November 4, 2004

Release for the Semiannual Consolidated Financial Statements for the 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

The Board of Directors approved the semiannual consolidated financial statements of Yamanouchi Pharmaceutical Co., Ltd. (the "Company") and consolidated subsidiaries, which are prepared based on accounting principles generally accepted in Japan, on November 4, 2004.

1. A summary of the semiannual consolidated financial statements for the six months ended September 30, 2004 is as follows: (All amounts are in millions of yen except for the per share data and amounts less than one million have been omitted.)

   (1) Consolidated operating results

	Net sales	Operating income	Ordinary income
For the six months ended September 30, 2004	¥220,204 (7.9)%	¥55,407 15.2 %	¥56,526 17.9 %
For the six months ended September 30, 2003	¥239,200 2.8 %	¥48,083 (5.4)%	¥47,941 (1.3)%
For the 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 six months ended September 30, 2004	¥20,026 (30.9)%	¥60.92	¥60.39
For the six months ended September 30, 2003	¥28,962 (0.0)%	¥87.48	¥86.69
For the year ended March 31, 2004	¥60,057	¥181.09	¥179.46

(Notes)

1) Equity in losses of affiliates amounted to ¥1,023 million for the six months ended September 30, 2004, gains amounted to ¥379 million for the six months ended September 30, 2003 and ¥666 million for the year ended March 31, 2004.

2) The average number of shares of common stock outstanding was 328,747,271 shares for the six months ended September 30, 2004, 331,089,081 shares for the six months ended September 30, 2003, and 331,085,918 shares for the year ended March 31, 2004.

3) No accounting changes were made during the six months ended September 30, 2004.

4) The percentages presented under "Net sales," "Operating income," "Ordinary income" and "Net income" represent a comparison with the corresponding figures for the same period of the prior fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total assets	Net assets per share
As of September 30, 2004	¥900,628	¥732,036	81.3%	¥2,234.70
As of September 30, 2003	¥890,525	¥702,539	78.9%	¥2,121.92
As of March 31, 2004	¥902,698	¥725,392	80.3%	¥2,190.69

(Note)

The number of shares of common stock outstanding was 327,577,069 shares as of September 30, 2004, 331,086,193 shares as of September 30, 2003, and 331,079,444 shares as of March 31, 2004.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Balance of cash and cash equivalents at end of period
For the six months ended September 30, 2004	¥35,701	¥35,546	¥(18,138)	¥406,982
For the six months ended September 30, 2003	¥(1,165)	¥(17,650)	¥(5,093)	¥304,952
For the year ended March 31, 2004	¥43,376	¥(12,844)	¥(11,218)	¥345,501

(4) Scope of consolidation

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:	1

(5) Changes in the scope of consolidation for the six months ended September 30, 2004

Number of newly consolidated subsidiaries:	3
Number of consolidated subsidiaries excluded from consolidation:	24
Number of affiliates newly accounted for by the equity method:	0
Number of affiliates ceased to be accounted for by the equity method:	0

2. Estimate of consolidated operating results for the year ending March 31, 2005

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

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

The above estimate was made based on the information available as of the date of this release and certain assumptions as of today regarding uncertain factors which may affect the Company's operating results in the future. Actual results could significantly differ from the above estimate because of the subsequent changes in the circumstances. Please refer to the attachments with respect to those assumptions and other related matters for the estimate.

[Translation]

1. CONDITIONS OF CORPORATE GROUP

The Yamanouchi Group consists of Yamanouchi Pharmaceutical Co., Ltd. (the "Company"), which files the consolidated financial statements, its 50 subsidiaries and two affiliates. The business by segment and the way in which each of the companies constituting the group relates to such business are as follows:

(Note) With respect to the nutritional products and personal care products business, and the food and roses business, the Company sold all shares of the Japanese subsidiaries and the U.S. subsidiaries during the six months ended September 30, 2004. As a result, the Company's 25 subsidiaries were excluded from the Yamanouchi Group during the six months ended September 30, 2004.

[Pharmaceuticals and Related Products Business] Total number of companies: 45

(Japan) The Company is engaged in research and development activities, manufacturing and sales of products. It also exports products. Tohoku Yamanouchi Pharmaceutical Co., Ltd. is commissioned by the Company to process certain pharmaceuticals in their final form. Sanwell Co., Ltd. is engaged in sales.

(Overseas) Yamanouchi Ireland Co., Ltd., Yamanouchi U.K. Limited, Yamanouchi Europe B.V., Yamanouchi Pharmaceutical (China) Co., Ltd., Korea Yamanouchi Pharmaceutical Co., Ltd. and Taiwan Yamanouchi Pharmaceutical Co., Ltd. manufacture and sell products, or just sell products, in their respective countries. Yamanouchi Pharmaceutical (China) Co., Ltd. is supplied with certain products by the Company, and in turn supplies the Company with certain products. In the United States, Yamanouchi Pharma America, Inc. is engaged in clinical development and is preparing for independent marketing and sales of drugs through its own network. Yamanouchi Pharma Technologies, Inc. produces drugs and carries out R&D activities for drug formulation technologies.

[Others] Total number of companies: 8

Lotus Estate Co., Ltd. and seven other companies conduct a wide range of businesses, including logistics service, real estate and insurance agent.

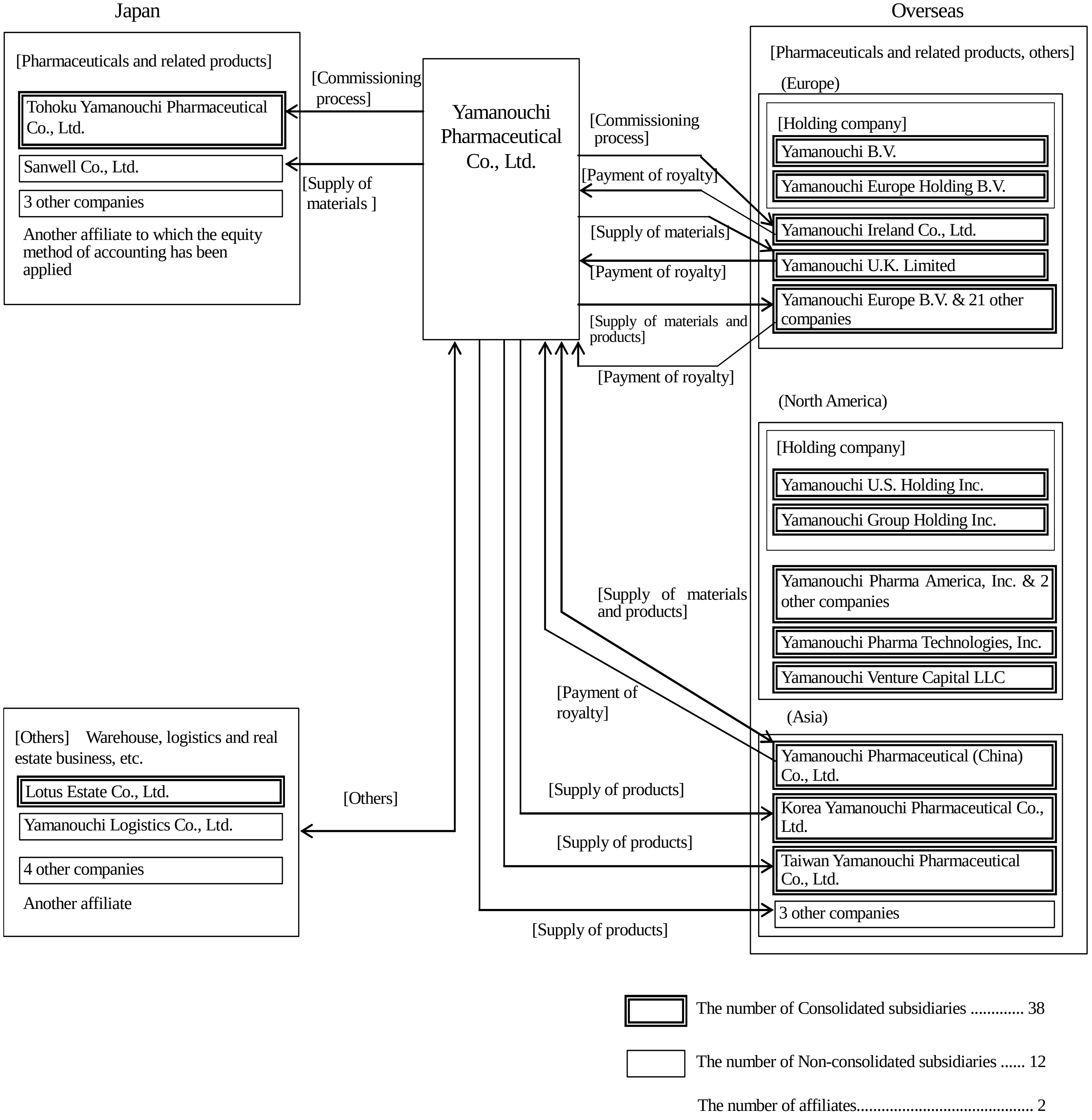
During the six months ended September 30, 2004, the following three companies were newly included in the consolidation of the Company.

Name	Address	Common Stock	Principal Business	Percentage of voting rights owned by the Company	Number of Directors simultaneously holding the post	
					Directors of the Company	Staff of the Company
Korea Yamanouchi Pharmaceutical Co., Ltd.	Seoul, Republic of Korea	Won 6,800 million	Pharmaceuticals and related products	90%	2	2
Taiwan Yamanouchi Pharmaceutical Co., Ltd.	Taipei, Taiwan	New Taiwan $80 million	Pharmaceuticals and related products	100%	2	4
Yamanouchi Pharma AE	Athens, Greece	Euro 60,000	Pharmaceuticals and related products	100% (100%)	0	0

(Notes) 1. The figures in parentheses in the above table show the number of voting rights held indirectly by the Company.

2. Korea Yamanouchi Pharmaceutical Co., Ltd. and Taiwan Yamanouchi Pharmaceutical Co., Ltd. have been newly included in the scope of consolidation for the six months ended September 30, 2004 due to the increased impact of those subsidiaries on the consolidated financial statements of the Company.

The relations of each of the Group companies described above are as follows:


Japan
Overseas
[Pharmaceuticals and related products]
Tohoku Yamanouchi Pharmaceutical Co., Ltd.
Sanwell Co., Ltd.
3 other companies
Another affiliate to which the equity method of accounting has been applied
[Commissioning process]
[Supply of materials]
Yamanouchi Pharmaceutical Co., Ltd.
[Pharmaceuticals and related products, others]
(Europe)
[Holding company]
Yamanouchi B.V.
Yamanouchi Europe Holding B.V.
Yamanouchi Ireland Co., Ltd.
Yamanouchi U.K. Limited
Yamanouchi Europe B.V. & 21 other companies
[Commissioning process]
[Payment of royalty]
[Supply of materials]
[Payment of royalty]
[Supply of materials and products]
[Payment of royalty]
(North America)
[Holding company]
Yamanouchi U.S. Holding Inc.
Yamanouchi Group Holding Inc.
Yamanouchi Pharma America, Inc. & 2 other companies
Yamanouchi Pharma Technologies, Inc.
Yamanouchi Venture Capital LLC
[Supply of materials and products]
[Payment of royalty]
(Asia)
Yamanouchi Pharmaceutical (China) Co., Ltd.
Korea Yamanouchi Pharmaceutical Co., Ltd.
Taiwan Yamanouchi Pharmaceutical Co., Ltd.
3 other companies
[Supply of products]
[Supply of products]
[Supply of products]
[Others] Warehouse, logistics and real estate business, etc.
Lotus Estate Co., Ltd.
Yamanouchi Logistics Co., Ltd.
4 other companies
Another affiliate
[Others]
The number of Consolidated subsidiaries 38
The number of Non-consolidated subsidiaries 12
The number of affiliates.. 2

[Translation]

2. MANAGEMENT POLICY

Under the corporate philosophy of "Creating and Caring…for Life," the Yamanouchi Group strives towards fulfilling its social mission of contributing to the improved health of people around the world through its best efforts to create new products and the pursuit of enhanced customer satisfaction as two driving wheels.

