



Consolidated Financial Results for  
the Interim Period ended September 30, 2004

Consolidated Financial Forecasts for  
the Year ending March 2005

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# Consolidated Financial Results for the Interim Period ended September 2004



## Consolidated Performance Summary

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(Billions of yen)

	Interim Period ended September 30, 2003 Actual	Interim Period ended September 30, 2004		
		Actual	Change from previous year	% change from previous year
Net sales	46.1	45.0	-1.1	- 2.3%
Operating income	7.4	9.5	2.1	28.2%
Ordinary income	6.6	9.5	2.9	43.8%
Net income	3.0	4.8	1.8	61.5%



## Consolidated Performance Forecasts : Difference Between the Forecasts of the First Quarter (7/29)

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	Interim Period ended September 30, 2005				
	Forecast from beginning of the term	Forecast from the First Quarter	Actual	Change v. Q1	% change v. Q1
Net sales	43.2	45.1	45.0	-0.1	0.0 %
Operating income	6.5	8.4	9.5	1.1	13.6 %
Ordinary income	6.4	7.8	9.5	1.7	22.2 %
Net income	3.5	4.0	4.8	0.8	22.0 %



# Net Sales by Business Segment / Overseas Sales

## ● Net Sales by Business Segment

(Billions of yen)

	Interim Period ended September 30, 2004					
	Japan		Overseas		Total	
	Net sales	% change from previous year	Net sales	% change from previous year	Net sales	% change from previous year
Prescription pharmaceuticals	36.96	2.8 %	3.63	- 32.9 %	40.60	- 1.9 %
Ophthalmic	32.68	2.7 %	3.54	- 33.7 %	36.23	- 2.5 %
Anti-rheumatic	4.15	4.4 %	0.06	-	4.21	4.8 %
Others	0.12	- 14.1 %	0.02	-	0.15	- 12.5 %
OTC pharmaceuticals	2.58	17.7 %	0.0	-	2.59	17.6 %
Medical devices	0.41	- 9.2 %	0.01	-	0.43	- 7.7 %
Others	0.31	- 50.8 %	1.13	- 22.3 %	1.45	- 31.0 %
<b>Total</b>	<b>40.28</b>	<b>2.6 %</b>	<b>4.80</b>	<b>- 30.5 %</b>	<b>45.08</b>	<b>- 2.3 %</b>

