May 17, 2006

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

Company name: **Fuji Pharma Co., Ltd.**
Code number: 4554
(URL http://www.fujipharma.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, 2006
Interim dividend: The Company issues an interim dividend.
Starting date of dividend payment: June 9, 2006
Trading Unit: 100 shares

1. Financial Results for the First Half of the Fiscal Year Ending September 30, 2006 (October 1, 2005 to March 31, 2006)

(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. 2006	5,263	7.4	693	273.8	709	275.2
First Half ended Mar. 2005	4,902	3.5	185	-70.0	189	-68.8
Fiscal Year ended Sep. 2005	10,128		987		996	

	Net income		Net income per share	Diluted net income per share
	Million Yen	YoY change (%)	Yen	Yen
First Half ended Mar. 2006	429	232.3	35.87	-
First Half ended Mar. 2005	129	-65.4	10.88	-
Fiscal Year ended Sep. 2005	577		47.33	-

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

First half period ended March 2006: None
First half period ended March 2005: None
Fiscal year ended September 2005: None

2. Average number of shares outstanding:

First half period ended March 2006: 11,960,133 Shares

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

Fiscal year ended September 2005: 11,866,390 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 2006	7.00	-
First half ended March 2005	7.00	-
Fiscal year ended September 2005	-	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 2006	16,945	12,622	74.5	980.80
First half ended March 2005	13,987	10,558	75.5	889.75
Fiscal year ended September 2005	14,190	10,936	77.1	920.32

Notes: 1. Number of shares outstanding: 12,869,990 shares as of March 2006

11,866,390 shares as of March 2005

11,866,390 shares as of September 2005

2. Number of treasury stocks: 10 shares as of March 2006

1,003,610 shares as of March 2005

1,003,610 shares as of September 2005

(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 2006	603	-1,592	1,762	3,456
First half ended March 2005	23	-604	-95	3,184
Fiscal year ended September 2005	338	-1,336	-178	2,683

2. Forecast for the Fiscal Year Ending September 2005 (October 1, 2005 to September 30, 2006)

	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. 2006	11,100	1,500	930	14.00 (7.00)

Reference: Estimated net income per share for the fiscal year ending Sep. 2006: ¥72.26

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

This item is not applicable because the Company does not have any subsidiaries and affiliates.

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 activities leading to the growth of corporate value, and to expand and upgrade production facilities.

We do not plan to change the current number of dividend payments (twice per fiscal year).

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 measure to facilitate 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 Indicators and Targets

Meeting shareholders' expectations 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 2,870 million yen of ordinary income, 19.5% of "Ordinary Income to Sales" and 10.0% of "Return on total capital" (996 million yen, 9.8% and 4.1% as of the fiscal year ended September 30, 2005 respectively) as the goal of our "Mid-term Business Plan" for the four-year period ended September 30, 2009. 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 138 yen as of the fiscal year ended September 30, 2009 (47.33 yen as of the fiscal year ended September 30, 2005).

5. Medium- and Long-term Management Strategy

We will invest our management resources in a focused way in our strong areas injectable solutions in terms of the drug type, obstetrics and gynecology in terms of the medical examination field, and hormone drugs in terms of the medicinal benefits type. We will also allocate a strategic budget to these areas for proactive measures such as business alliances, license agreements, product development and investment in facilities. As for injectable solutions, we plan to launch 30 new products used for inpatient hospital care in four years, responding to the increasing introduction of Diagnosis Procedure Combination (DPC). We will reinforce the sales systems for injectable solutions by forming a structure dedicated to key hospitals (e.g. public, university and other major hospitals) and strengthen our support to academic research. Furthermore, we aim to increase our supply capacity by introducing new production lines. With regard to the obsteric and gynecologic area, we will make efforts to secure the licensing of new drugs with new efficacy and formulation in order to improve our product portfolio, which mainly consists of proprietary generic products at present. For hormone drugs, we built a new tablet production factory designed for cross-contamination and proliferation prevention. We also plan to develop a drug delivery system based on our present drug formation technology.

6. Key Challenges

The generic product market has been expanding amid calls for a cut in national medical expenses. Meanwhile, more and more newcomers including leading foreign drug makers have entered into Japan's growing generic product market. In addition, medical institutions' needs for quality assurance, stable product supply and information provision are expected to further increase. Under these circumstances, in order to maintain and improve our competitive position in the market, and to increase the effectiveness of our active growth strategies, such as new development investment plans, we will address the following key challenges:

1) We will strengthen our research and development ability through our alliance with other pharmaceutical manufacturers.
2) We will reinforce the marketing and sales systems for key hospitals by forming project teams and strengthening our support to academic research.
3) Responding to the increasing needs for quality improvement and demand expansion, we will upgrade and expand our production systems.
4) We will take a full-line strategy for product specification.
5) The importance of corporate social responsibility is now 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. Other Significant Information on Management

There is no significant information on management to be reported.