In operating the business, our starting point is the creation of new products that patients and consumers will keenly anticipate. The Yamanouchi Group's basic attitude is to sincerely fulfill its responsibilities to all stakeholders, including shareholders, customers, employees and society, by continuously raise corporate values.

In addition, the Yamanouchi Group is fully aware of its responsibilities as a life-related enterprise. It is therefore promoting the reinforcement of a system, including the establishment and implementation of compliance-promoting codes, which enables the Company to address not only observance of laws and regulations and high levels of ethical behavior, but also preservation of the global environment and the Yamanouchi Group's social contribution.

The Company and Fujisawa Pharmaceutical Co., Ltd. ("Fujisawa") reached a basic agreement to merge in February 2004 and concluded the Merger Agreement on May 24, 2004 in order to succeed through intensifying global competition by further reinforcing operational structures. The Merger Agreement was approved at the General Meeting of Shareholders of each company held on June 24, 2004, and the merger will be effective as of April 1, 2005.

As a result of the merger, the newly combined company will aim to achieve economies of scale through the integration of the R&D, and sales and marketing capabilities of the both companies, as well as to further improve profitability through the establishment of more efficient business operating structures. The newly combined company, named "Astellas Pharma Inc.", stands on the idea to create a completely new entity, and strives to contribute to the health of people around the world as a global pharmaceutical company with both excellent R&D capability, and sales and marketing network of its own in major pharmaceutical markets worldwide.

- **Medium and Long Term Management Strategy**

The Yamanouchi Group aims at becoming an R&D-driven global healthcare enterprise and maximizing corporate value, as a long-term goal. In the medium-term business plan announced publicly in September 2002, the three years commencing from the fiscal year ended March 31, 2003 (inclusive) to the fiscal year ending March 31, 2005 have been positioned as a structural reform period for thriving amid severe global competition. To achieve this, basic strategies, such as "Reinforcement of Pharmaceutical Business" and "Optimization of Business Structure", are under implementation. The main issues and current situation are as set forth below:

A management strategy after the merger is now under review at the Merger Preparatory Committee headed by the Presidents of the Company and Fujisawa.

1) Reinforcement of Pharmaceutical Business:

(1) Establishment of superior competitiveness in the Japanese Market:

The Yamanouchi Group aims to enhance its competitive edge in the Japanese pharmaceuticals market, the second largest pharmaceuticals market in the world. To achieve this goal, the Company endeavors to expand and maintain its principal products, such as Harnal (a treatment for the functional symptoms of benign prostatic hyperplasia), Lipitor (a treatment for hypercholesterolemia), Micardis (angiotensin II receptor blocker) and Gaster (an H_2 antagonist), while striving to rapidly foster new drug candidate groups ready for launch.

(2) Acceleration of Global Business Development:

The Company is striving to establish a franchise in the therapeutic area of urology in the U.S., the world's largest pharmaceuticals market, thereby building its own marketing and sales network of drugs. The Company filed YM905 (proposed brand name: Vesicare, a treatment for urinary frequency, urinary incontinence or urgency) as a first product with the Food and Drug Administration ("FDA") and expects to launch around the end of 2004. In addition, the Company entered into an agreement in August 2004 for co-promoting Flomax (brand name in Japan: Harnal) in the U.S. with Boehringer Ingelheim Pharmaceuticals, Inc, the U.S. subsidiary of. Boehringer Ingelheim. Yamanouchi intends to expand the business in the field of urology by promoting the sale of such drug to customers including primary care physicians through the Yamanouchi's own marketing and sales network.

In Europe, Yamanouchi Group has already built its own integrated clinical development, manufacturing and marketing and sales network. The Yamanouchi Group further strives to become an established presence in the field of urology by selling Omnic (brand name in Japan: Harnal) as well as newly launched Vesicare (a treatment for urinary frequency, urinary incontinence or urgency) in August 2004.

(3) Enhancement of R&D capabilities; focused on genomics-based drug discovery research:

The Yamanouchi Group is actively engaged in genomics-based drug discovery research in order to ensure a superior position in the R&D area amid significantly intensified competition among pharmaceutical companies pursuing seeds of new drugs, and to enrich its long-term product pipeline. The Yamanouchi Group is also focusing on global integraton of our programs in Japan, the U.S. and Europe relating to clinical development of drugs, as well as to establish a system that can more efficiently implement activities from drug discovery research and drug development research to clinical development and new drug applications with the relevant authorities through the strategic use of information technologies.

(4) Effective operation and rationalization:

The Yamanouchi Group proactively tackles issues, such as the effective use of management resources based on a policy of "selection and concentration", and the streamlining and rationalizing of overall business operations for the purpose of further enhancing profitability and improving the capital efficiency. As part of concrete measures being taken by the Company in Japan, a full outsourcing of logistics operations is scheduled to be completed in January 2005. The Company has also decided to implement the corporate separation of its drug formulation plants from the Company in

April 2005.

2) Optimization of Business Structure:

The business of the Yamanouchi Group previously consisted of the pharmaceuticals and related products business, the nutritional products and personal care products business, and the food and roses business. With a view to maximizing corporate value of the entire Yamanouchi Group, the Company made a rigorous evaluation of each business and the examination with various angles for the measures to be taken. As a result, the following organizational changes were implemented under a basic policy to concentrate its management resources on the ethical pharmaceuticals business:

With respect to the over-the-counter ("OTC") pharmaceuticals business, the Company reached a final agreement with Fujisawa for the integration of the OTC pharmaceuticals business on May 17, 2004 and established a joint venture company, Zepharma Inc., in October 2004. Through this business integration, both companies aim to enhance the competitiveness in the OTC pharmaceuticals market in order to ensure the solid ground for the future growth.

All shares held by the Yamanouchi Group of Shaklee Japan K.K., Shaklee Corporation and INOBYS Ltd., each of which subsidiaries of the Company engaged in the nutritional products and personal care products business, were sold to a partnership established between Activated Holdings LLC and RHJ Industrial Partners, an affiliate of Ripplewood Holdings L.L.C., in May 2004. In the meantime, all shares of Bear Creek Corporation, which was a subsidiary engaged in the food and roses business, were sold to Wasserstein & Co., LP in June 2004.

- **Targeted Management Goals**

The Yamanouchi Group carries out its management with an increasing emphasis on capital efficiency, in addition to operating income, which the Yamanouchi Group has considered to be significant for many years.

- **Fundamental Policy for Distribution of Profit**

The Company is, in principle, committed to a stable distribution of dividends for the medium and long-term, while maintaining a certain level of internal reserves to keep and reinforce the soundness of the financial structure of the Company. Based on this principle, the Company will determine the dividends with a comprehensive view of, among other factors, consolidated business results, dividend payout and dividend rate on shareholders' equity. With the approval of the 91st Ordinary General Meeting of Shareholders, the Company adopted a method to authorize share buyback by the provisions of its Articles of Incorporation. In future, the Company will make a flexible share buybacks in response to the business development, upon resolutions of the Board of Directors. Through the improved capital efficiency, the increased earnings per share, partly resulting from the implementation of share buybacks, the Company strives for a comprehensive return of earnings to each of its shareholders, in addition to dividends.

- **Matters regarding Reduction in Share Trading Unit**

The Company realized that it is important to broaden the investor base and increase liquidity of its shares by reducing the number of shares constituting the trading unit. Therefore, the Company changed the trading unit of shares of the Company on the listed stock exchanges from 1,000 shares to 100 shares on April 1, 2002.

- **Basic Recognition of Corporate Governance and Conditions Implementing Policies Therefor**

With basic policies to promote management focused on enhancement of shareholder value to the fullest extent, to ensure the transparency and objectivity of management and to ensure accountability to society, the Yamanouchi Group strives to enhance its corporate governance system.

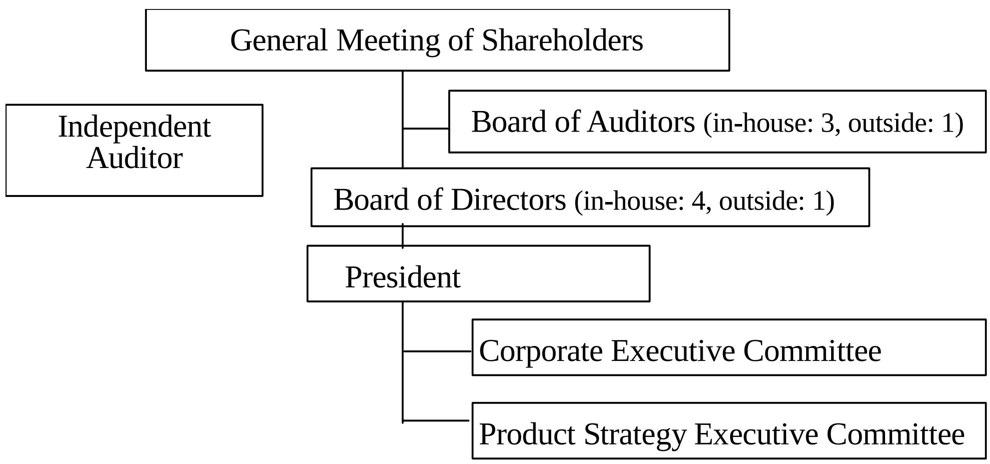
1) Situation of business management structure and other corporate governance system of the Company regarding the decision-making, business execution and supervision of management:

i) Organization of the Company:

As part of its measures to further strengthen the corporate governance system, the Company appointed an outside Director upon resolution of the 91st Ordinary General Meeting of Shareholders and introduced a corporate officers system. The Board of Directors currently consists of five Directors including one outside Director, which enables the Company to carry out the decision-making for management and supervise the business execution with a wider view.

At the same time, the Company has decided to revise the operating structure and establish the Corporate Executive Committee under the Board of Directors, which consists of the President and a number of Directors elected from the Board, responsible for considering important management issues of the Company and the entire Yamanouchi Group. Further, the Product Strategy Executive Committee has been established and is responsible for considering product strategies.

The Company has adopted the corporate auditor system, and any remuneration, designation or other similar committees have not been established. The Board of Auditors consists of four Corporate Auditors including one outside Corporate Auditor and is responsible for auditing the business execution of Directors of the Company.



ii) Situation of establishing internal control system and risk management system:

The Company devotes itself to coordinating and arranging for internal control system and risk management system in order to carry out sound corporate activities.

Under the above-mentioned corporate management system, the Company seeks to execute business operations more efficiently by providing appropriate authority to each department and each managerial level and by establishing a system through which necessary information is shared quickly and precisely.

Also, to establish an environment for sound internal control, the Company has stipulated Yamanouchi Group's corporate philosophy and codes of conducts and makes them understood by every employee. To promote the observance of laws and rules and a high level of ethical behavior, the Company strives to improve and strengthen the compliance structure by establishing compliance-promoting regulations and sharing the Yamanouchi codes of compliance behavior at all levels of the Company.

With respect to the internal audit, the Auditing Department, which is independent from other business execution divisions, evaluates the reasonability and the efficiency of business operations, the appropriateness and the validity of various rules, and reports and provides a recommendation for improvement to the management. Also, several issues such as environmental preservation and quality of products have been audited in accordance with the relevant regulations from time to time.

The Company seeks advice from third parties such as attorneys and audit corporations when necessary, in order to ensure the soundness of business execution and accounting.

The business conducted by the Yamanouchi Group entails a wide rage of risks as set forth in the "Business Risks" below. The Yamanouchi Group will take necessary measures to mitigate or avoid these risks and each division of the Company is responsible for risk management on a daily basis. If any risk arises, the Company will follow the clearly defined fundamental policy to take quick and adequate action under the control of the top management, together with the smooth communication system of information inside and outside the Company.

2) Human relationship, capital relationship, transaction, other interests, etc. between the Company, and the Company's Outside Director and Outside Corporate Auditor:

Not applicable.

