



Consolidated Financial Results for  
the Year ended March 2005

Consolidated Financial Forecasts for  
the Year ending March 2006

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Consolidated Financial Results for  
the Year ended March 2005



## Consolidated Performance Summary

(Billions of yen)

	Year ended March 2004 Actual	Year ended March 2005		
		Actual	Change from previous year	% change from previous year
Net sales	89.8	92.7	2.9	3.2 %
Operating income	14.5	18.9	4.4	30.7 %
Ordinary income	15.7	18.8	3.1	19.3 %
Net income	6.3	11.0	4.7	74.4 %



## Consolidated Performance Forecasts : Difference Between the Forecasts of the Third Quarter (1/31)

(Billions of yen)

	Year ended March 2005			
	Forecast as of Jan. 2005	Actual	Change from Q3	% change from Q3
Net sales	90.7	92.7	2.0	2.2 %
Operating income	18.2	18.9	0.7	4.3 %
Ordinary income	17.9	18.8	0.9	5.3 %
Net income	9.6	11.0	1.4	14.8 %



# Net Sales by Business Segment / Overseas Sales

## ● Net Sales by Business Segment

(Billions of yen)

	Year ended March 2005					
	Japan		Overseas		Total	
	Net sales	% change from previous year	Net sales	% change from previous year	Net sales	% change from previous year
Prescription pharmaceuticals	76.89	8.5 %	7.40	-19.5 %	84.29	5.3 %
Ophthalmic	68.38	9.0 %	7.24	-19.8 %	75.62	5.4 %
Anti-rheumatic	8.24	4.9 %	0.10	—	8.35	4.8 %
Others	0.26	-7.3 %	0.05	—	0.31	-7.9 %
OTC pharmaceuticals	5.26	13.0 %	0.01	—	5.27	13.0 %
Medical devices	0.72	-17.2 %	0.02	—	0.75	-17.5 %
Others	0.56	-47.6 %	1.80	-42.5 %	2.36	-43.8 %
<b>Total</b>	<b>83.44</b>	<b>7.7 %</b>	<b>9.25</b>	<b>-25.3 %</b>	<b>92.69</b>	<b>3.2 %</b>

## ● Overseas Sales

(Billions of yen)

	Year ended March, 2004 Actual	Year ended March, 2005		
		Actual	Change from previous year	% change from previous year
North America	5.81	1.70	-4.11	-70.7 %
Europe	4.37	4.79	0.42	9.7 %
Others	2.19	2.75	0.56	25.3 %
<b>Total</b>	<b>12.38</b>	<b>9.25</b>	<b>-3.13</b>	<b>-25.3 %</b>



# Consolidated Net Sales: Variances

Net sales for the Year ended March 2004  
**89.8 billion yen**

**+2.8 billion yen**

Net sales for the Year ended March 2005  
**92.6 billion yen**

## Japan +5.96 billion yen

- [Increase]
- + Prescription ophthalmics +5.67 billion yen  
Impact of NHI prices cut - 2.24 billion yen
- + RA drugs + 0.38 billion yen  
Impact of NHI prices cut - 0.25 billion yen
- + OTC pharmaceuticals +0.6 billion yen
- [Decrease]
- + Others - 0.69 billion yen

## Overseas - 3.13 billion yen

- [Decrease]
- + U.S. - 4.11 billion yen
- [Increase]
- + Europe + 0.42 billion yen
- + Asia & Others + 0.56 billion yen
  - China + 0.24 billion yen
  - Korea + 0.35 billion yen

### Prescription ophthalmics in Japan

- + Anti-infective - 0.7 billion yen
- + Corneal disease + 0.93 billion yen
- + Glaucoma + 2.53 billion yen  
*Rescula* + 2.65 billion yen
- + Allergy + 2.47 billion yen
- + Others + 0.44 billion yen

### U.S.

- + Prescription ophthalmics -3.08 billion yen
- + Contract manufacturing -1.03 billion yen

### Europe

- + Prescription ophthalmics + 0.73 billion yen
  - Germany + 0.28 billion yen
  - Finland + 0.08 billion yen
  - Russia + 0.13 billion yen
- + Contract manufacturing -0.31 billion yen



# Summary of Changes in Income Statements (1)

(Billions of yen)