Ⅲ. Review of Operating Performance and Financial Conditions

1. Review of Operating Performance

During the interim period concerned, the Japanese economy recovered, backed by expanded capital spending and exports. Furthermore, there was an up-turn in consumer spending, with improved employment conditions and employees' income.

In the ethical drug industry, the use of prescriptions with a new format, which was suggested by the Health, Labor and Welfare Ministry in its "draft proposal for health insurance reform" in October 2005, started in April 2006. The introduction of the new prescription format indicates that the Ministry accepts generic products as standard ethical drugs. In addition, more hospitals started to adopt DPC. In this way, the environment for stimulating the use of generic products is being put in place.

Under these circumstances, responding to the growing application of DPC, we increased the number of medical representatives (MRs) specialized in public hospitals, advanced treatment hospitals and infertility treatment hospitals, which is our competitive segment. In addition, we strengthened our support to academic research in order to back up the MRs activities. On the production side, we built a tablet production factory and additional production lines in an injectable solution factory in order to increase our production capacity, produce drugs with new formulations, and maintain/improve product quality.

The sales for the interim period concerned recorded 5,263 million yen (7.4% YoY growth). On the profit side, we recorded 693 million yen of operating income (273.8% YoY increase), 709 million yen of ordinary income (275.2% YoY increase) and 429 million yen of interim net income (232.3 % YoY increase).

1) Analysis of Sales

The sales of diagnostic products, including our key urography and anigiography contrast agents, “Oypalomin” and “Iopaque”, increased 11.2% year-on-year to 2,120 million yen. Hormone drugs recorded 1,329 million yen of sales, a solid 3.1% year-on-year increase, supported by “NAFARELIL”, a new endometriosis curative drug launched in July 2005, in addition to our key infertility treatment drugs such as pituitary gonadotropic hormone drug and “endometriosis therapeutic agent, “Human Menopausal Gonadotrophin”and “Buserecur”. As for drugs with other beneficiary effects, in vitro diagnostic drugs increased 8.1% year-on-year to 291 million yen thanks to the launch of a quick test kit for luteinizing hormone in the urine and an influenza virus test kit, and the favorable sales of hemolytic streptococci test reagent. On the other hand, circulatory drugs declined 4.1% year-on-year to 486 million yen due to the levelled-off sales of prostaglandin E1 drug product, “ALYPROST injection”, and the decreased sales of other products.

2) Analysis of Operating income

The cost to sales ratio improved by 0.9% points to 57.4%. Cost reduction factors such as the benefits from the increased production volume and the cut in the unit cost of material procurement covered the cost increase factors, such as increased depreciation and leasing costs from new investments, and revised sales price following the NHI price revision.

Selling and general administrative expenses decreased by 407 million yen to 1,540 million yen. This is mainly attributable to 452 million yen of decrease in research and development costs.

3) Analysis of Non-operating and Extraordinary Profits and Losses

We booked a total 23 million yen of non-operating profits, consisting of 9 million yen of subcontracting fees and 6 million yen of proceeds from sales of investment securities. On the other hand, we recorded 18 million yen of loss on the retirement of facilities and 6 million yen of retirement benefits for directors, totalling 25 million yen of extraordinary losses.

2. Financial Conditions

(1) Financial Conditions

The closing balance of assets as at the end of the period concerned increased by 2,754 million yen from the opening balance to 16,945 million yen. The closing balance of current assets increased by 1,547 million yen from the opening balance to 10,818 million yen. While the closing balance of cash on hand/at bank and inventories increased by 1,173 million yen and 209 million yen, that of marketable securities and trade receivable decreased by 400 million yen and 113 million yen respectively. The closing balance of fixed assets increased by 1,206 million yen from the opening balance to 6,126 million yen. Tangible fixed assets increased 992 million yen due to investments including the construction of a new tablet production factory and intangible fixed assets decreased 15 million yen due to the amortization of distributorship acquired in the previous fiscal year. The closing balance of investments and other assets increased by 229 million yen due to the increased long-term advance payment for leased factory machinery and equipment.

The closing balance of liabilities as at the end of the period concerned increased by 1,068 million yen from the opening balance to 4,322 million yen. While short-term borrowing, other accounts payable and purchase liabilities increased by 500 million yen respectively, 425 million and 266 million yen, accrued bonuses decreased by 167 million yen.