3) Implementation of the measures for the previous one year that the Company has endeavored to enhance the Corporate Governance:

The Company implemented a stock option plan for executive directors, corporate officers and key employees this year as well as last year, for the purpose of inducing desire and spirit for the enhancement of corporate value of the Company further to be stimulated and further facilitating management with special emphasis on increasing shareholder value. In addition, the Yamanouchi Group continues to put its energy into Investor Relations ("IR") activities in order to reflect voices from capital markets more accurately in the management, through interactive communication with shareholders and investors. The Company will continually consider effective measures towards the establishment of a refined system hereafter.

3. BUSINESS RESULTS AND FINANCIAL CONDITIONS

(1) Outline of Operations for the Six Months Ended September 30, 2004:

Consolidated business results

(Millions of Yen - Any amount less than ¥1 million is disregarded.)

	For the six months ended September 30, 2004	For the six months ended September 30, 2003	Fluctuation (increase/decrease)
Net sales:	220,204	239,200	- 18,995 (- 7.9%)
Operating income:	55,407	48,083	7,324 (15.2%)
Ordinary income:	56,526	47,941	8,584 (17.9%)
Net income:	20,026	28,962	- 8,935 (- 30.9%)

Exchange rate for the six months ended Sep. 30, 2004: ¥110/US$1, ¥133/1Euro
Exchange rate for the six months ended Sep. 30, 2003: ¥118/US$1, ¥133/1Euro

Note: Exchange rate fluctuations had caused a ¥2.0 billion decrease in net sales and a ¥800 million decrease in operating income for the six months ended September 30, 2004 compared with the corresponding period of the previous fiscal year, due to the appreciation of the Yen against the U.S. dollar as stated in the marginal notes above.

(1) General:

Along with the restrictive measures against increasing medical expenses implemented mainly in developed countries, the global competition for R&D and sales of new drugs have further intensified. In Japan, as part of the restrictive measures against increasing national medical expenses, drug price cuts of an industrial average 4.2% were implemented in April 2004. In addition to these circumstances, the Company sold its nutritional products and personal care products business and the food and roses business during the interim period under review. Given these factors, the Company's business results for the six months ended September 30, 2004 were as set forth above: net sales amounted to ¥220.2 billion, (a decrease of 7.9% from the corresponding period of the previous fiscal year); operating income amounted to ¥55.4 billion (an increase of 15.2% from the corresponding period of the previous fiscal year); ordinary income amounted to ¥56.5 billion (an increase of 17.9 % from the corresponding period of the previous fiscal year) and net income amounted to ¥20.0 billion (a decrease of 30.9% from the corresponding period of the previous fiscal year).

With respect to net sales, in addition to the growing sales of Lipitor (a treatment for hypercholesterolemia), sales of Micardis (angiotensin II receptor blocker) grew materially and those of Harnal (a treatment for the functional symptoms of benign prostatic hyperplasia) continued to increase in Japan and overseas. While sales of Gaster D (orally disintegrating tablet) increased at a steady pace, overall sales of Gaster (an H_2 antagonist) declined. Additionally, due to foreign exchange rate fluctuations, particularly the appreciation of the Yen against the U.S. dollar, there was a decrease in net sales of ¥2.0 billion. As a result of these factors and the transfer of the consumer businesses mentioned above, net sales for the six months ended September 30, 2004 decreased by ¥18.9 billion from the corresponding period of the previous fiscal year. Overseas sales amounted to ¥70.0 billion (a decrease of 13.4 % from the corresponding period of the previous fiscal year) and those as a percentage of consolidated net sales were at 31.8%.

In respect of income, while gross profit decreased due to the decrease in net sales referred to above, operating income was ¥7.3 billion higher than in the corresponding period of the previous fiscal year, as a result of a decrease in the selling, general and administrative expenses due mainly to the transfer of the nutritional products and personal care products business and the food and roses business, and a decrease in R&D expenses. Operating income includes an ¥800 million decrease resulting from the exchange rate fluctuation. In respect of ordinary income, there was an ¥8.5 billion increase from the corresponding period of the previous fiscal year. The Company posted a gain on sales of investment securities amounting to ¥5.0 billion as a special gain. However, there were special losses, including an extraordinary amortization of patents amounting to ¥10.5 billion, a business restructuring loss amounting to ¥7.9 billion arising mainly from the corporate separation of drug formulation plants scheduled in April 2005 and a business integration expense for the merger with Fujisawa scheduled in April 2005 amounting to ¥2.4 billion. As a result, net income for the six months ended September 30, 2004 decreased by ¥8.9 billion.

R&D expenses amounted to ¥29.0 billion (a decrease of 20.9% from the corresponding period of the previous fiscal year). R&D expenses as a percentage of consolidated net sales were at 13.2%.

(2) Matters concerning the Appropriation of Retained Earnings:

The Company decided that the amount of the interim dividends of the Company for the six months ended September 30, 2004 is to be ¥15.00 per share. The commencement date of payment will be December 3, 2004.

(3) Segment Information

Net sales by principal business segment

(Millions of Yen - Any amount less than ¥1 million is disregarded.)

	For the six months ended September 30, 2004	For the six months ended September 30, 2003	Fluctuation (increase/decrease)
Pharmaceuticals and related products business:	218,489	209,517	8,971 (4.3%)
Nutritional products and personal care products business:	--	14,776	- 14,776
Food and roses business:	--	13,950	- 13,950

Operating income by principal business segment

(Millions of Yen - Any amount less than ¥1 million is disregarded.)

	For the six months ended September 30, 2004	For the six months ended September 30, 2003	Fluctuation (increase/decrease)
Pharmaceuticals and related products business:	54,806	49,884	4,921 (9.9%)
Nutritional products and personal care products business:	--	1,306	- 1,306
Food and roses business:	--	- 4,979	4,979

[Pharmaceuticals and related products]

Net sales in this segment increased to ¥218.4 billion (an increase of 4.3% from the corresponding period of the previous fiscal year) and operating income amounted to ¥54.8 billion (an increase of 9.9% from the corresponding period of the previous fiscal year).

Japan

In the ethical pharmaceutical products market, in addition to the growing sales of Lipitor amounting to ¥41.6 billion (an increase of 9.6% from the corresponding period of the previous fiscal year), sales of Micardis, which was launched in December 2002, grew substantially owing to a steady market penetration, amounting to ¥10.7 billion (an increase of 296.4% from the corresponding period of the previous fiscal year). Sales of Harnal amounting to ¥24.1 billion (an increase of 5.3% from the corresponding period of the previous fiscal year) and Starsis (a rapid onset insulin hyperplasia) amounting to ¥2.2 billion (an increase of 10.8% from the corresponding period of the previous fiscal year) increased steadily. Although sales of Gaster D (an orally disintegrating tablet) increased favorably, overall sales of Gaster declined due to the adverse effect of drug price cuts. Sales of Advaferon (a treatment for chronic hepatitis C virus infections) decreased to ¥1.0 billion (a decrease of 62.0% from the corresponding period of the previous fiscal year) due to the substantial shrinkage of the interferon drug market and severe competitions with rival products. There were no sales of Euglucon (an oral antidiabetic drug) and Optiray (a nonionic X-ray contrast medium) for the interim period under review, since the sale of Euglucon was transferred to Chugai Pharmaceutical Co., Ltd. in October 2003 and Optiray was transferred to Tyco Healthcare Japan, Inc. in April 2004, respectively.

In the over-the-counter pharmaceuticals business (the “OTC pharmaceuticals business”), there were decreases in the sales of Gaster 10 (the switch over-the-counter formulation of Gaster) amounting to ¥1.2 billion (a decrease of 22.1% from the corresponding period of the previous fiscal year), Makiron (first-aid antiseptics) amounting to ¥1.4 billion (a decrease of 3.8% from the corresponding period of the previous fiscal year) and Cakonal (cold remedies) amounting to ¥600 million (a decrease of 29.8% from the corresponding period of the previous fiscal year). On October 1, 2004, the Company and Fujisawa established a joint venture company, Zepharma Inc. and the OTC pharmaceuticals businesses were transferred to the joint venture company.

Overseas

In the U.S., with respect to YM905 (proposed brand name: Vesicare, a treatment for urinary frequency, urinary incontinence or urgency), Yamanouchi Pharma America, Inc. filed the application of approval with FDA in December 2002 and received an approvable letter from the FDA in October 2003. YM905 is expected to be launched around the end of this year and Yamanouchi Pharma America, Inc. has been engaged in full-scale preparation activities involving pre-marketing activities and an establishment of information system infrastructure, among other things, for the sales of such drug. Furthermore, the Company concluded an agreement for co-promoting Flomax (brand name in Japan: “Harnal”, a treatment for the functional symptoms of benign prostatic hyperplasia) in the U.S. with Boehringer Ingelheim Pharmaceuticals, Inc. (BIPI), and Yamanouchi Pharma America, Inc. has been engaged in sales promotion activities cooperating with BIPI since October 2004.

In Europe, Eligard (a treatment for advanced prostate cancer) and Vesicare (a treatment for urinary frequency, urinary incontinence and urgency) were launched in May 2004 and August 2004, respectively. Yamanouchi Europe B.V. has promoted the sales of these drugs.

The Yamanouchi Group has promoted establishment of an optimum business structure with an effective use of the funds that are retained mainly in the European region in connection with carrying out inter-regional transactions between Europe and the U.S. As a result, expenses incurred with the preparation for its own marketing and sales network in the U.S. were accounted for in the European segment of the geographical segment information disclosed in the financial statements.

Harnal has acquired a more solid position as a leading product for the treatment of functional symptoms of benign prostatic hyperplasia in many countries. Sales in both the U.S. and European markets have expanded steadily. Overseas sales through the Yamanouchi Group's own network and bulk and royalty income from licensees for the interim period under review reached ¥43.9 billion (an increase of 23.3% from the corresponding period of the previous fiscal year).

Production

The Company continues to strive for higher quality and lower costs of products, and enhancement of its international competitive capabilities by establishing a global supply system for bulk pharmaceuticals, products and clinical trial materials. As a part of these undertakings, the drug formulation plant of Taiwan Yamanouchi Pharmaceutical Co., Ltd., a subsidiary of the Company, closed in July 2004. In Japan, the amended Pharmaceutical Affairs Law to be enacted in April 2005 will allow a pharmaceutical company to generally outsource production functions. Taking this occasion, the Company decided that a drug formulation and production subsidiary will be inaugurated in April 2005 by integrating its drug formulation and productive capabilities in Japan for the purpose of making the production system more efficient and improving cost competitiveness. Accordingly, the Company's Yaizu plant and Nishine plant will be integrated into Tohoku Yamanouchi Pharmaceutical Co., Ltd. under the corporate separation, and Yamanouchi Tokai Business Co., Ltd. will be integrated into Tohoku Yamanouchi Pharmaceutical Co., Ltd. by way of merger by absorption.

The global supply system for YM905 is almost ready, which the Company expects as a global strategic drug following Harnal.

R&D

The Company strives for efficient research and development activities, applying the latest technologies and a global network, aimed at the continued and rapid creation of internationally competitive innovative drugs. Through these R&D activities, a number of compounds for new drug candidates are currently under clinical development.

In Japan, the Company filed an application for an approval of YM905 (a treatment for urinary frequency, urinary incontinence or urgency associated with overactive bladder) in August 2004. The Company has also made a filing for an approval of YM177 (a treatment for rheumatoid arthritis and osteoarthritis). Some compounds, such as YM529 (an osteoporosis treatment), are under development. In addition, the Company obtained approval for Harnal D Tablet (an additional dosage form of Harnal, the treatment for functional symptoms of benign prostatic hyperplasia), an orally disintegrating tablet, in September 2004.

In Europe, the Company's subsidiary Yamanouchi Europe B.V. obtained marketing authorization for sales of Vesicare in 17 European countries in June 2004, and it was launched in five countries, the Netherlands, Germany, U.K., France and Denmark, in August 2004. Additionally, in August 2004 Yamanouchi Europe B.V. obtained regulatory approval for Omnic-OCAS (an additional dosage form for Omnic (brand name in Japan: Harnal)) in the Netherlands, which applies OCAS, or Oral Controlled Absorption System, an exclusive Yamanouchi technology for drug delivery system.