	Year ended March 2004 Actual	Year ended March 2005		Major factor for changes
		Actual	Change from previous year	
Net sales	89.8	92.7	2.9	
Cost of Sales	31.8	33.7	1.9	- Impact of U.S. sales partnership (+0.2ppt) - Impact of NHI drug prices cut (+0.4ppt) - Change in product mix (+1.9ppt)
(% of net sales)	35.4%	36.4%	1.0 ppt	- Improved operating rate (-1.3ppt) - Cost reduction in Japan (-0.3ppt)
Selling, general and administrative expenses	43.4	40.0	-3.4	
(% of net sales)	48.4%	43.1%	-5.3 ppt	
SGA expenses excl. R&D	31.6	27.3	-4.3	- Selling expenses decreased due to US partnership (-4.1billion)
(% of net sales)	35.2%	29.5%	-5.7 ppt	- Sales office reform (-0.6billion) - SGA expenses in Japan(+0.3billion)
R&D expenditures	11.8	12.6	0.8	- Increase in Glaucoma treatment clinical trials (+0.5billion)
(% of net sales)	13.2%	13.6%	0.4 ppt	- Anti rheumatic treatment (+0.7 billion) - Medical devices (-0.2billion)
Operating income	14.5	18.9	4.4	
(% of net sales)	16.2%	20.5%	4.3 ppt	

<Exchange rates>		
	March 2004	March 2005
US\$	¥113.29	¥107.19
Euro	¥132.40	¥134.64



## Summary of Changes in Income Statements (2)

(Billions of yen)

	March 2004	Year ended March 2005		Major factors
	Actual	Actual	% change	
<b>Non-operating income/expenses</b>	<b>1.3</b>	<b>-0.1</b>	<b>-1.4</b>	
Non-operating income	2.9	0.8	-2.1	[2004/3] -Interest income (0.2 billion) - Receipt of matured insurance (1.7 billion) - Transfer of manufacturing approval (0.2 billion) [2005/3] -Interest income (0.2 billion) - Receipt of matured insurance (0.1 billion)
Non-operating expenses	1.6	0.9	-0.7	[2004/3] -Currency exchange loss (0.5billion)/ Interest expenses (0.4 billion) [2005/3] -Currency exchange loss (0.3 billion)/ Interest expenses (0.2 billion)
<b>Ordinary income</b>	<b>15.7</b>	<b>18.8</b>	<b>3.1</b>	
<b>Extraordinary gain/loss</b>	<b>-2.1</b>	<b>-0.4</b>	<b>1.7</b>	
Extraordinary gain	0.6	1.1	0.5	[2004/3] -Gain on sale of investment securities (0.6 billion) [2005/3] -Gain on sale of fixed assets (0.3 billion) - Change of retirement benefit scheme (0.3 billion) - Establishment of retirement benefit trust (0.2 billion) - Prior-period adjustment (0.3 billion)
Extraordinary loss	2.7	1.5	-1.2	[2004/3] -Discontinued operation of affiliates ( 0.8 billion) - Retirement benefit for career development plan (0.8 billion) -U.S. business restructuring (0.3billion) [2005/3]- Loss on impairment of fixed assets ( 0.8 billion) - U.S. business restructuring (0.4 billion)
<b>Net income before tax</b>	<b>13.7</b>	<b>18.4</b>	<b>4.7</b>	
<b>Income taxes</b>	<b>7.4</b>	<b>7.4</b>	<b>0.0</b>	
<b>Net income</b>	<b>6.3</b>	<b>11.0</b>	<b>4.7</b>	

<Exchange rates>

	March 2004	March 2005
US\$	¥113.29	¥107.19
Euro	¥132.40	¥134.64





## Performance by Geographic Segment

### [Net sales]

(Billions of yen)

	March 2004 Actual	Year ended March 2005	
		Actual	Change from previous year
Japan	79.3	85.8	6.5
Europe	8.8	6.4	-2.4
Europe	4.6	5.1	0.5
U.S.	4.2	1.3	-2.9
Others *1	1.6	0.5	-1.1
<b>Total</b>	<b>89.8</b>	<b>92.7</b>	<b>2.9</b>

### [Operating income]

(Billions of yen)

	March 2004 Actual	Year ended March 2005	
		Actual	Change from previous year
Japan	20.3	22.1	1.8
Europe	-2.5	-0.1	2.4
Europe	-0.4	-0.7	-0.3
U.S.	-2.1	0.6	2.7
Others *1	-0.5	-0.7	-0.2
Elimination	-2.6	-2.3	0.3
<b>Total</b>	<b>14.5</b>	<b>18.9</b>	<b>4.4</b>

\*1: "Others" are U.S., Taiwan and Korea. Details of major sales and expenses of "Others" are as noted below.

Sales: Prescription pharmaceuticals in Taiwan and Korea

Expenses: R&D expense of medical device in the U.S.

Note: Sales by geographic region differ from overseas sales (i.e. sales by destination).