The closing balance of shareholder's equity as of the end of the period concerned increased by 1,686 million yen from the opening balance to 12,622 million yen. This is attributable to the retirement of treasury stock worth 1,344 million yen and 334 million yen increase in retained earnings.

(2) Cash Flow

The closing balance of cash and cash equivalents as at the end of the period increased by 773 million yen from the opening balance to 3,456 million yen. The cash flows from three types of activity are as follows

ⅰ) Net cash provided by operating activities

266 million yen of increase in purchase liabilities and 253 million yen of depreciation were added to 684 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: 209 million yen increase in inventories; 179 million yen increase in long-term prepaid expenses; 167 million yen decrease in accrued bonuses. Consequently, net cash provided by operating activities for the period concerned was 603 million yen.

ⅱ) Net cash used in investing activities

We spent 913 million, 847 million and 50 million yen for the purchase of tangible fixed assets, the acquirement of lease assets and the payment of guarantee money respectively. On the other hand, we received 213 million proceeds from sale of lease assets. Consequently, net cash used in investment activities was 1,592 million yen.

ⅲ)Net cash used in financing activities

Net cash used in financing activities was 1,762 million yen. While we received 1,344 million proceeds from sale of treasury stock and had 500 million yen on short-term loan, we paid 82 million yen as dividends.

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

	FY2004H1	FY2005H1	FY2006H1	FY2004	FY2005
Equity ratio (%)	76.1	75.5	74.5	74.0	77.1
Market value basis equity ratio (%)	123.1	146.8	107.1	110.9	90.8
Debt redemption period (Years)	0.2	4.3	0.6	0.2	0.6
Interest coverage ratio (Times)	752.3	22.9	672.5	632.6	183.1

・ 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

※ "Short-term borrowings" and "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, 2006 is 11,100 million yen of sales, 1,500 million yen of ordinary income and 930 million yen of net income. Sales in the first half of the fiscal year ending September 30, 2006 were slightly below our projection. However, we believe that we will be able to recover the shortage because of increasing interest in and demand for generic products in line with the introduction of DPC at more medical institutions. We will conduct active sales activities targeting key hospitals as well as our strong infertility and radiology markets. Moreover, we plan to make constant cost reduction efforts.

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. Amendments to 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 consideration to the profitability of products. However, some of our products have been suffering from a 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, 2005		As of Mar. 31, 2006		As of Sep. 30, 2005	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Assets						
Current assets						
Cash on hand and cash at banks	2,084,246		3,256,697		2,083,090	
Trade notes receivable	721,189		644,252		735,107	
Trade accounts receivable	3,076,214		3,282,366		3,305,024	
Marketable securities	1,100,310		200,147		600,341	
Inventory	2,034,278		2,428,904		2,219,827	
Others	278,089		1,007,292		328,488	
Allowance for doubtful receivables	-1,139		-1,177		-1,212	
Total current assets	9,293,188	66.4	10,818,483	63.8	9,270,668	65.3
Fixed assets						
Property, plant and equipment※1						
Buildings	1,915,134		2,864,662		1,874,358	
Machinery and equipment	566,387		819,945		487,763	
Others	658,004		656,889		987,316	
Total property, plant and equipment	3,139,526		4,341,498		3,349,438	
Intangible fixed assets	103,365		184,322		199,554	
Investment and other assets	1,451,458		1,601,102		1,371,271	
Total fixed assets	4,694,351	33.6	6,126,922	36.2	4,920,263	34.7
Total assets	13,987,540	100.0	16,945,406	100.0	14,190,931	100.0

(Thousands of yen)

