

[Translation]

February 1, 2005

Summary of Consolidated Financial Results for First Nine Months of Fiscal Year Ending March 31, 2005

Yamanouchi Pharmaceutical Co., Ltd.

Code Number: 4503
(URL <http://www.yamanouchi.com>)
Stock Exchanges: Tokyo, Osaka, Nagoya, Sapporo Stock Exchanges
Headquarters: Tokyo
Representative: Toichi Takenaka
President and Chief Executive Officer
Contact: Shigekazu Takahashi
Corporate Vice President
Director of Finance & Accounting Department
Phone number: 03-3244-3394

1. Matters concerning the preparation of this summary of the consolidated financial results for the nine months ended December 31, 2004 are as follows:
 - (1) Adoption of simplified accounting method: Not adopted
 - (2) Differences in accounting method from those used during recent consolidated fiscal years: No differences
 - (3) Changes in the scope of consolidation: The following changes were made:

Number of newly consolidated subsidiaries:	3
Number of consolidated subsidiaries excluded from consolidation:	24
Number of affiliates newly accounted for by the equity method:	1
Number of affiliates ceased to be accounted for by the equity method:	0
- As a result, the scope of consolidation is as follows:
- | | |
|---|----|
| Number of consolidated subsidiaries: | 38 |
| Number of unconsolidated subsidiaries accounted for by the equity method: | 0 |
| Number of affiliates accounted for by the equity method: | 2 |

2. Summary of financial results for the nine months ended December 31, 2004:
(April 1, 2004 – December 31, 2004)

(1) Consolidated operating results:

(All amounts are in millions of yen and amounts less than one million have been omitted except for the per share data.)

	Net sales	Operating income	Ordinary income
For the nine months ended December 31, 2004	¥343,666 (14.5)%	¥90,889 (0.6)%	¥90,902 1.4%
For the nine months ended December 31, 2003	¥401,992 --	¥91,401 --	¥89,660 --
(Reference) For the fiscal year ended March 31, 2004	¥511,207	¥100,960	¥98,362

	Net income	Basic net income per share	Diluted net income per share
For the nine months ended December 31, 2004	¥38,291 (30.6)%	¥116.58	¥115.57
For the nine months ended December 31, 2003	¥55,187 --	¥166.68	¥165.16
(Reference) For the fiscal year ended March 31, 2004	¥60,057	¥181.09	¥179.46

(Note) The percentages presented under “Net sales,” “Operating income,” “Ordinary income” and “Net income” represent a comparison with the figures for the corresponding period of the previous fiscal year. A figure in parenthesis indicates a negative figure.

[Qualitative Information of Consolidated Operating Results]

Consolidated net sales for the nine months ended December 31, 2004 amounted to ¥343.6 billion (a decrease of ¥58.3 billion from the corresponding period of the previous fiscal year). The decrease is attributable to the transfer of the nutritional products and personal care products business, as well as the food and roses business (the “Consumer Businesses”) in May and June 2004, respectively. (The consolidated net sales of the corresponding period of the previous fiscal year amounting to ¥401.9 billion included net sales of the Consumer Businesses of ¥70.9 billion.)

Net sales in the pharmaceuticals and related products business amounted to ¥340.9 billion (an increase of ¥11.3 billion from the corresponding period of the previous fiscal year). The increase owes to a favorable growth of the Company’s principal product, Harnal (a treatment for the functional symptoms of benign prostatic hyperplasia) with sales amounting to ¥103.3 billion (an increase of ¥11.9 billion from the corresponding period of the previous fiscal year) in Japan and overseas. In addition, sales of Lipitor (a treatment for hypercholesterolemia) amounting to ¥66.6 billion (an increase of ¥4.5 billion from the corresponding period of the previous fiscal year) and Micardis (an angiotensin II receptor blocker) amounting to ¥18.0 billion (an increase of ¥12.1 billion from the corresponding period of the previous fiscal year) contributed to the increased sales. On the other hand, although sales of Gaster D (an orally disintegrating tablet) increased favorably, overall sales of Gaster (an H₂ antagonist) declined to ¥60.6 billion (a decrease of ¥6.4 billion from the corresponding period of the previous fiscal year) due to, among other reasons, drug price cuts.

Operating income for the nine months ended December 31, 2004 amounted to ¥90.8 billion (a decrease of ¥500 million from the corresponding period of the previous fiscal year), due to the transfer of the Consumer Businesses. Operating income of the pharmaceuticals and related products business amounted to ¥89.7 billion (an increase of ¥5.9 billion from the corresponding period of the previous fiscal year). While there were increased costs incurred in preparation for independent marketing and sales in the U.S. through the Yamanouchi Group's own network, there were increased gross profit resulting from an increase in sales and a decrease in R&D expenses compared with the corresponding period of the previous fiscal year. Ordinary income amounted to ¥90.9 billion (an increase of ¥1.2 billion from the corresponding period of the previous fiscal year). Net income amounted to ¥38.2 billion (a decrease of ¥16.8 billion from the corresponding period of the previous fiscal year), due to a business restructuring loss arising from the corporate spin-off of the domestic drug formulation plants, business integration costs arising from the merger with Fujisawa Pharmaceutical Co., Ltd. scheduled in April 2005 and an extraordinary amortization of patents.