## Balance Sheets

(Billions of yen)

	Year ended March 2004		Year ended March 2005		
	Actual	% of total	Actual	% of total	Change from previous year
Current assets	91.2	60.7 %	82.7	59.1 %	-8.5
Fixed assets	59.0	39.3 %	57.2	40.9 %	-1.8
Total assets	150.2	100.0 %	139.9	100.0 %	-10.3
Current liabilities	27.1	18.1 %	22.2	15.9 %	-4.9
Noncurrent liabilities	19.5	13.0 %	9.5	6.8 %	-10.0
Total liabilities	46.7	31.1 %	31.7	22.7 %	-15.0
Total shareholders' equity	103.4	68.9 %	108.2	77.3 %	4.7
Total liabilities and shareholders' equity	150.2	100.0 %	139.9	100.0 %	-10.3

### 【Major changes】

- Current assets : Cash and deposits -9.6 billion yen, Notes receivable and accounts receivable + 3.1 billion yen
- Fixed assets : Sale of land and building - 1.7 billion
- Current liabilities :Accounts payable +1.0 billion yen, Income taxes payable - 4.7 billion yen
- Noncurrent liabilities: Long-term debt – 5.6 billion yen, Reserve for retirement benefits: -3.8 billion
- Shareholders' equity:
  - [Increase] Net income + 11 billion yen, Unrealized holding gains on securities +0.6 billion yen
  - [Decrease] Share buyback -2.5 billion yen, Cash dividends -4.3 billion yen



## Summary of Cash Flows

(Billions of yen)

	Year ended March 2005 Actual	Major items
Cash and cash equivalents, beginning of year	41.4	
Net increase/decrease in cash and cash equivalents	-9.0	
Cash flows from operating activities	6.6	- Income before income taxes (18.3 billion) - Depreciation and amortization (4.7 billion) - Decrease in allowance for retirement and severance benefits (-3.3 billion) - Increase in trade receivables (-3.0 billion) - Income taxes paid (-11.1 billion)
Cash flows from investing activities	-2.9	- Proceeds from purchase/sale of fixed assets (-2.4 billion)
Cash flows from financing activities	-12.7	- Repayment of long-term debt (-5.8 billion) - Repurchase of treasury stock (-2.5 billion) - Cash dividends paid (-4.3 billion)
Cash and cash equivalents, end of year	32.3	

Note: "Cash and cash equivalents" include cash equivalents, and thus differ from "cash and deposits" shown in the Balance Sheets.



## Capital Expenditures / Depreciation and Amortization / Lease Expenses

(Billions of yen)

	Year ended March 2004 Actual	Year ended March 2005	
		Actual	Change from previous year
Capital expenditure	2.8	1.6	-1.2
Depreciation and amortization	3.9	3.6	-0.2
Lease expenses	0.7	1.0	0.2

- Major capital expenditures for the year ended March 2005
  - Renewal of Japanese & overseas manufacturing equipments and R&D devices
- Major decrease in depreciation and amortization for the year ended March 2005
  - Nara Research & Development Center  
(Decrease 0.16 billion yen from 0.86 billion yen of March 2004 to 0.7 billion yen of March 2005)
- Major increase in lease expenses for the year ended March 2005
  - Manufacturing lines for new bottle (*Dimple Bottles*)



Consolidated Financial Forecasts  
for the Year  
ending March 2006



## Consolidated Performance Forecasts

(Billions of yen)

	Year ended March 2005 Actual	Year ending March 2006		
		Forecast	Change	% change
Net sales	92.7	96.1	3.4	3.7 %
Operating income	18.9	19.5	0.6	2.7 %
Ordinary income	18.8	19.5	0.7	3.5 %
Net income	11.0	11.3	0.3	2.5 %



## Net Sales by Business Segment / Overseas Sales

### ● Sales by business Segment

(Billions of yen)

	Year ending March 2006					
	Japan		Overseas		Total	
	Net sales	% change from previous year	Net sales	% change from previous year	Net sales	% change from previous year
Prescription pharmaceuticals	80.12	4.2 %	8.26	11.6 %	88.39	4.9 %
Ophthalmic	71.24	4.2 %	8.09	11.8 %	79.34	4.9 %
Anti-rheumatic	8.61	4.5 %	0.10	-	8.72	4.4 %
Others	0.26	-0.4 %	0.06	-	0.33	3.4 %
OTC pharmaceuticals	5.25	-0.1 %	0.01	-	5.27	-0.1 %
Medical devices	0.63	-13.2 %	0.03	-	0.66	-12.5 %
Others	0.48	-13.5 %	1.29	-28.3 %	1.78	-24.8 %
<b>Total</b>	<b>86.49</b>	<b>3.7 %</b>	<b>9.60</b>	<b>3.8 %</b>	<b>96.10</b>	<b>3.7 %</b>