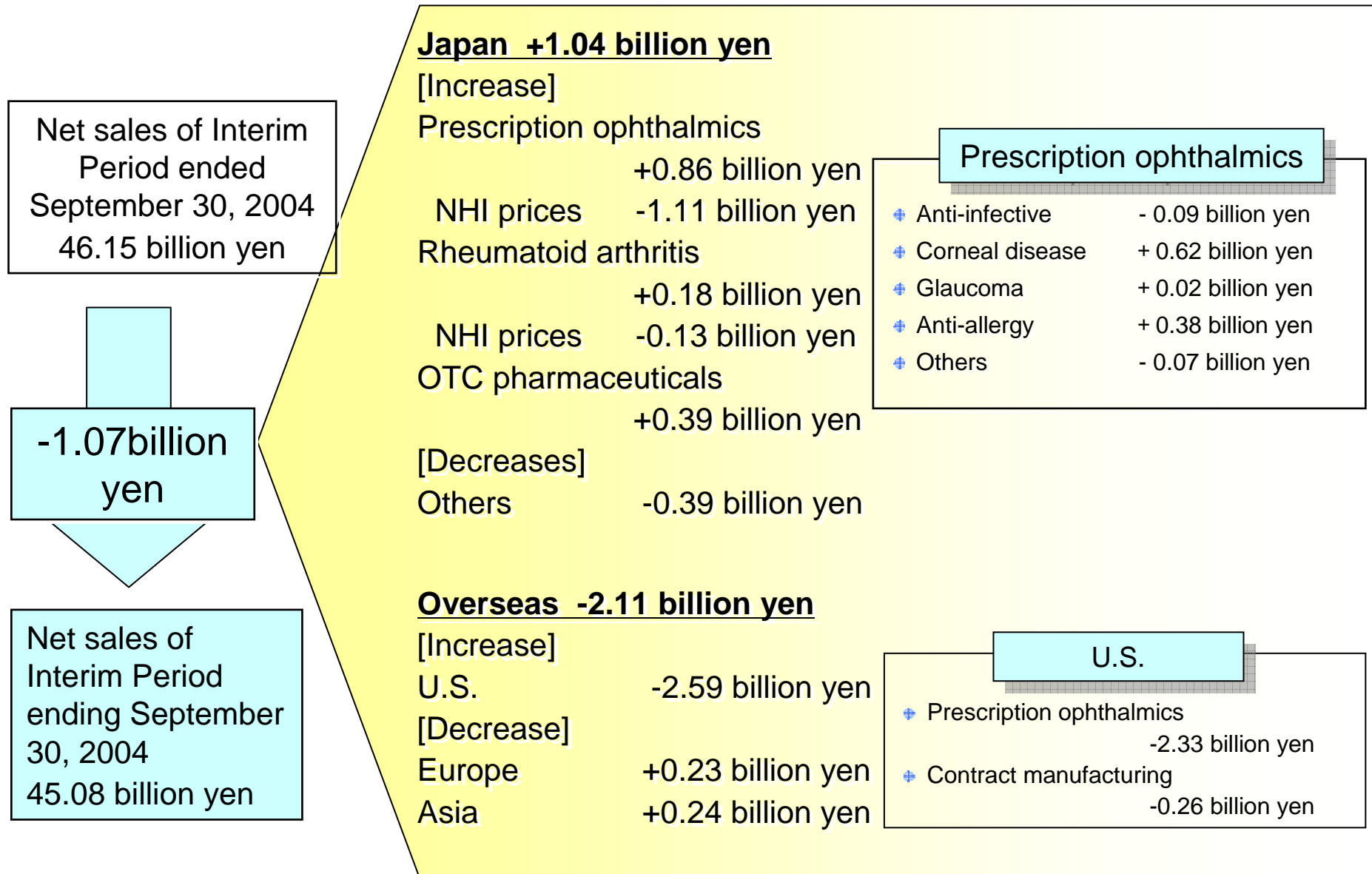
## ● Overseas Sales

(Billions of yen)

	Interim Period ended September 30, 2003 Actual	Interim Period ended September 30, 2004		
		Actual	Change from previous year	% change from previous year
North America	3.44	0.85	- 2.59	- 75.1 %
Europe	2.13	2.36	0.23	10.8 %
Others	1.32	1.57	0.25	18.7 %
<b>Total</b>	<b>6.90</b>	<b>4.80</b>	<b>- 2.10</b>	<b>- 30.5 %</b>



# Consolidated Net Sales: Variances





# Summary of Changes in Income Statements (1)

	Interim Period ended September 30, 2003 Actual	Interim Period ended September 30, 2004		Major factor for change
		Actual	Change from previous year	
Net sales	46.1	45.0	-1.1	
Cost of Sales	15.8	16.3	0.5	- Impact of US sales alliance (+0.5ppt) - Impact of NHI drug price cut (+0.7ppt) - Change in product line-up ( + 1.3ppt)
(% of net sales)	34.4%	36.2%	1.8 ppt	- Operation rise (-0.6ppt) - Cost reduction (-0.3ppt)
Selling, general and administrative expenses	22.8	19.2	-3.6	
(% of net sales)	49.5%	42.6%	-6.9 ppt	
SGA expenses excl. R&D	16.5	13.3	-3.2	- Sales expenses decrease in US (-2.7 billion)
(% of net sales)	35.9%	29.6%	-6.3 ppt	- Sales office reform (-0.2 billion) - Sales expenses decrease in Japan (-0.3 billion)
R&D expenditures	6.2	5.8	-0.4	- Discontinued medical device development (Phacor) (-0.2 billion)
(% of net sales)	13.5%	13.0%	-0.5 ppt	
Operating income	7.4	9.5	2.1	
(% of net sales)	16.1%	21.2%	5.0 ppt	