	As of Mar. 31, 2005		As of Mar. 31, 2006		As of Sep. 30, 2005	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Liabilities						
Current liabilities						
Trade notes payable	228,757		247,916		245,145	
Trade accounts payable	1,513,500		1,538,311		1,274,342	
Short-term borrowings	-		500,000		-	
Other accounts payable	355,044		765,139		339,517	
Current portion of long-term other accounts payable	31,674		31,507		31,507	
Accrued income taxes	224,724		201,516		126,634	
Accrued bonuses for employees	286,954		262,494		429,589	
Accrued bonuses for directors	-		4,482		-	
Allowance for sales return	-		6,346		-	
Other current liabilities	175,073		160,550		197,800	
Total current liabilities	2,815,729	20.1	3,718,265	21.9	2,644,536	18.6
Long-term liabilities						
Long-term other accounts payable	31,674		-		-	
Guaranteed deposits received	200,843		208,279		204,952	
Accrued retirement benefits for employees	308,050		348,232		328,036	
Accrued retirement benefits for directors	73,144		47,802		76,997	
Total long-term liabilities	613,712	4.4	604,314	3.6	609,987	4.3
Total liabilities	3,429,442	24.5	4,322,580	25.5	3,254,523	22.9
Shareholders' equity						
Common stock	1,616,950	11.6	1,616,950	9.5	1,616,950	11.4
Capital surplus						
Capital reserve	2,226,020		2,226,020		2,226,020	
Other capital surplus	-		615,567		-	
Total of capital reserve	2,226,020	15.9	2,841,587	16.8	2,226,020	15.7
Retained earnings						
Legal reserve	164,079		164,079		164,079	
Voluntary reserve	5,000,000		5,000,000		5,000,000	
Unappropriated (interim) retained earnings	2,270,292		2,969,852		2,635,308	
Total of retained earnings	7,434,371	53.1	8,133,931	48.0	7,799,387	55.0
Unrealized holding gain on securities	10,020	0.1	30,364	0.2	23,314	0.1
Treasury stock	-729,264	-5.2	-7	-0.0	-729,264	-5.1
Total shareholders' equity	10,558,097	75.5	12,622,825	74.5	10,936,408	77.1
Total liabilities and shareholders' equity	13,987,540	100.0	16,945,406	100.0	14,190,931	100.0

(2) Income Statements

(Thousands of yen)

	First half ended Mar. 31, 2005		First half ended Mar. 31, 2006		Fiscal year ended Sep. 30, 2005	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Net sales	4,902,199	100.0	5,263,487	100.0	10,128,644	100.0
Cost of sales	2,768,307	56.5	3,023,167	57.4	5,602,737	55.3
Gross profit	2,133,891	43.5	2,240,319	42.6	4,525,907	44.7
Provision for allowance sales returns	-	-	6,346	0.2	-	-
Net gross profit	2,133,891	43.5	2,233,972	42.4	4,525,907	44.7
Selling, general and administrative expenses※1	1,948,493	39.7	1,540,964	29.2	3,537,951	34.9
Operating income	185,397	3.8	693,007	13.2	987,956	9.8
Non-operating income※2	8,607	0.2	23,395	0.4	20,430	0.2
Non-operating expenses※2	4,844	0.1	6,679	0.1	12,155	0.2
Ordinary income	189,161	3.9	709,723	13.5	996,231	9.8
Extraordinary gains	-	-	34	0.0	-	-
Extraordinary losses※3,4	5,666	0.2	25,386	0.5	94,210	0.9
Income before income taxes	183,494	3.7	684,371	13.0	902,020	8.9
Income taxes-current	215,807		191,354		358,983	
Income taxes-deferred	-161,394		64,016		-34,125	
Net income taxes	54,412	1.1	255,370	4.8	324,858	3.2
Net income	129,082	2.6	429,000	8.2	577,162	5.7
Retained earnings at the beginning of the period	2,141,210		2,536,743		2,141,210	
Reversal of retained earnings appropriated as bonuses for directors in the previous fiscal year	-		4,108		-	
Dividend	-		-		83,064	
Unappropriated retained earnings at the end of the period	2,270,292		2,969,852		2,635,308	

(3) Cash Flow Statements

(Thousands of yen)

	First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
Ⅰ Cash flows from operating activities			
Income before income taxes	183,494	684,371	902,020
Depreciation and amortization	203,006	253,407	429,632
Increase in accrued retirement benefits for employees	22,269	20,196	42,255
Increase (Decrease) in accrued retirement benefits for directors	-157	-29,195	3,695
Increase (Decrease) in allowance for doubtful receivables	-27	-34	45
Increase (Decrease) in accrued bonuses to employees	-89,441	-167,094	53,193
Increase in accrued bonuses to directors	-	4,482	-
Increase in allowance for sales return	-	6,346	-
Interest and dividends income	-1,817	-1,944	-3,842
Gain on sales of investment securities	-	-6,628	-
Loss from revaluation of investment securities	-	-	17,916
Loss on disposal of property, plant and equipment	1,726	18,830	47,658
Decrease (Increase) in trade receivable	92,011	113,513	-150,716
Increase in inventories	-301,309	-209,077	-486,858
Decrease (Increase) in advance payment	-2,823	24,310	-
Decrease (Increase) in other accounts receivable	-28,766	-429	9,103
Decrease (Increase) in long-term prepaid expenses	653	-179,292	-2,539
Increase in trade payable	281,393	266,739	58,623
Increase in other accounts payable	34,653	106,938	30,927
Increase (Decrease) in accrued expenses	-5,948	-20,764	30,537
Decrease in accrued consumption taxes	-26,415	-13,553	-12,862
Increase in consumption taxes receivable	-1,496	-57,502	-
Increase (Decrease) in guaranteed deposits received	3,633	3,326	7,742
Payments of bonuses to directors and auditors	-10,000	-11,391	-10,000
Others	19,612	-95,402	2,638
Sub total	374,251	710,152	969,174
Interests and dividends received	1,804	1,941	3,658
Funds transferred to defined contribution pension account	-18	-	-31,860
Income taxes paid	-352,508	-108,140	-602,914
Net cash used by operating activities	23,528	603,953	338,058
Ⅱ Cash Flow from Investing Activities			
Pay-in of time deposits	-100,000	-	-200,000
Reimbursement of time deposits	100,000	-	100,000
Proceeds from sale of investment securities	-	11,922	-
Purchase of property, plant and equipment	-552,914	-913,952	-1,053,286
Disposal of property, plant and equipment	-1,444	-	-1,618
Purchase of intangible fixed assets	-49,377	-5,353	-180,499
Purchase of leased assets	-	-847,723	-90,142
Proceeds from sale of leased assets	-	213,465	90,142
Guarantee money paid	-	-50,112	-
Others	-363	-856	-1,199
Net cash used in investing activities	-604,099	-1,592,610	-1,336,603
Ⅲ Cash Flows from Financing Activities			
Short-term borrowings	-	500,000	-
Purchase of treasury stock	-	1,344,824	-
Cash dividends paid	-95,086	-82,753	-178,236
Net cash provided by financing activities	-95,086	1,762,070	-178,236
Ⅳ Effects of exchange rate changes on cash and cash equivalents	-1	-	-0