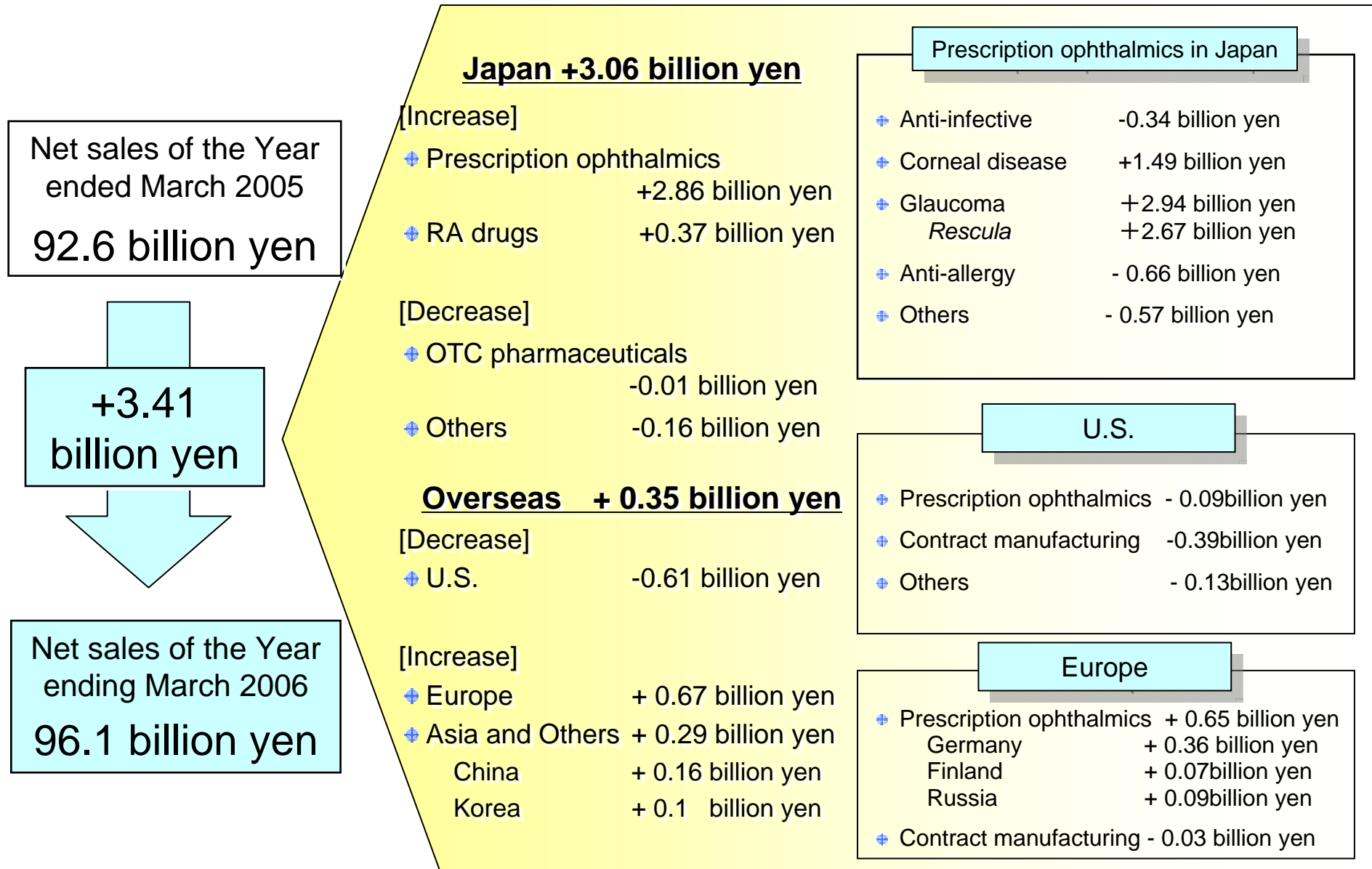
### ● Overseas sales

( Billions of yen )

	Year ended March 2005 Actual	Year ending March 2006		
		Forecast	Change	% change
North America	1.70	1.09	-0.61	-35.5 %
Europe	4.79	5.46	0.67	13.9 %
Others	2.75	3.04	0.29	10.5 %
<b>Total</b>	<b>9.25</b>	<b>9.60</b>	<b>0.35</b>	<b>3.8 %</b>



# Consolidated Net Sales: Variances







## Summary of Changes in Income Statements (1)

(Billion of yen)