In the U.S., it is expected that YM905, with respect to which an approvable letter was given by the FDA in October 2004, will be launched around the end of this year. The Company's U.S. subsidiary has also submitted a new drug application for YM087 (a treatment for hyponatremia) with the FDA.

Many new drug candidates, such as YM443 (a treatment for functional dyspepsia), YM178 (a treatment for overactive bladder) and YM150 (a treatment for prevention of deep vein thrombosis/ prevention of thromboembolism in atrial fibrillation) are under development in the U.S. and Europe.

The Company places great importance on genomics-based drug discovery in drug discovery research. The Company proactively promotes strategic alliances with major venture companies in Japan and overseas, while strengthening in-house R&D capabilities. Some new drug discovery targets identified through the genomics-based drug discovery research approach have already entered into the preclinical development stage. As one of the Company's achievement in the genomics-based drug discovery research, it developed a new method to accurately determine internal body time and rhythm disorders using DNA chips and reported its findings in the Proceedings of the National Academy of Sciences of the U.S in July 2004.

Others

The Company decided to outsource the domestic logistics operations to Mitsubishi Logistics Corporation in order to reduce logistics costs. Four logistic centers nationwide will be closed one after another and the business transfer is scheduled to be completed in January 2005.

(2) Financial Condition for the Six Months Ended September 30, 2004:

Assets, liabilities and Shareholders' Equity:

Total assets as of September 30, 2004 amounted to ¥900.6 billion, a decrease of ¥2.0 billion from the end of the previous fiscal year. Current assets increased by ¥60.2 billion from the end of the previous fiscal year, mainly due to an increase in marketable securities by ¥49.5 billion from the end of the previous fiscal year. On the other hand, inventories decreased by ¥7.5 billion from the end of the previous fiscal year, due mainly to the transfer of the nutritional products and personal care products business, and the food and roses business.

In fixed assets, total property, plant and equipment decreased by ¥29.4 billion from the end of the previous fiscal year due mainly to a decrease in the amount of capital investments. Intangible fixed assets also decreased by ¥16.0 billion from the end of the previous fiscal year due mainly to nonrecurring depreciation of patent rights. Investments and other assets decreased by ¥16.8 billion from the corresponding period of the previous fiscal year, due mainly to the sale of investment securities and others.

With respect to liabilities and shareholders' equity, although accrued income taxes increased by ¥12.3 billion, trade notes and accounts payable decreased by ¥8.0 billion, accrued expenses decreased by ¥2.5 billion and deferred tax liabilities decreased by ¥3.1 billion, respectively, from the end of the previous fiscal year. Thus, there was a ¥1.2 billion decrease in current liabilities from the end of the previous fiscal year. Long-term liabilities decreased by ¥5.9 billion, due mainly to a decrease in accrued retirement benefits for employees of ¥1.9 billion from the end of the previous fiscal year. Shareholders' equity increased by ¥6.6 billion from the end of the previous fiscal year. This is mainly attributable to an increase in retained earnings of ¥15.6 billion, although there was a ¥12.5 billion decrease in shareholders' equity resulting from the Company's purchase of its own shares.

Consolidated Cash Flows

(Millions of Yen - Any amount less than ¥1 million is disregarded.)

	For the six months ended September 30, 2004	For the six months ended September 30, 2003	Fluctuation (increase/decrease)
Cash flows from operating activities:	35,701	- 1,165	36,866
Cash flows from investing activities:	35,546	- 17,650	53,196
Cash flows from financing activities:	- 18,138	- 5,093	- 13,045
Balance of cash and cash equivalents at the end of the period:	406,982	304,952	102,029

Cash flows from operating activities were ¥35.7 billion, an increase of ¥36.8 billion from the corresponding period of the previous fiscal year. This was largely attributable to an extraordinary amortization of patents amounting to ¥10.5 billion and a decrease in the amount paid for income taxes of ¥32.7 billion from the corresponding period of the previous fiscal year, although net income before income taxes decreased by ¥8.5 billion from the corresponding period of the previous fiscal year.

Cash flows from investing activities were ¥35.5 billion, an increase of ¥53.1 billion from the corresponding period of the previous fiscal year. This increase was principally attributable to an income of ¥38.1 billion arising from the sale of shares of subsidiaries, causing the scope of the consolidation changed.

Cash flows from financing activities were - ¥18.1 billion, a decrease of ¥13.0 billion from the corresponding period of the previous fiscal year. This was principally attributable to an increase in payments for the acquisition of the Company's own shares of ¥12.8 billion from the corresponding period of the previous fiscal year.

Consequently, the balance of cash and cash equivalents as September 30, 2004 amounted to ¥406.9 billion, an increase of ¥61.4 billion from the end of the previous fiscal year.

Trends in Cash Flow Indicators

	For the fiscal year ended Mar. 31, 2001	For the fiscal year ended Mar. 31, 2002	For the fiscal year ended Mar. 31, 2003	For the fiscal year ended Mar. 31, 2004	For the six months ended Sep. 30, 2004
Shareholders' equity ratio (%)	75.6	74.3	75.6	80.3	81.3
Shareholders' equity ratio on a fair market value basis (%)	174.1	122.2	113.9	131.4	129.5
Interest coverage ratio (times)	237.4	159.4	281.9	178.3	128.1
Years to redeem debt (years)	0.21	0.19	0.08	0.07	0.18

Shareholders' equity ratio (%): Total shareholders' equity / Total assets
Shareholders' equity ratio on a fair market value basis (%): Total amount of market value of shares / Total assets
Interest coverage ratio (times): Cash flows from operating activities (before eliminating interests and income taxes) / Interest payment
Years to redeem debt: Interest-bearing liabilities (short-term loans payable, current portion of convertible bonds, convertible bonds, long-term loans payable) / Cash flows from operating activities (before eliminating interests and income taxes)

(Notes)
1. Each of indicators is calculated using financial data on a consolidated basis.
2. Total amount of market value of shares is calculated by using the closing price of shares at the end of fiscal year × the number of shares outstanding at the end of fiscal year (after eliminating treasury stock).
3. Cash flows from operating activities (before eliminating interests and income taxes) are represented by the cash flows from operating activities of the consolidated statement of cash flows.
4. Interest payment is represented by an interest expense of the consolidated statement of cash flows.
5. Interest-bearing liabilities include all liabilities on which the Company pays interests, out of the liabilities stated in the consolidated balance sheet.

(3) The Business Results Forecast for the Fiscal Year Ending March 31, 2005:

Consolidated Business Results Forecast:

(Millions of Yen - Any amount less than ¥1 million is disregarded.)

	For the fiscal year ending March 31, 2005	For the fiscal year ended March 31, 2004	Fluctuation (increase/decrease)
Net sales:	440,000	511,207	- 71,207 (- 13.9%)
Operating income:	98,000	100,960	- 2,960 (- 2.9%)
Ordinary income:	99,500	98,362	1,137 (1.2%)
Net income:	35,500	60,057	- 24,557 (- 40.9%)

Estimated exchange rate for the fiscal year ending March 31, 2005: ¥110/US$1, ¥132/1Euro
Actual exchange rate for the fiscal year ended March 31, 2004: ¥113/US$1, ¥133/1Euro

In Japan, the restructuring of the medical insurance system has been under way to reduce the increase in medical expenses, including drug price cuts of an industrial average 4.2% implemented in April 2004. Overseas, large U.S. and European companies have further expanded the business scale and thus competition has become harsher. The Company will strive to strengthen its total competitiveness so as to become a true global enterprise equipped with both excellent R&D capability and strong sales and marketing capability.

- The Company expects that net sales for the fiscal year ending March 31, 2005 will decline. This is largely attributable to the transfer of the nutritional products and personal care products business, as well as the food and roses business in May and June 2004, respectively. Therefore, the business results forecast above do not include the figures relating to these businesses.

- On the other hand, in the pharmaceuticals and related products business, the Company plans that net sales will continue to increase by further expanding sales of Harnal in Japan and overseas, and fostering the Company’s principal products, such as Lipitor, Micardis and Starsis, to the fullest extent in Japan, despite certain negative factors, such as the drug price cuts mentioned above and the transfer of the sales of Optiray and Euglucon.

- With respect to the nutritional products and personal care products business, as well as the food and roses business, the Company sold those businesses in May and June 2004, respectively. Therefore, the business results forecast above do not include the figures relating to these businesses.

- While the Company expects that net sales of the pharmaceuticals and related products business will grow, operating income for the fiscal year ending March 31, 2005 will decline, because in addition to the transfer of the consumer businesses mentioned above, the Company plans to actively make strategic investments, including R&D investments to create new products and advance investments for the establishment of its own sales network in the U.S., for the purpose of acquiring the long-term competitiveness. It is also expected that net income will decrease, because the Company will state special losses, including costs incurred with the corporate separation of the drug formulation production plants in Japan scheduled in April 2005 and the business integration costs for the merger with Fujisawa. Expenses, such as those relating to employees, computer systems, Astellas brand building and others, of approximately ¥18.0 billion, are currently estimated to arise in relation to the merger with Fujisawa and such amount is reflected in the business results forecast as a special loss. However, depending on the future situation of the preparatory operations for the merger, the expenses relating to the merger may increase or decrease from the present estimate.

- In October 2004 the joint venture company, Zepharma Inc., was established with Fujisawa for integrating the OTC pharmaceuticals business. As a result, sales of the OTC pharmaceuticals business for the six months commencing from October 1, 2004 ending on March 31, 2005 will have not been included and will be accounted for as an investment gain or loss using the equity method in the non-operating income or non-operating expenses category.

- It is estimated that the exchange rates of US$1 will be ¥110, and 1 Euro will be ¥132, for the preparation of the business results forecasts for the fiscal year ending March 31, 2005 stated above.

- It is estimated that year-end dividends to be declared at the end of the fiscal year ending March 31, 2005 will be ¥16 (¥31 per share as annual dividends).

(Note: The foregoing are forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors including adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launches, pricing and product initiatives of competitors, the inability of the Company or its subsidiaries or affiliates to market existing and new products effectively, interruptions in production, infringements on the intellectual property rights of the Company or its subsidiaries or affiliates and the adverse outcome of material litigation.)

(4) Business Risks:

Principal risks that may affect the Yamanouchi Group's business results and financial conditions include:

- Influence of Pharmaceuticals Administration:

  The Yamanouchi Group's core business, the pharmaceuticals and related products business, is subject to various regulations in each country where the business is carried out. For example, in Japan, an amount to be paid by patients of the national health insurance program increased to 30% of the overall medical expenses in April 2003. Such restrictive policies against increasing medical expenses mainly in developed countries may impose stress on earnings of the Yamanouchi Group. More stringent regulations to control development, production and distribution of pharmaceuticals could also increase the costs to be borne by the Company.

- Dependence on Certain Specified Products:

  The Yamanouchi Group's net sales on a consolidated basis are substantially derived from relatively a small number of products, such as Harnal, Gaster and Lipitor. As a result, if the Company fails to appropriately maintain and protect patents pertaining to these leading products, if any significant litigation of product liabilities is initiated, if such drugs cause unexpected side effects, or if strong rival pharmaceuticals are marketed, the Group's business results could be adversely affected.

- Inherent Uncertainties in R&D of Pharmaceuticals:

  In general, the possibility of discovering a promising compound through drug discovery research is not high. Further, when the newly discovered compound is developed to become a single new drug and successfully launched in the market, it requires a large amount of investments and a long period of time. However, it may be necessary to abandon the continuation of development if the effectiveness of the drug is not proved as initially expected in the development process, or a material side effect arises. In addition, drugs are subject to legal restrictions in each country so that the authorization from the regulatory bodies in each country is a prerequisite to sales in that country. Hence, it is difficult to accurately foresee if and when approvals for a new product can be obtained.