(Thousands of yen)

	First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
Ⅴ Increase in cash and cash equivalents	-675,658	773,413	-1,176,782
Ⅵ Cash and cash equivalents balance at the beginning of the period	3,860,214	2,683,431	3,860,214
Ⅶ Cash and cash equivalents balance at the end of the Period	3,184,556	3,456,844	2,683,431

(4) Significant Accounting Policies

	First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
1. Asset Valuation Criteria and Methods	**1) Securities Holding:** **i 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.) **ii Non-marketable securities:** Moving average cost method **2) Inventories:** First-in, first-out cost method	**1) Securities Holding:** Same as left. **2) Inventories:** Same as left.	**1) Securities Holding:** **i 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.) **ii Non-marketable securities:** Moving average cost method **2 Inventories:** Same as left.
2. 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	**1) Depreciation on property, plant and equipment:** Same as left. **2) Amortization of intangible fixed assets:** Same as left. **3) Amortization of long-term prepaid expenses:** Same as left.	**1) Depreciation on property, plant and equipment:** Same as left. **2) Amortization of intangible fixed assets:** Same as left. **3) Amortization of long-term prepaid expenses:** Same as left.

	First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
3. 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) is applied and for receivables of high default risk, bankruptcy claim and reorganization claim, we examine the possibility of recovery of the representative receivables. **2) Accrued bonuses to employees:** Accrued bonuses are provided for bonuses with the amount estimated to be paid to employees as of the end of the interim fiscal year concerned. **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 interim fiscal year concerned. **4) Accrued retirement benefits for directors:** Accrued retirement benefits for directors are provided with the amount estimated to be paid as of the end of the interim fiscal year concerned in accordance with the internal rules for such retirement benefits for directors. Provision for this allowance reserve is prescribed by Article 43 in the enforcement regulations of Commercial Law.	**1) Allowance for doubtful receivables:** Same as left. **2) Accrued bonuses:** Same as left. **3) Accrued retirement benefits for employees:** Same as left. **4) Accrued retirement benefits for directors:** Same as left. **5) Allowance for sales returns:** Allowance for sales returns is provided with expected gross profit from volume of returns calculated based on past rejection rates in preparation for sales returns.	**1) Allowance for doubtful receivables:** Same as left. **2) Accrued bonuses to employees:** Accrued bonuses are provided for bonuses with the amount estimated to be paid to employees as of the end of the fiscal year concerned. **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 as of the end of the fiscal year concerned in accordance with the internal rules for such retirement benefits for directors. Provision for this allowance reserve is prescribed by Article 43 in the enforcement regulations of Commercial Law.

	First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
3. Basis for Significant Allowances		**6) Accrued bonuses to directors:** Accrued bonuses are provided for bonuses with the amount estimated to be paid to directors as of the end of the interim fiscal year concerned.	
4. 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.	Same as left.	Same as left.
5. 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.	Same as left.	Same as left.
6. Other Significant Items	**(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 “Other current assets" in Current liabilities.	**(Accounting for Consumption Tax)** Same as left.	**(Accounting for Consumption Tax)** Tax-exclusive method is applied to the accounting for transactions subject to consumption tax.