## Summary of Changes in Income Statements (2)

	Interim Period ended September 30 2003 Actual	Interim Period ended September 30 2004		Major factor for change
		Actual	Change from previous year	
Non-operating income/expenses	-0.8	0.0	0.8	
Non-operating income	0.4	0.4	0.0	
Non-operating expenses	1.2	0.4	-0.8	[03/9] - Currency exchange loss (0.6 billion) - Interest expenses (0.2 billion) [04/9] - Interest expenses (0.1 billion)
Ordinary income	6.6	9.5	2.9	
Extraordinary gain/loss	-0.6	-1.2	-0.6	
Extraordinary gain	0.4	0.3	-0.1	[03/9] Gain on sale of investment securities (0.4 billion) [04/9] Gain on disposition of fixed assets (0.3 billion)
Extraordinary loss	1.0	1.5	0.5	[03/9] - Retirement benefit for carrier development plan (0.7 billion) - Discontinued operation of affiliate (0.3 billion) [04/9] - Impairment loss (Loss on sale of fixed assets) (0.8 billion) - US business restructuring (0.5 billion)
Net income before tax	6.0	8.3	2.3	
Income taxes	3.0	3.4	0.4	[04/9] Increase profit in Japan
Net income	3.0	4.8	1.8	





## Performance by Geographic Segment

### [Net sales]

(Billions of yen)

	Interim Period ended September 30, 2003 Actual	Interim Period ended September 30, 2004	
		Actual	Change from previous year
Japan	40.4	41.6	1.2
Europe	4.9	3.0	-1.9
Europe	2.2	2.5	0.3
U.S.	2.6	0.5	-2.1
Others *1	0.8	0.3	-0.5
Total	46.1	45.0	-1.1

### [Operating income]

(Billions of yen)

	Interim Period ended September 30, 2003 Actual	Year ended March 2004	
		Actual	Change from previous year
Japan	10.3	11.0	0.7
Europe	-1.2	0.0	1.2
Europe	-0.2	-0.2	0.0
U.S.	-1.0	0.2	1.2
Others *1	-0.1	-0.3	-0.2
Elimination	-1.3	-1.1	0.2
Total	7.4	9.5	2.1

\*1: "Others" include U.S., Taiwan and Korea. Sales of "Others" include contract manufacturing of anti-infective otic pharmaceuticals. Expenses of "Others" include R&D expenses of medical device. Note: Sales by geographic region differ from overseas sales (i.e. sales by destination).



# Balance Sheets

(Billions of yen)

	Year ended March 2003		Interim Period ended September 30, 2004		
	Actual	% of total	Actual	% of total	Change from previous year
Current assets	91.2	60.7 %	89.9	61.1 %	-1.3
Fixed assets	59.0	39.3 %	57.2	38.9 %	-1.7
<b>Total assets</b>	<b>15.02</b>	<b>100.0 %</b>	<b>14.71</b>	<b>100.0 %</b>	<b>-0.3</b>
Current liabilities	27.1	18.1 %	22.0	15.0 %	-5.1
Noncurrent liabilities	19.5	13.0 %	19.7	13.4 %	0.2
<b>Total liabilities</b>	<b>46.7</b>	<b>31.1 %</b>	<b>41.8</b>	<b>28.4 %</b>	<b>-4.9</b>
<b>Total shareholders' equity</b>	<b>10.34</b>	<b>68.9 %</b>	<b>10.53</b>	<b>71.6 %</b>	<b>1.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>15.02</b>	<b>100.0 %</b>	<b>14.71</b>	<b>100.0 %</b>	<b>-0.3</b>