(2) Consolidated financial condition:

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total assets	Net assets per share
For the nine months ended December 31, 2004	¥905,853 mil.	¥743,933 mil.	82.2%	¥2,268.80
For the nine months ended December 31, 2003	¥913,401 mil.	¥721,908 mil.	79.0%	¥2,180.44
(Reference) For the fiscal year ended March 31, 2004	¥902,698 mil.	¥725,392 mil.	80.3%	¥2,190.69

(3) Consolidated cash flows:

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents as at the end of fiscal year
For the nine months ended December 31, 2004	¥53,301	¥27,802	¥(23,587)	¥408,421
For the nine months ended December 31, 2003	¥17,674	¥(9,488)	¥(10,167)	¥326,202
(Reference) For the fiscal year ended March 31, 2004	¥43,376	¥(12,844)	¥(11,218)	¥345,501

(Note) A figure in parenthesis indicates a negative figure.

[Qualitative Information of Consolidated Financial Condition]

Total assets as of December 31, 2004 amounted to ¥905.8 billion (an increase of ¥3.1 billion from the previous fiscal year-end). Compared with the previous fiscal year-end, inventories and property, plant and equipment decreased, and cash on hand and in banks

increased, due to, among other things, the transfer of shares of subsidiaries. In addition, intangible fixed assets decreased due to, among other things, an extraordinary amortization of patents.

Cash flows from operating activities for the nine months ended December 31, 2004 amounted to ¥53.3 billion, mainly due to a decrease in income taxes paid by ¥39.5 billion from the corresponding period of the previous fiscal year. Cash flows from investing activities amounted to ¥27.8 billion mainly due to a gain of ¥37.5 billion on sales of investments in subsidiaries resulting in a change in the scope of the consolidation. Cash flows from financing activities amounted to a minus ¥23.5 billion mainly due to the purchase of ¥12.5 billion of the Company's own shares and cash dividends paid of ¥10.2 billion. As a result, the balance of cash and cash equivalents as of December 31, 2004 were ¥408.4 billion (an increase of ¥62.9 billion from the previous fiscal year-end).

3. Estimates of consolidated operating results for the fiscal year ending March 31, 2005:
(April 1, 2004 – March 31, 2005)

The estimates below are the same as those announced on November 4, 2004.

(Reference: estimates announced on November 4, 2004)

(All amounts are in millions of yen)

	Net sales	Ordinary income	Net income
For the fiscal year ending March 31, 2005	¥440,000	¥99,500	¥35,500

The estimated net income per share for the fiscal year ending March 31, 2005 is ¥108.18.

The above estimates have been made based on the information available as of the date of this release and certain assumptions as of this day regarding uncertain factors which may affect operating results of the Company and its consolidated subsidiaries in the future. Actual results could significantly differ from the above estimates because of the subsequent changes in circumstances.

[Attached Documents]