	Year ended March 2005 Actual	Year ending March 2006		Major factor for changes
		Forecast	Change	
Net sales	92.7	96.1	3.4	
Cost of sales (% of net sales)	33.7 36.4%	34.2 35.6%	0.5 -0.8 ppt	- Change in product mix (-0.1ppt) - Improved operating rate (-0.3ppt) - Cost reduction in Japan (- 0.1ppt) - Cost reduced in Europe (-0.1ppt)
Selling, general and administrative expenses (% of net sales)	40.0 43.1%	42.4 44.1%	2.4 1.0 ppt	
SGA expenses excl. R&D (% of net sales)	27.3 29.5%	29.1 30.3%	1.8 0.8 ppt	- Selling expense in Japan (+1.1billion) - Operating expenses in China and Korea (+0.3 billion) - Selling expense in Europe (+0.2 billion)
R&D expenditures (% of net sales)	12.6 13.6%	13.3 13.8%	0.7 0.2 ppt	- Increase in Glaucoma treatment R&D (+0.9billion) - Increase in Cornea treatment (+0.3 billion) - Decrease in RA treatment (-0.5 billion)
Operating income (% of net sales)	18.9 20.5%	19.5 20.3%	0.6 -0.2 ppt	

<Exchange rates>

	March 2005	March 2006
US\$	¥107.19	¥105.00
Euro	¥134.64	¥138.00



## Summary of Changes in Income Statements (2)

( Billions of yen)

	Year ended March 2005 Actual	Year ending March 2006		Major items
		Forecast	Change	
Non-operating income/expenses	-0.1	0.0	0.1	
Non-operating income	0.8	0.4	-0.4	[2005/3] - Interest income (0.2 billion) - Receipt of matured insurance (0.1 billion) [2006/3]- Interest income (0.1 billion)
Non-operating expenses	0.9	0.4	-0.5	[2005/3] -Currency exchange loss (0.3 billion)/ Interest expenses (0.2 billion) [2006/3] - Interest expenses (0.1 billion)
Ordinary income	18.8	19.5	0.7	
Extraordinary gain/loss	-0.4	-0.5	-0.1	
Extraordinary gain	1.1	0.0	-1.1	[2005/3] -Gain on sale of fixed assets (0.3 billion) - Change of retirement benefits scheme (0.3 billion) - Establishment of retirement benefit trust (0.2 billion) - Prior-period adjustment (0.3 billion)
Extraordinary loss	1.5	0.5	-1.0	[2005/3] - Loss on impairment of fixed assets ( 0.8 billion) - Change for U.S. business restructuring (0.4 billion) [2006/3] - Loss on sale of fixed assets (0.5 billion)
Net income before tax	18.4	19.0	0.6	
Income taxes	7.4	7.7	0.3	
Net income	11.0	11.3	0.3	

<Exchange rates>		
	March 2005	March 2006
US\$	¥107.19	¥105.00
Euro	¥134.64	¥138.00



## Forecast by Geographic Segment

### [Net sales]

( Billions of yen )

	Year ended March 2005 Actual	Year ending March 2006	
		Forecast	Change
Japan	85.8	89.1	3.3
Europe	6.4	6.7	0.3
Europe	5.1	5.6	0.5
U.S.	1.3	1.1	-0.2
Others *1	0.5	0.3	-0.2
Total	92.7	96.1	3.4

### [Operating income]

( Billions of yen )

	Year ended March 2005 Actual	Year ending March 2006	
		Forecast	Change
Japan	22.1	22.8	0.7
Europe	-0.1	0.0	0.1
Europe	-0.7	-0.4	0.3
U.S.	0.6	0.4	-0.2
Others *1	-0.7	-0.7	0.0
Elimination	-2.3	-2.6	-0.3
Total	18.9	19.5	0.6

\*1: "Others" are U.S., Taiwan and Korea. Details of major sales and expenses of "Others" are as noted below.

Sales: Prescription pharmaceuticals in Taiwan and Korea

Expenses: R&D expense of medical device in the U.S.

Note: Sales by geographic region differ from overseas sales (i.e. sales by destination).



## Capital Expenditures / Depreciation and Amortization / Lease Expenses

(Billions of yen)

	Year ended March 2005 Actual	Year ending March 2006	
		Forecast	Change
Capital expenditure	1.6	1.8	0.2
Depreciation and amortization	3.6	3.6	-0.1
Lease expenses	1.0	1.1	0.1

- Major capital expenditures for the year ending March 2006
  - Renewal of Japanese & overseas manufacturing equipments, R&D devices and IT equipments
  - New unit dose line