## [Major changes]

- Current assets:
  - Cash and deposits -0.5 billion yen
  - Inventories -1.2 billion yen
  - Notes receivable and account receivable +0.9 billion yen
  - Deferred tax assets -0.4 billion yen
- Fixed assets:
  - [Increase] - Purchasing fixed assets -1.0 billion yen (Plant and equipment: 0.6 bill., R&D equipment: 0.1 bill., IT machinery, etc..)
  - [Decrease] -Depreciation of machinery and equipment -1.8 billion yen,
  - Impairment loss -0.8 billion yen
- Current liabilities: Income taxes payable -4.9 billion yen
- Equity:
  - [Increase] - Net income +5.1 billion yen
  - [Decrease] - Dividend -2.6 billion yen
  - [Balance] – Appropriated retained earnings +2.5 billion yen



# Summary of Cash Flows

(Billions of yen)

	Interim Period ended September 30, 2004	Major items
Cash and cash equivalents, beginning of year	41.4	
Net increase/decrease in cash and cash equivalents	-1.1	
Cash flow from operating activities	3.6	<ul style="list-style-type: none"> <li>- Income before income taxes 8.3</li> <li>- Depreciation and amortization 2.1</li> <li>- Increase/decrease in inventories 1.1</li> <li>- Impairment loss (not listed) 0.8</li> <li>- Payment of income taxes -8.1</li> </ul>
Cash flow from investing activities	-2.0	<ul style="list-style-type: none"> <li>- Deposit/refund of fixed deposit [balance] 0.4</li> <li>- Acquisition/sale of fixed assets [balance] -0.6</li> <li>- Payments/proceeds for acquisition/sale of marketable securities and investment securities [balance] -1.9</li> </ul>
Cash flows from financing activities	-2.8	<ul style="list-style-type: none"> <li>- Repayment of long-term borrowing -0.2</li> <li>- Cash dividends paid -2.6</li> </ul>
Cash and cash equivalents, end of year	40.2	

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



## Capital Investment / Depreciation / Leases

	Interim Period ended September 30, 2003		Interim Period ended September 30, 2004	
	Actual	Actual	Actual	Actual
Capital expenditures	1.7		1.0	-0.7
Depreciation	1.8		1.8	0.0
Lease expenses	0.3		0.4	0.1

Major capital investments for the Interim Period ended September 30, 2004

- Equipment for plants in Japan and overseas
- Renewal of machinery and equipment of R&D



Consolidated Financial Forecasts for the Year  
ending March 2005



## Consolidated Performance Forecasts

(Billions of yen)

	Year ended March 2004  Actual	Year ending March 2005				
		Actual for First half of the year	Forecast for Second half of the year	Forecast	Change	% change
Net sales	89.8	45.0	45.4	90.5	0.7	0.7 %
Operating income	14.5	9.5	7.1	16.7	2.2	15.0 %
Ordinary income	15.7	9.5	7.1	16.7	1.0	5.8 %
Net income	6.3	4.8	4.0	8.9	2.6	40.8 %



## Consolidated Performance Forecasts : Difference Between the Forecasts of the First Quarter (7/29)

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(Billions of yen)

	Year ending March 2005				
	Forecast from beginning of the term	Forecast from the First Quarter	Forecast	Change v. Q1	% change v. Q1
Net sales	86.0	90.8	90.5	-0.3	0.0 %
Operating income	14.0	16.0	16.7	0.7	0.4 %
Ordinary income	13.8	15.3	16.7	1.4	0.9 %
Net income	8.0	8.7	8.9	0.2	0.2 %



# Net Sales by Business Segment / Overseas Sales

- Sales by business segment

(Billions of yen)