(5) Changes in Significant Accounting Policies

First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
	(Accounting for the Impairment of Fixed Assets) The Company started to account for the impairment of fixed assets (suggested in "Opinion Paper on the Establishment of Accounting Standards for Impairment Loss on Fixed Assets released by the Financial Services Agency's Business Accounting Council on August 9, 2002) and "the implementation guidelines for asset impairment accounting" (Business Accounting Application Guideline No. 6 released by the Accounting Standards Board of Japan in October 31, 2003) in the interim fiscal year concerned. This adoption had no significant impact on the Company's financial performance.	

First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
	(Accounting for bonuses to directors) The Company started to account for bonuses to directors (Business Accounting Standard No. 4 released on November 29, 2005) in the interim fiscal year concerned. Before the adoption, the Company had recognized bonuses to directors as the decrease in unappropriated profits as of the date of a general meeting of stockholders. However, the Company started to book bonuses to directors on an accrual basis in the interim fiscal year concerned. This adoption decreased operating income, ordinary income and net income before tax by 4,482 thousand yen each.	

(6) Supplementary Information

First half ended Mar. 31, 2005	First half ended Mar. 31, 2006	Fiscal year ended Sep. 30, 2005
(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 sales and general administrative expenses by 9,722 thousand yen and decreased operating income, ordinary income and net income before tax by the same amount each.	**(Allowance for sales return)** The Company had recognized loss on sales returns as a sales deduction on an accrual basis until the previous fiscal year. However, the Company started to provide the allowance for sales return in preparation for possible returns in the interim fiscal year concerned. The adoption of this accounting is attributable to the increasing significance of sales returns in line with expanding sales. The Company believes that we can reflect more accurately the impact of sales returns in our financial statements by adopting this accounting. This adoption decreased operating income, ordinary income and net income by 6,346 each.	**(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 sales and general administrative expenses by 18,862 thousand yen and decreased operating income, ordinary income and net income before tax by the same amount each.

(7) Notes to Financial Statements

(Notes to Balance Sheets)

	As of Mar. 31, 2005	As of Mar. 31, 2006	As of Sep. 30, 2005
※1 Accumulated depreciation of property, plant and equipment	¥ 3,190,281 ths.	¥ 3,010,765 ths.	¥ 2,891,707 ths.

(Notes to Income Statements)

	For the first half ended Mar. 31, 2005	For the first half ended Mar. 31, 2006	For the fiscal year ended Sep. 30, 2005
※1. Breakdown of selling, general and administrative expenses:			
Salaries and bonuses	¥ 339,461 ths.	¥ 368,526 ths.	¥ 814,890 ths.
Research and development expenses	¥ 744,588 ths.	¥ 292,496 ths.	¥ 955,359 ths.
Provision for bonuses	¥ 178,757 ths.	¥ 163,124 ths.	¥ 265,347 ths.
Sales commission	¥ 116,939 ths.	¥ 108,326 ths.	¥ 237,063 ths.
Welfare expenses	¥ 91,411 ths.	¥ 89,938 ths.	¥ 192,946 ths.
Rent	¥ 74,388 ths.	¥ 83,454 ths.	¥ 154,902 ths.
Packaging and transportation expenses	¥ 68,481 ths.	¥ 70,717 ths.	¥ 146,700 ths.
Provision for retirement benefits	¥ 16,130 ths.	¥ 17,226 ths.	¥ 30,895 ths.
※2. Major items of non-operating income and expenses			
(1) Non-operating income			
Subcontracting fees	-	¥ 9,200 ths.	¥ 5,200 ths.
Gain on sale of investment securities	-	¥ 6,628 ths.	-
Interest received and discount income	¥ 866 ths.	¥ 1,173 ths.	¥ 1,907 ths.
Interest on securities	-	¥ 624 ths.	¥ 1,634 ths.
Dividends received	¥ 48 ths.	¥ 146 ths.	¥ 300 ths.
(2) Non-operating expenses			
Clients' inventory compensation	-	¥ 2,000 ths.	-
Sales discount	-	¥ 927 ths.	¥ 2,224 ths.
Interests paid	¥ 1,028 ths.	¥ 898 ths.	¥ 1,846 ths.
Depreciation expense	¥ 184 ths.	¥ 827 ths.	¥ 343 ths.
Exchange rate loss	¥ 1 ths.	¥ 333 ths.	¥ 0 ths.
※3. Major items of extraordinary losses			
Loss on retirement of fixed assets	¥ 1,726 ths.	¥ 18,830 ths.	¥ 47,658 ths.
Retirement benefits for directors	-	¥ 6,555 ths.	-
Loss on revaluation of inventories	¥ 3,939 ths.	-	¥ 3,939 ths.
※4. Breakdown of loss on disposal of fixed assets	¥ 1,568 ths.	¥ 9,264 ths.	¥11,428 ths.
Buildings	-	¥ 8,854 ths.	¥ 31,706 ths.
Machinery and equipment	¥ 157 ths.	¥ 431 ths.	¥ 2,824 ths.
Tools, furniture and fixtures	-	¥ 280 ths.	-
Automotive equipment	-	-	¥ 1,699 ths.
5. Depreciation and amortization recognized			
Tangible fixed assets	¥ 189,787 ths.	¥ 225,307 ths.	¥ 391,088 ths.
Intangible fixed assets	¥ 13,219 ths.	¥ 28,099 ths.	¥ 38,624 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, 2005)	(As of Mr. 31, 2006)	(As of Sep. 30, 2005)
Cash on hand and at banks	¥ 2,084,246 ths.	¥ 3,256,697 ths.	¥ 2,083,090 ths.
Securities	¥ 1,100,310 ths.	¥ 200,147 ths.	¥ 600,341 ths.
Cash and cash equivalents	¥ 3,184,556 ths.	¥ 3,456,844 ths.	¥ 6,683,431 ths.