(1) Consolidated Balance Sheets as of December 31, 2004

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	(A) As of December 31, 2004		As of December 31, 2003		(B) As of March 31, 2004		Fluctuation (A) - (B)
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio	
Assets		%		%		%	
I. Current assets							
Cash on hand and in banks	347,928		255,951		276,722		71,205
Trade notes and accounts receivable	125,841		138,503		120,162		5,678
Marketable securities	69,680		75,095		69,013		666
Inventories	41,667		57,244		56,738		(15,070)
Deferred tax assets	26,622		28,521		25,213		1,409
Other	31,168		29,562		31,685		(517)
Allowance for doubtful receivables	(334)		(529)		(475)		140
Total current assets	642,574	70.9	584,349	64.0	579,060	64.1	63,513
II. Fixed assets							
Property, plant and equipment	140,673		178,822		174,120		(33,446)
Intangible fixed assets	15,872		27,356		27,266		(11,394)
Investments and other assets	106,733		122,872		122,250		(15,517)
Total fixed assets	263,279	29.1	329,051	36.0	323,637	35.9	(60,358)
Total assets	905,853	100.0	913,401	100.0	902,698	100.0	3,155
Liabilities							
I. Current liabilities							
Trade notes and accounts payable	33,686		41,965		37,572		(3,885)
Short-term loans payable	400		1,896		1,237		(837)
Other accounts payable	22,871		21,433		25,601		(2,729)
Accrued expenses	20,127		20,381		22,094		(1,966)
Accrued income taxes	18,503		15,914		10,477		8,026
Accrued consumption tax	1,860		2,682		1,715		144
Deferred tax liabilities	761		3,994		3,922		(3,160)
Sales related allowances	--		4,173		3,544		(3,544)
Allowance for sales rebates	3,828		--		--		3,828
Other	2,762		9,130		3,979		(1,216)
Total current liabilities	104,804	11.5	121,573	13.3	110,145	12.2	(5,341)
II. Long-term liabilities							
Convertible bonds	5,820		6,480		6,480		(660)
Long-term loans payable	--		768		344		(344)
Deferred tax liabilities	1,114		4,086		2,418		(1,303)
Accrued retirement benefits for employees	33,889		36,841		36,374		(2,485)
Accrued retirement benefits for directors	787		1,184		1,247		(460)
Other	14,209		18,113		17,832		(3,622)
Total long-term liabilities	55,821	6.2	67,474	7.4	64,697	7.2	(8,876)
Total liabilities	160,625	17.7	189,047	20.7	174,842	19.4	(14,217)
Minority interests							
Minority interests	1,295	0.1	2,444	0.3	2,462	0.3	(1,167)
Shareholders' equity							
I. Common stock	100,090	11.0	99,760	10.9	99,760	11.1	330
II. Additional paid-in capital	114,014	12.6	113,684	12.4	113,684	12.6	330
III. Retained earnings	645,092	71.2	611,242	67.0	616,112	68.3	28,979
IV. Unrealized holding gain on securities	10,456	1.2	11,070	1.2	13,848	1.4	(3,391)
V. Translation adjustments	(11,694)	(1.3)	(12,405)	(1.4)	(16,557)	(1.9)	4,862
VI. Treasury stock	(114,026)	(12.5)	(101,443)	(11.1)	(101,456)	(11.2)	(12,570)
Total shareholders' equity	743,933	82.2	721,908	79.0	725,392	80.3	18,540
Total liabilities, minority interests and shareholders' equity	905,853	100.0	913,401	100.0	902,698	100.0	3,155

(2) Consolidated Statements of Income for Nine-Months ended December 31, 2004

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	(A) April 1, 2004 – December 31, 2004		(B) April 1, 2003 – December 31, 2003		Fluctuation (A) - (B)	For the fiscal year ended March 31, 2004	
	Amounts	Ratio	Amounts	Ratio		Amounts	Ratio
		%		%			%
I. Net sales	¥343,666	100.0	¥401,992	100.0	¥(58,325)	¥511,207	100.0
II. Cost of sales	112,707	32.8	137,093	34.1	(24,386)	173,790	34.0
Gross profit	230,959	67.2	264,898	65.9	(33,939)	337,417	66.0
III. Selling, general and administrative expenses *1	140,069	40.8	173,497	43.2	(33,427)	236,457	46.3
Operating income	90,889	26.4	91,401	22.7	(512)	100,960	19.7
IV. Non-operating income	4,052	1.2	3,961	1.0	90	4,773	0.9
V. Non-operating expenses	4,039	1.1	5,702	1.4	(1,663)	7,371	1.4
Ordinary income	90,902	26.5	89,660	22.3	1,241	98,362	19.2
VI. Special gains *2	6,113	1.8	7,594	1.9	(1,481)	10,077	2.0
VII. Special losses *3	24,316	7.1	733	0.2	23,583	5,202	1.0
Income before income taxes and minority interests	72,698	21.2	96,521	24.0	(23,822)	103,236	20.2
Income taxes – current	33,354	9.7	41,156	10.3	(7,801)	36,100	7.1
Income taxes – deferred	--	--	--	--	--	6,881	1.4
Minority interests	1,052	0.4	177	0.0	874	196	0.0
Net income	¥38,291	11.1	¥55,187	13.7	¥(16,895)	¥60,057	11.7

April 1, 2004 –
December 31, 2004

April 1, 2003 –
December 31, 2003

Fluctuation

Fiscal year ended
March 31, 2004

*1 Total R&D expenditures ¥41,390 million ¥51,306 million ¥(9,915) million ¥70,080 million

*2 Special gains for the nine months ended December 31, 2004 include a gain on sales of investment securities of ¥5,173 million.

*3 Special losses for the nine months ended December 31, 2004 include an extraordinary amortization of patents of ¥10,591 million, a business restructuring loss of ¥8,054 million and business integration costs of ¥3,831 million.

(3) Consolidated Statements of Cash Flows for Nine-Months ended December 31, 2004

(All amounts are in millions of yen and amounts less than one million have been omitted.)

