

6. Release for the Semiannual Non-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 non-consolidated financial statements of Yamanouchi Pharmaceutical Co., Ltd. (the "Company") on November 4, 2004. The Company will commence payment of the interim dividend on December 3, 2004.

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

(1) Non-consolidated operating results

	Net sales	Operating income	Ordinary income
For the six months ended September 30, 2004	¥173,021 (1.2)%	¥50,596 4.5 %	¥50,806 3.5 %
For the six months ended September 30, 2003	¥175,055 2.4 %	¥48,436 (4.7)%	¥49,109 (4.5)%
For the year ended March 31, 2004	¥345,426	¥89,246	¥89,681

	Net income	Basic net income per share
For the six months ended September 30, 2004	¥22,735 (26.2)%	¥69.16
For the six months ended September 30, 2003	¥30,827 6.5 %	¥93.11
For the year ended March 31, 2004	¥59,275	¥178.76

(Notes)

- 1) 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.
- 2) No accounting changes were made during the six months ended September 30, 2004.
- 3) 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) Dividends

	Interim dividend per share	Annual dividend per share
For the six months ended September 30, 2004	¥15.00	—
For the six months ended September 30, 2003	¥15.00	—
For the year ended March 31, 2004	—	¥31.00

(3) Non-consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total assets	Net assets per share
As of September 30, 2004	¥787,897	¥665,775	84.5%	¥2,032.42
As of September 30, 2003	¥768,387	¥640,651	83.4%	¥1,935.00
As of March 31, 2004	¥784,191	¥665,665	84.9%	¥2,010.31

(Note)

- 1) 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.
- 2) The number of treasury stock was 33,644,454 shares as of September 30, 2004, 30,130,277 shares as of September 30, 2003, and 30,137,026 shares as of March 31, 2004.

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

	Net sales	Ordinary income	Net income	Annual dividend per share (dividend other than interim dividend)
For the year ending March 31, 2005	¥343,000	¥92,000	¥41,000	¥31.00 (¥16.00)

The estimated net income per share for the year ending March 31, 2005 is ¥124.94.

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.

7. Semiannual Non-Consolidated Financial Statements

(1) Non-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	¥149,078		¥110,934		¥161,042		¥(11,963)
Trade notes receivable	2,427		3,682		2,455		(27)
Trade accounts receivable	109,060		101,493		102,700		6,359
Marketable securities	117,065		87,203		67,658		49,406
Inventories	37,718		39,702		37,944		(225)
Deferred tax assets	18,308		20,461		18,313		(5)
Other current assets	31,296		41,025		46,246		(14,950)
Allowance for doubtful receivables	(6)		(8)		(10)		4
Total current assets	464,948	59.0	404,494	52.6	436,351	55.6	28,596
II. Fixed assets							
1. Property, plant and equipment: *1							
Buildings	23,063		24,735		23,894		(831)
Machinery and equipment	10,831		10,022		9,889		942
Other	31,393		35,656		33,141		(1,747)
Total property, plant and equipment	65,289		70,414		66,925		(1,636)
2. Intangible fixed assets	7,493		21,705		19,523		(12,029)
3. Investments and other assets:							
Investment securities	50,281		63,802		63,786		(13,505)
Investments in subsidiaries and affiliates	143,665		129,704		143,665		-
Long-term loans receivable from subsidiaries and affiliates	68		16,363		91		(23)
Deferred tax assets	19,948		23,543		16,697		3,250
Other	36,536		38,927		37,423		(887)
Allowance for doubtful receivables	(334)		(567)		(275)		(59)
Total investments and other assets	250,166		271,774		261,390		(11,224)
Total fixed assets	322,949	41.0	363,893	47.4	347,839	44.4	(24,890)
Total assets	¥787,897	100.0	¥768,387	100.0	¥784,191	100.0	¥ 3,706