(Notes to Lease Transactions)

For the first half ended Mar. 31, 2005	For the first half ended Mar. 31, 2006	For the fiscal year ended Sep. 30, 2005
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) Acquisition costs: ¥ 1,258,807 ths. Accumulated depreciation: ¥314,961 ths. Net book value: ¥ 943,845 ths.	(Machinery and equipment) Acquisition costs: ¥ 2,156,589 ths. Accumulated depreciation: ¥471,513 ths. Net book value: ¥1,685,075 ths.	(Machinery and equipment) Acquisition costs: ¥ 1,348,149 ths. Accumulated depreciation: ¥ 386,214 ths. Net book value: ¥ 961,934 ths.
(Vehicles and other transportation equipment) Acquisition costs: ¥ 96,390 ths. Accumulated depreciation: ¥ 54,941 ths. Net book value: ¥ 41,449 ths.	(Vehicles and other transportation equipment) Acquisition costs: ¥ 99,287 ths. Accumulated depreciation: ¥ 57,857 ths. Net book value: ¥ 41,430 ths.	(Vehicles and other transportation equipment) Acquisition costs: ¥ 95,486 ths. Accumulated depreciation: ¥ 50,863 ths. Net book value: ¥ 44,623 ths.
(Tools, furniture and fixtures) Acquisition costs: ¥ 49,110 ths. Accumulated depreciation: ¥18,245 ths. Net book value: ¥ 30,865 ths.	(Tools, furniture and fixtures) Acquisition costs: ¥ 49,110 ths. Accumulated depreciation: ¥26,567 ths. Net book value: ¥ 22,543 ths.	(Tools, furniture and fixtures) Acquisition costs: ¥ 49,110 ths. Accumulated depreciation: ¥ 22,406 ths. Net book value: ¥ 26,704 ths.
(Total) Acquisition costs: ¥ 1,404,307 ths. Accumulated depreciation: ¥ 388,147 ths. Net book value: ¥ 1,016,160 ths.	(Total) Acquisition costs: ¥ 2,304,986 ths. Accumulated depreciation: ¥ 555,937 ths. Net book value: ¥ 1,749,049 ths	(Total) Acquisition costs: ¥ 1,492,746 ths. Accumulated depreciation: ¥ 459,483 ths. Net book value: ¥1,033,262 ths.
(2) The pro forma amounts of unexpired lease payments Due in one year or less: ¥ 164,905 ths. Due after one year: ¥ 884,037 ths. Total ¥ 1,048,943 ths.	Due in one year or less: ¥ 253,497 ths. Due after one year: ¥ 1,535,658 ths. Total ¥1,789,156 ths.	Due in one year or less: ¥ 177,595 ths. Due after one year: ¥ 894,384 ths. Total ¥1,071,979 ths.
(3) Lease payments and depreciation of leased assets Lease payments: ¥ 96,866 ths. Depreciation: ¥ 81,756 ths. Interest paid: ¥ 8,669 ths.	Lease payments: ¥ 116,099 ths. Depreciation: ¥ 99,435 ths. Interest paid: ¥ 10,151 ths.	Lease payments: ¥ 196,619 ths. Depreciation: ¥ 165,990 ths. Interest paid: ¥ 17,138 ths.