  The Yamanouchi Group's R&D activities are accompanied by these inherent risks in the research and development of pharmaceuticals.

- Foreign Exchange Movements:

  As shown by the overseas sales percentage of 31.8% for the six months ended September 30, 2004, the businesses of the Yamanouchi Group are carried out in many countries and territories. It is therefore possible that exchange rate fluctuations affect the business results and financial conditions of the Yamanouchi Group.

- Business Restructuring and Others:

  In order to concentrate resources on the ethical pharmaceuticals business, the Yamanouchi Group sold its nutritional and personal care products and food and roses businesses and established a joint venture company for its OTC pharmaceuticals business. In the meantime, the Company prepares for establishing its own marketing and sales network in the United States to expand the pharmaceuticals business. To achieve more efficient and rationalized business operations, the Company plans to completely outsource logistics operations and spin off its drug formulation plants by way of corporate separation. In addition, the Company will merge with Fujisawa Pharmaceutical Co., Ltd. in April 2005 to strengthen the operational base and compete in the intensifying grobal competition.

The success or failure of the Group's restructuring programs described above may also materially affect the future business results and financial conditions of the Yamanouchi Group.

The risks stated above do not represent all risks associated with the Yamanouchi Group, and there are various other additional risks.

[Translation]

4. Semiannual Consolidated Financial Statements

(1) Consolidated Balance Sheets

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

Accounts	(A) As of September 30, 2004		As of September 30, 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	¥293,714		¥216,869		¥276,722		¥ 16,992
Trade notes and accounts receivable	125,069		123,337		120,162		4,907
Marketable securities	118,546		89,811		69,013		49,533
Inventories	49,198		65,654		56,738		(7,540)
Deferred tax assets	25,550		29,718		25,213		337
Other	27,564		21,343		31,685		(4,121)
Allowance for doubtful receivables	(347)		(456)		(475)		127
Total current assets	639,296	71.0	546,279	61.3	579,060	64.1	60,235
II. Fixed assets							
1. Property, plant and equipment *1							
Buildings and structures	65,147		75,968		76,675		(11,527)
Machinery, equipment and vehicles	23,025		27,910		28,814		(5,788)
Tools, furniture and fixtures	21,765		23,554		21,792		(27)
Land	26,207		32,679		32,214		(6,006)
Construction in progress	6,342		16,151		7,511		(1,168)
Other	2,178		7,061		7,112		(4,934)
Total property, plant and equipment	144,666		183,326		174,120		(29,453)
2. Intangible fixed assets	11,228		29,158		27,266		(16,038)
3. Investments and other assets							
Investment securities	51,969		67,360		67,605		(15,635)
Long-term loans receivable	2,064		587		496		1,567
Deferred tax assets	23,282		27,298		20,193		3,089
Other	28,457		37,227		34,375		(5,917)
Allowance for doubtful receivables	(336)		(712)		(420)		84
Total investments and other assets	105,438		131,761		122,250		(16,812)
Total fixed assets	261,332	29.0	344,246	38.7	323,637	35.9	(62,304)
Total assets	¥900,628	100.0	¥890,525	100.0	¥902,698	100.0	¥ (2,069)

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

Accounts	(A) As of September 30, 2004		As of September 30, 2003		(B) As of March 31, 2004		Fluctuation (A) - (B)
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio	
Liabilities		%		%		%	
I. Current liabilities							
Trade notes and accounts payable	¥ 29,494		¥ 38,715		¥ 37,572		¥ (8,078)
Short-term loans payable	900		1,865		1,237		(337)
Other accounts payable	29,971		20,768		25,601		4,370
Accrued expenses	19,527		23,196		22,094		(2,566)
Accrued income taxes	22,789		22,340		10,477		12,312
Accrued consumption tax	991		1,469		1,715		(724)
Deferred tax liabilities	795		4,826		3,922		(3,127)
Sales related allowances	–		3,027		3,544		(3,544)
Allowance for sales rebates and others	3,005		–		–		3,005
Other	1,381		2,015		3,979		(2,597)
Total current liabilities	108,856	12.1	118,225	13.2	110,145	12.2	(1,289)
II. Long-term liabilities							
Convertible bonds	6,470		6,480		6,480		(10)
Long-term loans payable	-		802		344		(344)
Deferred tax liabilities	1,235		4,465		2,418		(1,182)
Accrued retirement benefits for employees	34,451		37,059		36,374		(1,923)
Accrued retirement benefits for directors	762		1,129		1,247		(485)
Other	15,799		17,381		17,832		(2,032)
Total long-term liabilities	58,718	6.5	67,317	7.6	64,697	7.2	(5,978)
Total liabilities	167,575	18.6	185,543	20.8	174,842	19.4	(7,267)
Minority interests							
Minority interests	1,016	0.1	2,442	0.3	2,462	0.3	(1,445)
Shareholders' equity							
I. Common stock	99,765	11.1	99,760	11.2	99,760	11.1	5
II. Additional paid-in capital	113,689	12.6	113,684	12.8	113,684	12.6	5
III. Retained earnings	631,740	70.1	589,983	66.2	616,112	68.3	15,627
IV. Unrealized holding gain on securities	9,153	1.0	12,281	1.4	13,848	1.4	(4,695)
V. Translation adjustments	(8,320)	(0.9)	(11,736)	(1.3)	(16,557)	(1.9)	8,236
VI. Treasury stock	(113,991)	(12.6)	(101,433)	(11.4)	(101,456)	(11.2)	(12,535)
Total shareholders' equity	732,036	81.3	702,539	78.9	725,392	80.3	6,644
Total liabilities, minority interests and shareholders' equity	¥ 900,628	100.0	¥ 890,525	100.0	¥ 902,698	100.0	¥ (2,069)

(2) Consolidated Statements of Income

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

Accounts		(A) For the six months ended September 30, 2004		(B) For the six months ended September 30, 2003		Fluctuation (A) - (B)	For the year ended March 31, 2004	
		Amounts	Ratio	Amounts	Ratio		Amounts	Ratio
			%		%			%
I. Net sales		¥220,204	100.0	¥239,200	100.0	¥(18,995)	¥511,207	100.0
II. Cost of sales		68,206	31.0	77,150	32.3	(8,944)	173,790	34.0
Gross profit		151,998	69.0	162,049	67.7	(10,051)	337,417	66.0
III. Selling, general and administrative expenses	*2	96,590	43.8	113,966	47.6	(17,375)	236,457	46.3
Operating income		55,407	25.2	48,083	20.1	7,324	100,960	19.7
IV. Non-operating income		4,282	1.9	3,182	1.3	1,099	4,773	0.9
Interest income		1,495		917		577	1,965	
Dividend income		541		698		(156)	966	
Exchange gain		1,223		–		1,223	–	
Equity in earnings of affiliates		–		379		(379)	666	
Income from corporate pension insurance specified assets		235		359		(359)	–	
Other		785		828		192	1,174	
V. Non-operating expenses		3,163	1.4	3,324	1.4	(160)	7,371	1.4
Interest expense		304		218		85	552	
Equity in losses of affiliates		1,023		–		1,023	–	
Loss on disposal of inventories		1,020		–		1,020	574	
Depreciation on suspended fixed assets		447		–		447	–	
Exchange loss		–		2,721		(2,721)	5,769	
Other		367		384		(17)	474	
Ordinary income		56,526	25.7	47,941	20.0	8,584	98,362	19.2
VI. Special gains		5,675	2.6	1,347	0.6	4,328	10,077	2.0
Gain on sales of fixed assets		571		17		554	507	
Gain on sales of investment securities		5,008		–		5,008	8,115	
Compensation received		–		1,159		(1,159)	1,159	
Reversal of allowance for doubtful receivables		–		98		(98)	–	
Other		95		70		24	294	
VII. Special losses		21,767	9.9	270	0.1	21,497	5,202	1.0
Loss on sales and disposal of fixed assets		448		180		267	483	
Extraordinary amortization of patents	*3	10,591		–		10,591	–	
Loss on business restructuring	*4	7,916		–		7,916	3,545	
Expenses for business integration	*5	2,407		–		2,407	–	
Loss on devaluation of other investments		11		54		(42)	–	
Loss on disposition of corporate pension insurance specified assets		–		–		–	896	
Other		392		35		356	276	
Income before income taxes and minority interests		40,433	18.4	49,017	20.5	(8,583)	103,236	20.2
Income taxes – current	*1	19,880	9.0	19,950	8.4	(70)	36,100	7.1
Income taxes – deferred	*1	–	–	–	–	–	6,881	1.4
Minority interests		527	0.3	105	0.0	421	196	0.0
Net income		¥ 20,026	9.1	¥ 28,962	12.1	¥ (8,935)	¥ 60,057	11.7

(3) Consolidated Statements of Additional Paid-In Capital and Retained Earnings

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

Accounts	(A) For the six months ended September 30, 2004	(B) For the six months ended September 30, 2003	Fluctuation (A) - (B)	For the year ended March 31, 2004
	Amounts	Amounts		Amounts
Additional Paid-In Capital				
I. Additional paid-in capital at beginning of the period	¥113,684	¥113,684	–	¥113,684
II. Increase in additional paid-in capital				
Issuance of new shares by conversion of convertible bonds	5	–	¥ 5	–
III. Additional paid-in capital at end of the period	¥113,689	¥113,684	¥ 5	¥113,684
Retained Earnings				
I. Retained earnings at beginning of the period	¥616,112	¥566,088	¥50,023	¥566,088
II. Increase in retained earnings				
Net income	20,026	28,962	(8,935)	60,057
Increase from the increase in the number of consolidated subsidiaries	990	–	990	–
III. Decrease in retained earnings	5,389	5,067	321	10,033
Cash dividends	5,297	4,966	330	9,932
Bonuses to directors	80	88	(8)	88
Bonuses to corporate auditors	12	13	(1)	13
IV. Retained earnings at end of the period	¥631,740	¥589,983	¥41,757	¥616,112

(4) Consolidated Statements of Cash Flows

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

Accounts	(A) For the six months ended September 30, 2004	(B) For the six months ended September 30, 2003	Fluctuation (A) - (B)	For the year ended March 31, 2004
	Amounts	Amounts		Amounts
I. Cash flows from operating activities				
Income before income taxes and minority interests	¥ 40,433	¥ 49,017	¥ (8,583)	¥ 103,236
Depreciation and amortization	9,100	11,330	(2,230)	25,116
Amortization of excess of cost over net assets acquired	–	0	(0)	1
Loss on extraordinary amortization of patents	10,591	–	10,591	–
Gain on sales of investment securities	(5,008)	–	(5,008)	(8,115)
Loss on devaluation of other investments	11	54	(42)	–
(Gain) loss on sales and disposal of property, plant and equipment	(123)	162	(286)	(23)
Decrease in allowance for doubtful receivables	(92)	(399)	307	(666)
Decrease in accrued retirement benefits	(1,850)	(1,907)	56	(2,648)
Interest and dividend income	(2,037)	(1,615)	(421)	(2,932)
Equity in losses (earnings) of affiliates	1,023	(379)	1,402	(666)
Interest expense	304	218	85	552
Exchange losses (gains)	418	(92)	511	(99)
(Increase) decrease in trade receivables	(7,817)	(1,378)	(6,439)	1,350
Increase in inventories	(687)	(10,573)	9,885	(1,909)
Decrease in trade payables	(6,237)	(2,092)	(4,144)	(2,767)
Increase (decrease) in other accounts payable	5,461	(2,930)	8,391	1,596
Payments of bonuses to directors	(92)	(103)	11	(103)
Other	(4,130)	(3,631)	(498)	1,046
Subtotal	39,267	35,679	3,588	110,872
Interest and dividends received	2,146	1,585	560	2,902
Interest paid	(323)	(325)	2	(638)
Income taxes paid	(5,389)	(38,104)	32,715	(69,759)
Net cash provided by (used in) operating activities	35,701	(1,165)	36,866	43,376
II. Cash flows from investing activities				
Purchases of marketable securities	(6,876)	(7,115)	238	(14,266)
Proceeds from sales of marketable securities	4,036	3,917	119	8,277
Purchases of property, plant and equipment	(5,632)	(6,021)	389	(12,133)
Proceeds from sales of property, plant and equipment	880	664	215	3,815
Acquisition of intangible fixed assets	(799)	(1,664)	865	(4,270)
Purchases of investment securities	(2)	(321)	319	(7,415)
Proceeds from sales of investment securities	9,490	84	9,405	16,886
Proceeds from sales of investments in subsidiaries resulting in change of the scope consolidation	38,132	–	38,132	–
Loans receivable made	(171)	(78)	(93)	(452)
Collection of loans receivable	352	61	291	280
Net increase in other short-term investments	(307)	–	(307)	(571)
Other	(3,557)	(7,176)	3,619	(2,992)
Net cash provided by (used in) investing activities	35,546	(17,650)	53,196	(12,844)
III. Cash flows from financing activities				
Repayment of short-term loans payable	(300)	–	(300)	(100)
Repayment of long-term loans payable	–	(40)	40	(1,004)
Purchase of treasury stock	(12,535)	(17)	(12,517)	(39)
Cash dividends paid	(5,297)	(4,966)	(330)	(9,932)
Cash dividends paid to minority shareholders	(6)	(69)	62	(138)
Other	–	(0)	0	(3)
Net cash used in financing activities	(18,138)	(5,093)	(13,045)	(11,218)
IV. Effects of exchange rate changes on cash and cash equivalents	5,347	(2,290)	7,638	(4,965)
V. Increase in cash and cash equivalents	58,456	(26,200)	84,656	14,348
VI. Increase in cash and cash equivalents due to inclusion in consolidation	3,024	–	3,024	–
VII. Cash and cash equivalents at beginning of the period	345,501	331,152	14,348	331,152
VIII. Cash and cash equivalents at end of the period	¥406,982	¥304,952	¥102,029	¥345,501