	Year ending March 2005					
	Japan		Overseas		Total	
	Sales	% change from previous year	Sales	% change from previous year	Sales	% change from previous year
Prescription pharmaceuticals	75.3	6.3 %	6.8	-26.1 %	82.1	2.6 %
Ophthalmic	66.8	6.6 %	6.6	-26.5 %	73.5	2.4 %
Anti-rheumatic	8.2	4.7 %	0.1	-	8.3	4.7 %
Others	0.2	-14.2 %	0.1	-	0.3	-13.5 %
OTC pharmaceuticals	5.2	11.7 %	0.0	-	5.2	11.7 %
Medical devices	0.8	-8.9 %	0.0	-	0.8	-9.2 %
Others	0.5	-48.9 %	1.8	-42.9 %	2.3	-44.4 %
Total	81.9	5.7 %	8.6	-30.3 %	90.5	0.7 %

- Overseas sales

(Billions of yen)

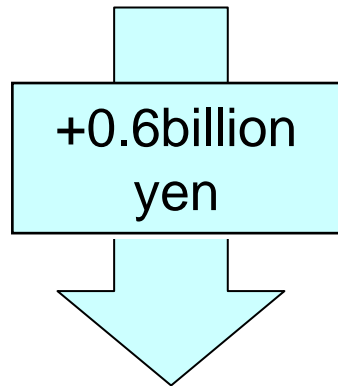
	Year ended March 2004	Year ending March 2005		
	Actual	Forecast	Change	% change
North America	5.8	1.5	-4.3	-73.8 %
Europe	4.4	4.6	0.3	6.0 %
Others	2.2	2.5	0.3	12.8 %
Total	12.4	8.6	-3.8	-30.3 %





# Consolidated Net Sales: Variances

Net sales of the Year ended March 2004  
89.9 billion yen



Net sales of the Year ending March 2005  
90.5 billion yen

## Japan +4.4 billion yen

[Increase]

Prescription ophthalmics

+4.1 billion yen

NHI prices -2.2 billion yen

Rheumatoid arthritis

+0.4 billion yen

NHI prices -0.2 billion yen

OTC pharmaceuticals

+0.5 billion yen

[Decrease]

Others -0.6 billion yen

## Overseas -3.8 billion yen

[Increase]

Europe +0.3 billion yen

Asia +0.3 billion yen

[Decrease]

U.S. -4.3 billion yen

### Prescription ophthalmics

- + Anti-infective - 0.6 billion yen
- + Corneal disease + 1.0 billion yen
- + Glaucoma + 2.6 billion yen
- Rescula + 2.7 billion yen
- + Anti-allergy + 1.2 billion yen
- + Others - 0.0 billion yen

### U.S.

- + Prescription ophthalmics -3.2 billion yen
- + Contract manufacturing -1.1 billion yen



# Summary of Changes in Income Statements (1)

(Billions of yen)

	Year ended March 2004	Year ending March 2005		Major factor for change
	Actual	Forecast	Change	
Net sales	89.8	90.5	0.7	
Cost of Sales (% of net sales)	31.8 35.4%	32.7 36.1%	0.9 0.7 ppt	<ul style="list-style-type: none"> <li>- Impact of US sales alliance (+0.5ppt)</li> <li>- Impact of NHI drug pricecut (+0.4ppt)</li> <li>- Change in product line-up (+1.3ppt)</li> <li>- Operation rise (-1.0ppt)</li> <li>- Cost reduction (-0.3ppt)</li> </ul>
Selling, general and administrative expenses (% of net sales)	43.4 48.4%	41.1 45.4%	-2.3 -3.0 ppt	
SGA expenses excl. R&D (% of net sales)	31.6 35.2%	27.7 30.6%	-3.9 -4.6 ppt	<ul style="list-style-type: none"> <li>- Sales expenses decreased in US (-4.6 billion)</li> <li>- Sales office reform (-0.6 billion)</li> <li>- Sales expenses increase in Japan (+1.0 billion)</li> </ul>
R&D expenditures (% of net sales)	11.8 13.2%	13.4 14.8%	1.6 1.6 ppt	<ul style="list-style-type: none"> <li>- Increase in glaucoma treatment (+0.7 billion)</li> <li>  clinical trials (+0.5 billion)</li> <li>  preparation for clinical trials (+0.2 billion)</li> <li>- Increase in retina treatment (+0.1 billion)</li> <li>- Increase in anti-rheumatic treatment (+0.6 billion)</li> </ul>
Operating income (% of net sales)	14.5 16.2%	16.7 18.5%	2.2 2.3 ppt	