For the first half ended Mar. 31, 2005	For the first half ended Mar. 31, 2006	For the fiscal year ended Sep. 30, 2005
(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, 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: ¥131,980 ths. ¥155,980 ths.	(Unexpired lease payment) Due in one year or less: ¥ 24,000 ths. Due after one year: ¥107,980 ths. ¥131, 980 ths.	(Unexpired lease payment) Due in one year or less: ¥ 24,000 ths. Due after one year: ¥119,980 ths. ¥143,980 ths.

(Notes to Securities Holding)

1. Breakdown of marketable securities

(Thousands of yen)

	As of Mar. 31, 2005			As of Mar. 31, 2006			As of Sep. 30, 2005		
	Acquisition cost	Value booked	Unrealized gain (loss)	Acquisition cost	Value booked	Unrealized gain (loss)	Acquisition cost	Value booked	Unrealized gain (loss)
Stock	42,248	57,349	15,100	36,954	90,021	53,067	42,248	80,931	38,683
Debt securities	99,980	101,777	1,797	99,980	98,117	-1,862	99,980	100,613	633
Total	142,228	159,126	16,897	136,934	188,139	51,204	142,228	181,545	39,316

2. Breakdown of non-marketable securities

(Thousands of yen)

	As of Mar. 31, 2005	As of Mar. 31, 2006	As of Sep. 30, 2005
Money Management Fund	200,127	200,127	200,136
Commercial paper	499,984	-	-
Free Financial Fund	400,197	-	400,204
Unlisted stock	30,200	12,284	12,284

(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, 2005		First half ended March 31, 2006		Fiscal year ended September 30, 2005	
	Amount	(%)	Amount	(%)	Amount	(%)
Diagnostic drugs	1,912,797	42.2	2,180,821	42.9	3,872,854	39.7
Hormone drugs	1,325,879	29.3	1,413,355	27.8	2,944,508	30.1
Circulatory drugs	513,510	11.3	539,092	10.6	1,009,657	10.3
Antibiotics & Chemotherapeutics	184,873	4.1	279,042	5.5	445,638	4.6
Dermatological preparation	138,196	3.1	178,031	3.5	300,993	3.1
Urogenital drugs	151,618	3.3	149,434	2.9	443,950	4.5
Others	303,631	6.7	346,851	6.8	748,228	7.7
Total	4,530,508	100.0	5,086,630	100.0	9,765,830	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, 2005		First half ended March 31, 2006		Fiscal year ended September 30, 2005	
	Amount	(%)	Amount	(%)	Amount	(%)
In vitro diagnostics	145,657	77.6	162,802	69.6	283,764	70.3
Dermatological preparation	22,740	12.1	18,839	8.1	47,428	11.8
Hormone drugs	5,526	3.0	19,117	8.2	11,007	2.7
Antibiotics & Chemotherapeutics	-	-	5,952	2.5	-	-
Others	13,753	7.3	27,076	11.6	61,251	15.2
Total	187,677	100.0	233,788	100.0	403,452	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

(Thousands of yen)

Business segment	First half ended March 31, 2005		First half ended March 31, 2006		Fiscal year ended September 30, 2005	
	Amount	(%)	Amount	(%)	Amount	(%)
Goods manufactured						
Diagnostic drugs	1,907,143	38.9	2,120,489	40.3	3,867,817	38.2
Hormone drugs	1,289,555	26.3	1,329,005	25.3	2,712,619	26.8
Circulatory drugs	506,994	10.3	486,157	9.2	1,001,446	9.9
Antibiotics & Chemotherapeutics	246,447	5.0	256,321	4.9	507,852	5.0
Urogenital drugs	145,501	3.0	147,960	2.8	309,416	3.0
Dermatological preparation	129,080	2.6	137,082	2.6	280,398	2.8
Others	331,698	6.8	401,358	7.6	701,237	6.9
Sub total	4,556,423	92.9	4,878,375	92.7	9,380,789	92.6
Goods purchased						
In vitro diagnostic	269,413	5.5	291,176	5.5	571,931	5.6
Dermatologic preparation	45,140	0.9	44,966	0.9	106,737	1.1
Hormone drugs	6,564	0.1	10,806	0.2	13,359	0.1
Antibiotics & Chemotherapeutics	7,760	0.2	7,490	0.1	16,289	0.2
Others	16,896	0.3	30,671	0.6	39,538	0.4
Sub total	345,776	7.1	385,111	7.3	747,855	7.4
Total	4,902,199	100.0	5,263,487	100.0	10,128,644	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)

(Thousands of yen, %)

Client	First half ended March 31, 2005		First half ended March 31, 2006		Fiscal year ended September 30, 2005	
	Amount	Composition	Amount	Composition	Amount	Composition
Konica Minolta Medical &Graphics Inc.	1,392,221	28.4	1,556,897	29.6	2,717,209	26.8