(5) Significant Accounting Policies for Semiannual Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries 38

Name of major consolidated subsidiaries:

Tohoku Yamanouchi Pharmaceutical Co., Ltd.,
Yamanouchi Ireland Co., Ltd.,
Yamanouchi U.K. Limited, Yamanouchi Europe B.V.,
Yamanouchi Pharma America Inc.,
Yamanouchi Pharmaceutical (China) Co., Ltd.
Korea Yamanouchi Pharmaceutical Co., Ltd.
Taiwan Yamanouchi Pharmaceutical Co., Ltd.

Korea Yamanouchi Pharmaceutical Co., Ltd. and Taiwan Yamanouchi Pharmaceutical Co., Ltd. were newly consolidated effective the six months ended September 30, 2004 since they became material. In addition, a subsidiary newly established by Yamanouchi Europe B.V. was consolidated effective the six months ended September 30, 2004.

The Company sold all of its shares of 24 subsidiaries which engage in nutritional and personal care and food and roses businesses during the six months ended September 30, 2004. Those companies have been excluded from consolidation as if the transfer had been made at the beginning of the period.

(2) Descriptions of unconsolidated subsidiaries

Name of major unconsolidated subsidiaries: Sanwell Co., Ltd.

(The reasons for exclusion from consolidation)

Unconsolidated subsidiaries are small in terms of the aggregate amounts of total assets, net sales, net income and retained earnings and others, and do not have a significant effect on the semiannual consolidated financial statements. Accordingly, they have been excluded from consolidation.

2. Equity Method

(1) The number of unconsolidated subsidiaries accounted for by the equity method 0

(2) The number of affiliated companies accounted for by the equity method 1

Name of the affiliated company accounted for by the equity method:

Sanofi-Synthelabo Yamanouchi Pharmaceutical Inc.

2. Equity Method (continued)

(3) As the impact of unconsolidated subsidiaries and affiliates not accounted for by the equity method on the consolidated net income and consolidated retained earnings and others for semiannual periods are not significant, they have not been accounted for by the equity method.

(4) Sanofi-Synthelabo Yamanouchi Pharmaceutical Inc., which is accounted for by the equity method, closes its books as of June 30 for semiannual financial reporting purposes.

3. Accounting Periods for Consolidated Subsidiaries

All consolidated subsidiaries close their books of account at September 30 for semiannual financial reporting purposes except for Yamanouchi Pharmaceutical (China) Co., Ltd. which closes its books as of June 30.

The necessary adjustments are made to the semiannual financial statements of Yamanouchi Pharmaceutical (China) Co., Ltd. to reflect any significant transactions from July 1 to September 30.

4. Significant Accounting Policies

(1) Valuation methods for significant assets

1) Securities

Held-to-maturity debt securities are carried at amortized cost.

Marketable securities classified as other securities are carried at fair value as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. The cost of securities sold is primarily calculated by the moving average method.

Non-marketable securities classified as other securities are stated at cost primarily determined by the moving average method.

2) Inventories

Merchandise is stated principally at the lower of cost or market, cost being determined by the average method. Finished goods are stated principally at cost by the average method. Work in process and semifinished goods, and raw materials and supplies are stated principally at cost by the first-in, first-out method and the average method, respectively. However, inventories of the foreign consolidated subsidiaries are stated principally at the lower of cost or market, cost being determined by the first-in, first-out method.

4. Significant Accounting Policies (continued)

(2) Depreciation and amortization of depreciable and amortizable assets

1) Depreciation of property, plant and equipment is calculated by the declining-balance method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	4 to 15 years
Tools, furniture and fixtures	2 to 20 years

2) Amortization of intangible fixed assets is calculated by the straight-line method.

(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 based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers who are experiencing financial difficulties.

2) The allowance for sales rebates and others

The allowance for sales rebates and others is provided for sales rebates to be paid after the balance sheet date at an amount estimated based on the latest historical rebate ratio and the balance of accounts receivable at the balance sheet date, and in addition, is provided for loss on sales returns to be received after the balance sheet date at an amount estimated based on the historical ratios.

3) Accrued retirement benefits for employees

Accrued retirement benefits for employees are provided for retirement benefits to be paid under defined benefit plans principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at fiscal year end, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost as of the balance sheet date. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees. Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of the employees.

4) Accrued retirement benefits for directors

Accrued retirement benefits for directors are provided at an estimate of the amount to be paid in accordance with the internal rules for such retirement benefits for directors if all eligible directors resigned their offices at the balance sheet date.

4. Significant Accounting Policies (continued)

(4) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. The resulting exchange gain or loss is credited or charged to income.

Revenue and expense accounts of the foreign consolidated subsidiaries are translated at the average rates in effect during each accounting period. The balance sheet accounts are translated into yen at the exchange rates in effect at the balance sheet date except for the components of shareholders' equity, which are translated at their historical exchange rates. Translation adjustments are presented as a component of shareholders' equity in the accompanying semiannual consolidated financial statements.

(5) Accounting for leases

Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally classified and accounted for as either finance or operating leases.

(6) Hedge accounting

1) Hedge accounting

All forward foreign exchange contracts qualify as and are accounted for as hedges.

2) Hedging instruments and hedged items

Hedging instruments:	Forward foreign exchange contracts
Hedged items:	Short-term loans receivable from foreign subsidiaries denominated in foreign currencies

3) Hedging policy

The Company has entered into forward foreign exchange contracts in accordance with the Group's internal policies and procedures in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. It is the Company's policy that any significant short-term loans receivable from foreign subsidiaries denominated in foreign currencies are to be fully hedged.

4. Significant Accounting Policies (continued)

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the cumulative changes in cash flows from or fair value of the hedging instruments with those with respect to the hedged items.

(7) Accounting for consumption tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

5. Cash and Cash Equivalents in the Semiannual Consolidated Statements of Cash Flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(6) Notes to Semiannual Consolidated Financial Statements

(Consolidated Balance Sheets)

As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
*1. Accumulated depreciation of property, plant and equipment amounted to ¥173,626 million.	*1. Accumulated depreciation of property, plant and equipment amounted to ¥181,927 million.	*1. Accumulated depreciation of property, plant and equipment amounted to ¥185,631 million.
2. Contingent liabilities	2. Contingent liabilities	2. Contingent liabilities
The Company had contingent liabilities as guarantors of the following loans payable to financial institutions of employees and others:	The Company had contingent liabilities as guarantors of the following loans payable to financial institutions of employees and others:	The Company had contingent liabilities as guarantors of the following loans payable to financial institutions of employees and others:
Employees ¥7,377 million	Employees ¥8,722 million	Employees ¥8,340 million
Sanofi-Synthelabo Yamanouchi Pharmaceutical Inc. 93 million	Sanofi-Synthelabo Yamanouchi Pharmaceutical Inc. 49 million	Sanofi-Synthelabo Yamanouchi Pharmaceutical Inc. 29 million
Saudi Arabian Japanese Pharmaceutical Co., Ltd. (US$1,373 thousand and others) 413 million	Saudi Arabian Japanese Pharmaceutical Co., Ltd. (US$1,202 thousand and others) 402 million	Saudi Arabian Japanese Pharmaceutical Co., Ltd. (US$1,030 thousand and others) 363 million
Total ¥7,883 million	Total ¥9,173 million	Total ¥8,734 million

(Consolidated Statements of Income)

For the six months ended September 30, 2004	For the six months ended September 30, 2003	For the year ended March 31, 2004
*1. Tax-effect accounting is adopted for the calculation of income tax expense for the six months ended September 30, 2004 using the simplified method. Accordingly, income taxes - deferred have been included in “Income taxes - current.”	*1. Same as that for the six months ended September 30, 2004	―――――
*2. Research and development expenses charged to income amounted to ¥29,092 million.	*2. Research and development expenses charged to income amounted to ¥36,786 million.	*2. Research and development expenses charged to income amounted to ¥70,080 million.
*3. Extraordinary amortization resulted from the cancellation of joint research and development agreement with Pfizer Inc.	―――――	―――――
*4. Loss on business restructuring mainly represented special retirement payments resulting from the spin off of domestic manufacturing companies.	―――――	―――――
*5 Expenses for business integration represented those incurred in relation to the preparation of merger with Fujisawa Pharmaceutical Co. Ltd.	―――――	―――――

(Consolidated Statements of Cash Flows)

<table>
<tr><th>For the six months ended
September 30, 2004</th><th>For the six months ended
September 30, 2003</th><th>For the year ended March 31, 2004</th></tr>
<tr>
<td>Cash and cash equivalents as of September 30, 2004 were reconciled to the accounts reported in the consolidated balance sheet as follows:

Cash on hand and in banks ¥293,714 million
Time deposits with maturities of more than three months (894) million
Marketable securities 118,546 million
Marketable securities with maturities of more than three months (14,383) million
Other current assets 27,564 million
Other current assets other than cash equivalents (17,565) million
Cash and cash equivalents ¥406,982 million</td>
<td>Cash and cash equivalents as of September 30, 2003 were reconciled to the accounts reported in the consolidated balance sheet as follows:

Cash on hand and in banks ¥216,869 million
Time deposits with maturities of more than three months (1,770) million
Marketable securities 89,811 million
Marketable securities with maturities of more than three months (6,707) million
Other current assets 21,343 million
Other current assets other than cash equivalents (14,594) million
Cash and cash equivalents ¥304,952 million</td>
<td>Cash and cash equivalents as of March 31, 2004 were reconciled to the accounts reported in the consolidated balance sheet as follows:

Cash on hand and in banks ¥276,722 million
Time deposits with maturities of more than three months (1,282) million
Marketable securities 69,013 million
Marketable securities with maturities of more than three months (10,450) million
Other current assets 31,685 million
Other current assets other than cash equivalents (20,186) million
Cash and cash equivalents ¥345,501 million</td>
</tr>
</table>

(Lease Transactions)

For the six months ended September 30, 2004

1. Finance lease transactions except for those agreements which stipulate 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 as of September 30, 2004 were as follows:

(Millions of yen)

	Acquisition costs	Accumulated depreciation	Net book value
Tools, furniture and fixtures	¥3,852	¥1,526	¥2,325
Machinery, equipment and vehicles	–	–	–
Total	¥3,852	¥1,526	¥2,325

(Note) The acquisition costs shown above represent the aggregate future minimum lease payments because such payments were immaterial to the net book value of property, plant and equipment at September 30, 2004.