Accounts	(A) April 1, 2004 – December 31, 2004	(B) April 1, 2003 – December 31, 2003	Fluctuation (A) - (B)	For the fiscal year ended March 31, 2004
	Amount	Amount		Amount
I. Cash flows from operating activities	53,301	17,674	35,626	43,376
II. Cash flows from investing activities*	27,802	(9,488)	37,291	(12,844)
III. Cash flows from financing activities	(23,587)	(10,167)	(13,420)	(11,218)
IV. Effects of exchange rate changes on cash and cash equivalents	2,378	(2,970)	5,348	(4,965)
V. Increase and decrease in cash and cash equivalents	59,895	(4,950)	64,846	14,348
VI. Increase due to addition to consolidation	3,024	--	3,024	--
VII. Cash and cash equivalents at beginning of the year	345,501	331,152	14,348	331,152
VIII. Cash and cash equivalents at end of the period (year)	408,421	326,202	82,219	345,501

* Cash flows from investing activities for the nine months ended December 31, 2004 include a gain of ¥37,543 million on sales of investments in subsidiaries resulting in a change in the scope of consolidation.

(4) Segment Information

All shares of the Company's subsidiaries in Japan and the U.S. for the nutritional product and personal care product business were sold on May 28, 2004, and all shares for the food and roses business were sold on June 18, 2004. The accounting treatment was, however, applied as if such business transfer had been effected at the beginning of the fiscal year ending March 31, 2005.

In addition, Taiwan Yamanouchi Pharmaceutical Co., Ltd. and Korea Yamanouchi Pharmaceutical Co., Ltd. were included in the consolidated subsidiaries of the Company at the beginning of the fiscal year ending March 31, 2005.

Furthermore, on October 1, 2004, the Company and Fujisawa Pharmaceutical Co., Ltd. established an OTC pharmaceuticals business joint venture, Zepharma Inc., by way of the corporate spin-off. For the accounting purpose, the equity method has been applied to Zepharma Inc.

[Business segment information]

For the nine months ended December 31, 2004 (April 1, 2004 – December 31, 2004)

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Pharmaceuticals and related products	Other	Total	Eliminations	Consolidated
Sales to third parties	340,947	2,718	343,666	-	343,666
Operating income	89,715	925	90,640	249	90,889

For the nine months ended December 31, 2003 (April 1, 2003 – December 31, 2003)

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Pharmaceuticals and related products	Nutritional and personal care products	Food and roses	Other	Total	Eliminations	Consolidated
Sales to third parties	329,624	21,859	49,118	1,389	401,992	-	401,992
Operating income	83,747	2,332	2,468	2,538	91,086	315	91,401

Previous fiscal year ended March 31, 2004 (April 1, 2003 – March 31, 2004)

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Pharmaceuticals and related products	Nutritional and personal care products	Food and roses	Other	Total	Eliminations	Consolidated
Sales to third parties	421,543	28,829	59,031	1,804	511,207	-	511,207
Operating income	93,449	3,046	835	3,241	100,572	387	100,960

[Geographical segment information]

For the nine months ended December 31, 2004 (April 1, 2004 – December 31, 2004)

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	242,923	5,744	89,485	5,512	343,666	-	343,666
Operating income	89,908	1,046	3,898	1,148	96,002	(5,113)	90,889

For the nine months ended December 31, 2003 (April 1, 2003 – December 31, 2003)

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	258,847	64,254	77,372	1,517	401,992	-	401,992
Operating income or loss	82,756	(2,241)	8,837	121	89,474	1,927	91,401

Previous fiscal year ended March 31, 2004 (April 1, 2003 – March 31, 2004)

(All amounts are in millions of yen and amounts less than one million have been omitted.)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales to third parties	323,883	79,209	106,041	2,073	511,207	-	511,207
Operating income or loss	94,736	(2,987)	7,396	169	99,315	1,644	100,960

[Overseas Sales]

For the nine months ended December 31, 2004 (April 1, 2004 – December 31, 2004)

	North America	Europe	Asia	Other	Total
Overseas sales (Millions of yen)	31,461	66,123	7,702	1,795	107,083
Consolidated net sales (Millions of yen)					343,666
Overseas sales as a percentage of consolidated net sales	9.2%	19.2%	2.2%	0.6%	31.2%

For the nine months ended December 31, 2003 (April 1, 2003 – December 31, 2003)

	North America	Europe	Asia	Other	Total
Overseas sales (Millions of yen)	87,206	55,318	5,749	1,388	149,663
Consolidated net sales (Millions of yen)					401,992
Overseas sales as a percentage of consolidated net sales	21.7%	13.8%	1.4%	0.3%	37.2%

Previous fiscal year ended March 31, 2004 (April 1, 2003 – March 31, 2004)

	North America	Europe	Asia	Other	Total
Overseas sales (Millions of yen)	110,758	76,210	7,423	1,934	196,326
Consolidated net sales (Millions of yen)					511,207
Overseas sales as a percentage of consolidated net sales	21.7%	14.9%	1.5%	0.3%	38.4%