3	151,618	3.3	301,768	3.3
Dermatological preparation	130,387	2.9	138,196	3.1	280,923	3.1
Others	253,318	5.6	303,631	6.7	627,636	6.8
Total	4,527,604	100.0	4,530,508	100.0	9,168,218	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, 2004		First half ended March 31, 2005		Fiscal year ended September 30, 2004	
	Amount	(%)	Amount	(%)	Amount	(%)
In vitro diagnostics	128,253	82.5	145,657	77.6	307,386	87.2
Dermatological preparation	19,857	12.8	22,740	12.1	31,395	8.9
Hormone drugs	5,526	3.6	5,526	3.0	5,526	1.6
Antibiotics & Chemotherapeutics	1,800	1.1	-	-	7,720	2.2
Others	-	-	13,753	7.3	635	0.1
Total	155,437	100.0	187,677	100.0	352,663	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 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, 2004		First half ended March 31, 2005		Fiscal year ended September 30, 2004	
	Amount	(%)	Amount	(%)	Amount	(%)
Goods manufactured						
Diagnostic drugs	1,825,735	38.5	1,907,143	38.9	3,690,203	38.1
Hormone drugs	1,200,465	25.3	1,289,555	26.3	2,469,819	25.5
Circulatory drugs	531,906	11.2	506,994	10.3	1,023,405	10.5
Antibiotics & Chemotherapeutics	262,729	5.6	246,447	5.0	526,039	5.4
Urogenital drugs	157,253	3.3	145,501	3.0	327,859	3.4
Dermatological preparation	134,797	2.9	129,080	2.6	285,808	2.9
Others	272,116	5.8	331,698	6.8	628,350	6.5
Sub total	4,385,004	92.6	4,556,423	92.9	8,951,487	92.3
Goods purchased						
In vitro diagnostic	283,341	6.0	269,413	5.5	596,435	6.2
Dermatologic preparation	47,463	1.0	45,140	0.9	106,030	1.1
Antibiotics & Chemotherapeutics	10,015	0.2	7,760	0.2	17,504	0.2
Hormone drugs	7,354	0.1	6,564	0.1	13,907	0.1
Others	3,064	0.1	16,896	0.3	9,397	0.1
Sub total	351,240	7.4	345,776	7.1	743,274	7.7
Total	4,736,245	100.0	4,902,199	100.0	9,694,761	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.	1,392,221 thousand yen	28.4%