(2) Future minimum lease payments subsequent to September 30, 2004 are summarized as follows:

Due in one year or less	¥958 million
Due after one year	1,367 million
Total	¥2,325 million

(Note) The future minimum lease payments shown above represent the total lease payments including the interest portion thereon because such payments were immaterial to the net book value of property, plant and equipment at September 30, 2004.

(3) Lease payments and depreciation of leased assets are shown below:

Lease payments	¥591 million
Depreciation	¥591 million

(4) Method of calculation of depreciation

Depreciation of leased assets is calculated by the straight-line method over the respective lease terms assuming a residual value of zero.

For the six moths ended September 30, 2003

1. Finance lease transactions except for those agreements which stipulate 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 as of September 30, 2003 were as follows:

(Millions of yen)

	Acquisition costs	Accumulated depreciation	Net book value
Tools, furniture and fixtures	¥4,720	¥2,788	¥1,932
Machinery, equipment and vehicles	1,545	514	1,030
Total	¥6,266	¥3,303	¥2,962

(Note) The acquisition costs shown above represent the aggregate future minimum lease payments because such payments were immaterial to the net book value of property, plant and equipment at September 30, 2003.

(2) Future minimum lease payments subsequent to September 30, 2003 are summarized as follows:

Due in one year or less	¥1,533 million
Due after one year	1,429 million
Total	¥2,962 million

(Note) The future minimum lease payments shown above represent the total lease payments including the interest portion thereon because such payments were immaterial to the net book value of property, plant and equipment at September 30, 2003.

(3) Lease payments and depreciation of leased assets are shown below:

Lease payments	¥855 million
Depreciation	¥855 million

(4) Same as left.

For the year ended March 31, 2004

1. Finance lease transactions except for those agreements which stipulate 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 as of March 31, 2004 were as follows:

(Millions of yen)

	Acquisition costs	Accumulated depreciation	Net book value
Tools, furniture and fixtures	¥4,613	¥3,079	¥1,533
Machinery, equipment and vehicles	2,029	778	1,250
Total	¥6,642	¥3,858	¥2,784

(Note) The acquisition costs shown above represent the aggregate future minimum lease payments because such payments were immaterial to the net book value of property, plant and equipment at March 31, 2004.

(2) Future minimum lease payments subsequent to March 31, 2004 are summarized as follows:

Due in one year or less	¥1,296 million
Due after one year	1,488 million
Total	¥2,784 million

(Note) The future minimum lease payments shown above represent the total lease payments including the interest portion thereon because such payments were immaterial to the net book value of property, plant and equipment at March 31, 2004.

(3) Lease payments and depreciation of leased assets are shown below:

Lease payments	¥1,690 million
Depreciation	¥1,690 million

(4) Same as left

For the six months ended September 30, 2004	For the six moths ended September 30, 2003	For the year ended March 31, 2004
2. Future minimum lease payments for operating leases subsequent to September 30, 2004 are summarized as follows: Due in one year or less ¥12 million Due after one year 7 million Total ¥19 million	2. Future minimum lease payments for operating leases subsequent to September 30, 2003 are summarized as follows: Due in one year or less ¥20 million Due after one year 26 million Total ¥46 million	2. Future minimum lease payments for operating leases subsequent to March 31, 2004 are summarized as follows: Due in one year or less ¥19 million Due after one year 16 million Total ¥36 million

(Securities)

1. Information on held-to-maturity debt securities for which fair value is available

(Millions of yen)

Types of securities	As of September 30, 2004			As of September 30, 2003			As of March 31, 2004		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
(1) National and local government bonds	¥3,001	¥3,003	¥1	–	–	–	¥3,001	¥2,997	¥(4)
(2) Corporate bonds	–	–	–	–	–	–	–	–	–
(3) Other	–	–	–	¥960	¥959	¥(0)	–	–	–
Total	¥3,001	¥3,003	¥1	¥960	¥959	¥(0)	¥3,001	¥2,997	¥(4)

2. Information on other securities for which fair value is available

(Millions of yen)

Types of securities	As of September 30, 2004			As of September 30, 2003			As of March 31, 2004		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
(1) Stocks	¥15,373	¥31,167	¥15,792	¥32,947	¥53,772	¥20,824	¥19,590	¥43,110	¥23,521
(2) Debt securities									
1) National and local government bonds	47,999	47,996	(3)	–	–	–	–	–	–
2) Corporate bonds	13,300	13,298	(1)	7,000	6,989	(10)	11,200	11,184	(15)
3) Others	–	–	–	–	–	–	–	–	–
(3) Others	5,130	4,700	(430)	130	127	(3)	5,130	5,105	(25)
Total	¥81,804	¥97,162	¥15,357	¥40,078	¥60,889	¥20,811	¥35,922	¥59,402	¥23,480

3. Information on securities which are not carried at fair value

(Millions of yen)

Types of securities	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
	Carrying value	Carrying value	Carrying value
(1) Held-to-maturity debt securities			
Commercial paper	–	¥ 899	–
(2) Other securities			
Unlisted stocks (except for over-the-counter securities)	¥ 5,364	¥ 2,685	¥ 5,200
Preferred equity securities	¥ 5,000	¥ 5,000	¥ 5,000
Commercial paper	¥23,996	¥21,996	¥26,195
Money management funds	¥34,170	¥61,208	¥34,166

(Derivative Transactions)

For the six months ended September 30, 2004	For the six months ended September 30, 2003	For the year ended March 31, 2004
There are no derivative transactions to be disclosed because the Company had no derivative position (except for those accounted for as hedges) outstanding as of the balance sheet date.	Same as left.	Same as left.

(Segment Information)

Business segment information

For the six months ended September 30, 2004

(Millions of yen)

	Pharmaceuticals and related products	Other	Total	Eliminations	Consolidated
Sales					
(1) Sales to third parties	¥218,489	¥1,715	¥220,204	–	¥220,204
(2) Intergroup sales and transfers	128	2,455	2,583	¥(2,583)	–
Total	218,617	4,170	222,787	(2,583)	220,204
Operating expenses	163,810	3,726	167,536	(2,740)	164,796
Operating income (loss)	¥ 54,806	¥ 444	¥ 55,250	¥ 156	¥ 55,407

(Notes) 1. Business segments are determined based on their proximity in terms of distribution methods, the nature and types of the products sold, and the manufacturing methods.

2. The major products in each business segment are as follows:

Business segment	Major products
Pharmaceuticals and related products	Ethical pharmaceuticals, over-the-counter drugs for drugstores
Other	Real estate, other

3. The Company sold all of its shares of subsidiaries in Japan and the U.S. which engage in nutritional and personal care and food and roses businesses during the six months ended September 30, 2004. Such transfer was accounted for as if it had taken place at the beginning of the period.

Business segment information

For the six months ended September 30, 2003

(Millions of yen)

	Pharmaceuticals and related products	Nutritional and personal care products	Food and roses	Other	Total	Eliminations	Consolidated
Sales							
(1) Sales to third parties	¥209,517	¥14,776	¥13,950	¥ 955	¥239,200	–	¥239,200
(2) Intergroup sales and transfers	51	7	–	2,603	2,662	¥(2,662)	–
Total	209,569	14,784	13,950	3,558	241,863	(2,662)	239,200
Operating expenses	159,685	13,477	18,929	1,898	193,991	(2,874)	191,117
Operating income (loss)	¥ 49,884	¥ 1,306	¥ (4,979)	¥1,660	¥ 47,871	¥ 211	¥ 48,083

(Notes) 1. Business segments are determined based on their proximity in terms of distribution methods, the nature and types of the products sold, and the manufacturing methods.

2. The major products in each business segment are as follows:

Business segment	Major products
Pharmaceuticals and related products	Ethical pharmaceuticals, over-the-counter drugs for drugstores
Nutritional and personal care products	Nutritional products, skin care products, make-up, hair/body care products, dental care products, home cleaning products
Food and roses	Fruits, cakes, chocolates, roses, grasses and flowers, gardening items
Other	Real estate, other

For the year ended March 31, 2004

(Millions of yen)

	Pharmaceuticals and related products	Nutritional and personal care products	Food and roses	Other	Total	Eliminations	Consolidated
Sales							
(1) Sales to third parties	¥421,543	¥28,829	¥59,031	¥1,804	¥511,207	–	¥511,207
(2) Intergroup sales and transfers	181	15	–	5,149	5,346	¥(5,346)	–
Total	421,724	28,844	59,031	6,953	516,554	(5,346)	511,207
Operating expenses	328,275	25,798	58,195	3,712	415,981	(5,733)	410,247
Operating income	¥ 93,449	¥ 3,046	¥ 835	¥3,241	¥ 100,572	¥ 387	¥100,960

(Notes) 1. Business segments are determined based on their proximity in terms of distribution methods, the nature and types of the products sold, and the manufacturing methods.

2. Major products in each business segment are as follows:

Business segment	Major products
Pharmaceuticals and related products	Ethical pharmaceuticals, over-the-counter drugs for drugstores
Nutritional and personal care products	Nutritional products, skin care products, make-up, hair/body care products, dental care products, home cleaning products
Food and roses	Fruits, cakes, chocolates, roses, grasses and flowers, gardening items
Other	Real estate, other

3. As explained in “Significant subsequent event”, the Company sold all shares of its subsidiaries engaged in the nutritional and personal care business on May 28, 2004, and sold all shares of its subsidiaries engaged in the food and roses business on June 18, 2004.

Geographical segment information

For the six months ended September 30, 2004

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales							
(1) Sales to third parties	¥154,396	¥ 3,901	¥58,342	¥3,564	¥220,204	–	¥220,204
(2) Intergroup sales and transfers	19,397	9,770	1,240	23	30,432	¥(30,432)	–
Total	173,793	13,672	59,582	3,587	250,636	(30,432)	220,204
Operating expenses	120,774	13,063	57,445	2,816	194,099	(29,303)	164,796
Operating income (loss)	¥ 53,019	¥ 609	¥ 2,137	¥ 771	¥ 56,536	¥ (1,129)	¥ 55,407

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas which belong to segments other than Japan are as follows:
   - (1) North America -- The United States
   - (2) Europe ----------- The Netherlands, The Republic of Ireland, The United Kingdom
   - (3) Asia --------------- The People’s Republic of China, Korea, Taiwan

3. The Company sold all of its shares of subsidiaries in Japan and the U.S. which engage in nutritional and personal care and food and roses businesses during the six months ended September 30, 2004. Such transfer was accounted for as if it had taken place at the beginning of the period.

For the six months ended September 30, 2003

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales							
(1) Sales to third parties	¥162,768	¥24,403	¥51,032	¥ 995	¥239,200	–	¥239,200
(2) Intergroup sales and transfers	18,213	6,705	1,529	62	26,511	¥(26,511)	–
Total	180,981	31,109	52,562	1,058	265,711	(26,511)	239,200
Operating expenses	130,085	38,550	47,297	985	216,919	(25,802)	191,117
Operating income (loss)	¥ 50,896	¥ (7,441)	¥ 5,264	¥ 73	¥ 48,792	¥ (709)	¥ 48,083

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas which belong to segments other than Japan are as follows:
   - (1) North America -- The United States, Canada
   - (2) Europe ----------- The Netherlands, The Republic of Ireland, The United Kingdom
   - (3) Asia --------------- The People’s Republic of China

For the year ended March 31, 2004

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations	Consolidated
Sales							
(1) Sales to third parties	¥323,883	¥79,209	¥106,041	¥2,073	¥511,207	–	¥511,207
(2) Intergroup sales and transfers	33,343	15,549	4,171	122	53,186	¥(53,186)	–
Total	357,226	94,759	110,213	2,196	564,394	(53,186)	511,207
Operating expenses	262,490	97,746	102,816	2,026	465,079	(54,831)	410,247
Operating income	¥ 94,736	¥ (2,987)	¥ 7,396	¥ 169	¥ 99,315	¥ 1,644	¥100,960

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas which belong to segments other than Japan are as follows:

(1) North America -- The United States, Canada

(2) Europe ----------- The Netherlands, The Republic of Ireland, The United Kingdom

(3) Asia --------------- The People's Republic of China

3. As explained in "Significant subsequent event", the Company sold all shares of its subsidiaries engage in the nutritional and personal care business on May 28, 2004, and sold all shares of its subsidiaries engage in the food and roses business on June 18, 2004.