## Summary of Changes in Income Statements (2)

(billion yen)

	Year ended March 2004	Year ending March 2005		Major items and factor of change
	Actual	Forecast	% change	
Non-operating income/expenses	1.2	0.0	-1.2	
Non-operating income	2.9	0.7	-2.2	[2004/3] - Receipt of matured insurance (1.7 billion) - Transfer of THIOLA Tablets manufacturing approval (0.2 billion) [2005/3] - Interest revenue - Reimbursement for industrial assurance maturity
Non-operating expenses	1.6	0.7	-0.9	[2004/3] Currency exchange gain (0.5 billion), interest expenses (0.4 billion) [2005/3] Interest expenses (0.1 billion)
Ordinary income	15.7	16.7	1.0	
Extraordinary gain/loss	-1.9	-1.6	0.3	
Extraordinary gain	0.6	0.5	-0.1	[2004/3] Gain on sale of investment securities (0.6 billion) [2005/3] Gain on disposition of fixed assets (0.3 billion)
Extraordinary loss	2.6	2.1	-0.5	[2004/3] - Discontinued operation of affiliates (0.8 billion) - Retirement benefit for carrier development plan (0.8 billion) - US business restructuring (0.3 billion) [2005/3] - Impairment loss(Loss on sale of fixed assets) (0.8 billion) - US business restructuring (0.5 billion) - Revision of accrued benefit
Net income before tax	13.7	15.1	1.4	
Income taxes	7.4	6.2	-1.2	
Net income	6.3	8.9	2.6	



# Forecast by Geographic Segment

**[Net sales]** (Billions of yen)

	Year ended March 2004 Actual	Year ending March 2005	
		Forecast	Change
Japan	79.3	83.9	4.6
Europe	8.8	6.1	-2.7
For Europe	4.6	4.9	0.3
For U.S.	4.2	1.2	-3.0
Others *1	1.6	0.5	-1.1
Total	89.8	90.5	0.7

**[Operating income]** (billion yen)

	Year ended March 2004 Actual	Year ending March 2005	
		Forecast	Change
Japan	20.3	20.3	0.0
Europe	-2.5	-0.2	2.3
For Europe	-0.4	-0.6	-0.2
For U.S.	-2.1	0.4	2.5
Others *1	-0.5	-1.1	-0.6
Elimination	-2.6	-2.3	0.3
Total	14.5	16.7	2.2

\*1: "Others" include U.S., Taiwan, and Korea. Sales of "Others" include contract manufacturing of anti-infective otic pharmaceuticals. Expenses of "Others" include R&D expenses of medical device.

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



## Capital Expenditures / Depreciation and Amortization / Lease Expenses

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(Billions of yen)

	Year ended March 2004	Year ended <sup>yen</sup> March 2005	
	Actual	Forecast	Change
Capital Expenditures	2.8	2.2	-0.6
Depreciation and amortization	3.9	3.7	-0.2
Lease expenses	0.7	1.0	0.3

- Major capital expenditures for the year ending March 2005
  - Renewal of Japanese & overseas manufacturing facilities, R&D devices, and update of IT equipment
- Major increase in lease expenses for the year ending March 2005
  - Start operation of new bottle (*Dimple Bottle*) manufacturing line