(Overseas Sales)

For the six months ended September 30, 2004

(Millions of yen)

	North America	Europe	Asia	Other	Total
1. Overseas sales (Millions of yen)	¥21,899	¥41,708	¥5,162	¥1,255	¥ 70,025
2. Consolidated net sales (Millions of yen)					¥220,204
3. Overseas sales as a percentage of consolidated net sales	9.95%	18.94%	2.34%	0.57%	31.8%

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas in each segment are as follows:

(1) North America -- The United States, Canada

(2) Europe ----------- France, Germany, The United Kingdom, Italy

(3) Asia --------------- Taiwan, The People's Republic of China, Korea

3. Overseas sales consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

4. The Company sold all of its shares of subsidiaries in Japan and the U.S. which engage in nutritional and personal care and food and roses businesses during the six months ended September 30, 2004. Such transfer was accounted for as if it had taken place at the beginning of the period.

For the six months ended September 30, 2003

(Millions of yen)

	North America	Europe	Asia	Other	Total
1. Overseas sales (Millions of yen)	¥40,249	¥35,783	¥3,894	925	¥ 80,853
2. Consolidated net sales (Millions of yen)					¥239,200
3. Overseas sales as a percentage of consolidated net sales	16.8%	15.0%	1.6%	0.4%	33.8%

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas in each segment are as follows:
   (1) North America -- The United States, Canada
   (2) Europe ----------- France, Germany, The United Kingdom, Italy
   (3) Asia --------------- Taiwan, The People's Republic of China, Korea

3. Overseas sales consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

For the year ended March 31, 2004

(Millions of yen)

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

(Notes) 1. Countries and areas are segmented based on their geographical proximity.

2. Major countries and areas in each segment are as follows:
   (1) North America -- The United States, Canada
   (2) Europe ----------- France, Germany, The United Kingdom, Italy
   (3) Asia --------------- Taiwan, The People's Republic of China, Korea

3. Overseas sales consist of export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

4. As explained in "Significant subsequent event", the Company sold all shares of its subsidiaries engaged in the nutritional and personal care business on May 28, 2004, and sold all shares of its subsidiaries engaged in the food and roses business on June 18, 2004.

(Per share data)

For the six months ended September 30, 2004		For the six months ended September 30, 2003		For the year ended March 31, 2004	
Net assets per share	¥2,234.70	Net assets per share	¥2,121.92	Net assets per share	¥2,190.69
Basic net income per share	¥60.92	Basic net income per share	¥87.47	Basic net income per share	¥181.09
Diluted net income per share	¥60.39	Diluted net income per share	¥86.68	Diluted net income per share	¥179.46

(Note) The bases for calculation of basic and diluted net income per share are as follows:

	For the six months ended September 30, 2004	For the six months ended September 30, 2003	For the year ended March 31, 2004
Basic net income per share			
Net income *(millions of yen)*	20,026	28,962	60,057
Amounts not attributable to common stockholders *(millions of yen)*	–	–	101
(Bonus to directors and corporate auditors by appropriation of retained earnings included in the above *(millions of yen)*)	–	–	101
Net income attributable to common stockholders *(millions of yen)*	20,026	28,962	59,956
The average number of common stock outstanding during the period *(thousand shares)*	328,747	331,089	331,085
Diluted net income per share			
Adjustments to net income *(millions of yen)*	23	23	47
(Interest expense included in the above (net of tax) *(millions of yen)*)	23	23	46
(Commission related to convertible bonds included in the above (net of tax)*(millions of yen)*)	0	0	0
Increase in common stock *(thousand shares)*	3,287	3,274	3,275
(Convertible bonds included in the above *(thousand shares)*)	3,269	3,274	3,274
(Stock subscription rights included in the above *(thousand shares)*)	17	–	1
Description of potential stocks, which were not included in the bases for calculation of diluted net income per share, because they were anti-dilutive.	–	Stock subscription rights (1,410 units)	–

(Significant subsequent events)

For the six months ended September 30, 2004

For the six months ended September 30, 2003

For the year ended March 31, 2004

Conclusion of basic agreement to merge with Fujisawa Pharmaceutical Co., Ltd.

On May 24, 2004, the Company entered into a basic agreement to merge with Fujisawa Pharmaceutical Co., Ltd. and the Board of Directors of the Company approved a resolution concerning the merger on the same day. This agreement was subsequently approved at a Shareholders' meeting held on June 24, 2004.

1. Objectives of the merger

   With the growing pressure to control medical expenses in the major developed countries, intensifying global competition for the development of new drugs and rising R&D expenditures, the business environment surrounding the pharmaceutical industry has become increasingly challenging. Competition in the domestic market has intensified as well, characterized by the further implementation of medical cost control policies such as drug price cuts and market penetration by global pharmaceutical companies. Under these circumstances, in order to compete globally and achieve sustainable growth, it is necessary to increase R&D expenditures to create innovative new drugs, as well as to develop a stable global platform from which ever-increasing investment costs can be recouped.

   Based on this common understanding, Yamanouchi and Fujisawa have, for the same time, been considering a merger to enhance their core ethical pharmaceutical business and to succeed in a global arena where competition continues to intensify. Yamanouchi and Fujisawa reached an agreement on the basic terms of their merger.

   The Combined Company aims to achieve economies of scale through the integration of R&D as well as through the synergies of the sales and marketing capabilities of both companies. Together they will stand as a completely new entity, neither Yamanouchi nor Fujisawa, achieving profitability through the establishment of more efficient operational structures. The Combined Company will strive to contribute to health of people all over the world, earning their respect as a global pharmaceutical company with excellent R&D, and sales and marketing capabilities of its own.

2. Structure of merger

(1) The Company will be designated as the surviving company and Fujisawa Pharmaceutical Co., Ltd. will be dissolved. The Company will change its name to “Astellas Pharmaceutical Co., Ltd.”

(2) One share of common stock of Fujisawa Pharmaceutical Co., Ltd. will be exchanged for 0.71 shares of the New Company. Among the shares that are to be allotted to the shareholders of Fujisawa Pharmaceutical Co., Ltd., 29 million shares will be from the Company’s common stock in treasure, and the remainder will be newly issued.

(3) The New Company will pay shareholders of Fujisawa Pharmaceutical Co., Ltd. as of the day prior to the effective date of merger, 11 yen per share as a cash payment upon the merger, in lieu of the dividend to be paid for the fiscal year ending March 2005. However, the amount to be paid may differ, subject to any changes in the assets, liabilities, or the financial conditions of Fujisawa or to economic environment.

(4) The calculation period for the dividend on the newly issued shares will commence on April 1, 2005.

(5) The anticipated increase in common stock, additional paid-in capital, and the legal and voluntary reserves as a result of merger is as follows:

(i) Common stock:	0
(ii) Additional paid-in capital:	The excess amount stipulated in Section 288-2-1-5 of the Commercial Code of Japan minus the (iii) and (iv) below.
(iii) Legal reserve:	The balance of the legal reserve of Fujisawa Pharmaceutical Co., Ltd. as of the date of the merger.
(iv) Voluntary reserve:	The balance of voluntary reserve of Fujisawa Pharmaceutical Co., Ltd. as of the date of the merger. The account and amount of the reserve will be decided after a discussion by both companies.

3. Schedule for the merger

(1) The effective date of merger

April 1, 2005

(2) Registration of merger

At the beginning of April 2005

The above schedule may be changed, due to the necessity of concluding merger proceedings after discussion by both companies.

4. Profile of Fujisawa Pharmaceutical Co., Ltd.

(1) Location of head office: 3-4-7 Doshomachi, Chuo-ku, Osaka

(2) Representative: Hatsuo Aoki, President and CEO

(3) Capital: ¥38,594 million (as of March 31, 2004)

(4) Main business: Manufacturing, marketing and import/export of pharmaceuticals, medical supplies and systems, and home care business, etc.

(5) Consolidated operating results

Sales:	¥395.4 billion
Net profit:	¥41.4 billion

(6) Consolidated balance sheet

Total assets:	¥499.6 billion
Total liabilities:	¥123.1 billion
Total shareholders' equity:	¥375.9 billion

(7) Number of employees

Consolidated basis:	7,836
Non-consolidated basis:	3,645

The sale of shares of subsidiaries

In order to concentrate the Company's management resources in the pharmaceutical business, which is the core business of the Company, and to further strengthen the Company's business platform so that the Company can survive in the increasingly competitive global pharmaceutical environment, the Company resolved to sell all of its shares of subsidiaries which engage in the nutritional and personal care on May 28, 2004 and its shares of subsidiaries which engage in food and roses businesses on June 18, 2004. The selling price of those subsidiaries amounted to $570 million in the aggregate.

I. Nutritional and personal care products business

1. Shaklee Japan K.K

(1) Location: Japan

(2) Description of business: Manufacture and sales of nutritional and personal care products

(3) Business relationship with the Company: Royalty is paid to the Company

(4) Purchasers: Activated Holdings LLC and RHJ Industrial Partners, LP

(5) Number of shares to be transferred: 20,148 thousand shares

2. Shaklee Corporation

(1) Location: U.S.A.

(2) Description of business: Manufacture and sales of nutritional products

(3) Business relationship with the Company: None

(4) Purchasers: Activated Holdings LLC and RHJ Industrial Partners, LP

(5) Number of shares to be transferred: 100 shares

3. INOBYS Ltd.

(1) Location: U.S.A.

(2) Description of business: Manufacture and sales of nutritional products

(3) Business relationship with the Company: None

(4) Purchasers: Activated Holdings LLC and RHJ Industrial Partners, LP

(5) Number of shares to be transferred: 100 shares

II. Food and roses business

Bear Creek Corporation

(1) Location: U.S.A.

(2) Description of business: Manufacture, production and sales of food and roses

(3) Business relationship with the Company: None

(4) Purchasers: Wasserstein & Co., LP

(5) Number of shares to be transferred: 1,000 shares

5. Production, Orders Received and Sales

(1) Actual production

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

Business segment	(A) For the six months ended September 30, 2004	(B) For the six months ended September 30, 2003	Fluctuation (A) - (B)
Pharmaceuticals and related products	¥145,585	¥156,861	¥(11,275)
Nutritional and personal care products	–	14,094	(14,094)
Food and roses	–	8,712	(8,712)
Total	¥145,585	¥179,668	¥(34,082)

(Note) 1. The above amounts are calculated based on selling prices.

2. The above amounts do not include related consumption taxes.

(2) Orders received

Not applicable

(3) Actual sales

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

Business segment	(A) For the six months ended September 30, 2004	(B) For the six months ended September 30, 2003	Fluctuation (A) - (B)
Pharmaceuticals and related products	¥218,489	¥209,517	¥8,971
Nutritional and personal care products	–	14,776	(14,776)
Food and roses	–	13,950	(13,950)
Other	1,715	955	759
Total	¥220,204	¥239,200	¥(18,995)

(Note) 1. Actual sales to major customers and those sales as a percentage of total sales for the six months ended September 30, 2004 and 2003 are summarized as follows:

(Millions of yen)

Name of customers	For the six months ended September 30, 2004		For the six months ended September 30, 2003	
	Amount	(%)	Amount	(%)
Kuraya Sanseido Inc.	¥30,521	13.9	¥32,051	13.4
Suzuken Co., Ltd.	24,082	10.9	20,001	8.4

2. The above amounts do not include related consumption taxes.