(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 payable	¥ 921		¥ 2,599		¥ 1,537		¥ (615)
Trade accounts payable	26,376		29,208		28,347		(1,970)
Short-term loans payable	–		416		300		(300)
Other accounts payable	26,950		18,441		24,880		2,070
Accrued expenses	9,735		9,072		9,636		99
Accrued income taxes	13,261		19,775		6,041		7,220
Accrued consumption tax *3	975		1,384		1,567		(591)
Allowance for sales rebates	2,964		2,425		2,879		84
Other	945		981		614		331
Total current liabilities	82,132	10.4	84,305	11.0	75,804	9.7	6,327
II. Long-term liabilities							
Convertible bonds	6,470		6,480		6,480		(10)
Accrued retirement benefits for employees	31,815		34,964		34,145		(2,329)
Accrued retirement benefits for directors	762		1,044		1,154		(392)
Other	941		941		941		–
Total long-term liabilities	39,989	5.1	43,430	5.6	42,721	5.4	(2,732)
Total liabilities	122,121	15.5	127,735	16.6	118,526	15.1	3,595
Shareholders' equity							
I. Common stock	99,765	12.7	99,760	13.0	99,760	12.7	5
II. Additional paid-in capital	113,689	14.4	113,684	14.8	113,684	14.5	5
III. Retained earnings							
Legal reserve	10,361		10,361		10,361		–
Voluntary reserves	517,553		469,420		469,420		48,133
Unappropriated retained earnings	29,280		36,586		60,067		(30,786)
Total retained earnings	557,196	70.7	516,368	67.2	539,849	68.8	17,346
IV. Unrealized holding gain on securities	9,115	1.2	12,272	1.6	13,826	1.8	(4,711)
V. Treasury stock	(113,991)	(14.5)	(101,433)	(13.2)	(101,456)	(12.9)	(12,535)
Total shareholders' equity	665,775	84.5	640,651	83.4	665,665	84.9	110
Total liabilities and shareholders' equity	¥ 787,897	100.0	¥ 768,387	100.0	¥ 784,191	100.0	¥ 3,706

(2) Non-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	¥173,021	100.0	¥175,055	100.0	¥ (2,034)	¥345,426	100.0
II. Cost of sales	57,753	33.4	56,358	32.2	1,394	114,007	33.0
Gross profit	115,268	66.6	118,697	67.8	(3,429)	231,418	67.0
III. Selling, general and administrative expenses	*7 64,671	37.4	70,260	40.1	(5,589)	142,171	41.2
Operating income	50,596	29.2	48,436	27.7	2,159	89,246	25.8
IV. Non-operating income	*1 1,979	1.2	1,464	0.8	515	2,240	0.7
V. Non-operating expenses	*2 1,770	1.0	791	0.5	979	1,805	0.5
Ordinary income	50,806	29.4	49,109	28.0	1,696	89,681	26.0
VI. Special gains	*3 5,010	2.9	1,340	0.8	3,670	9,968	2.8
VII. Special losses	*4 19,658	11.4	225	0.1	19,433	3,799	1.1
Income before income taxes	36,157	20.9	50,224	28.7	(14,066)	95,850	27.7
Income taxes - current	*5 13,421	7.8	19,396	11.1	(5,974)	28,685	8.3
Income taxes - deferred	*5 -	-	-	-	-	7,889	2.2
Net income	22,735	13.1	30,827	17.6	(8,092)	59,275	17.2
Unappropriated retained earnings at beginning of the period	6,544		5,758		786	5,758	
Interim dividend	-		-		-	4,966	
Unappropriated retained earnings at end of the period	¥ 29,280		¥ 36,586		¥ (7,305)	¥ 60,067	

(3) Significant Accounting Policies for Semiannual Non-Consolidated Financial Statements

1. Valuation Methods for Significant Assets

(1) Securities

Held-to-maturity securities:

Held-to maturity securities are stated at amortized cost (straight line method)

Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are carried at cost determined by the moving average method.

Investments in securities classified as other securities

Marketable securities

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 calculated by the moving average method.

Non-marketable securities

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

(2) Inventories

Merchandise is stated at the lower of cost or market, cost being determined by the average method.

Finished goods are stated at cost determined by the average method.

Semifinished goods and work in process are stated at cost determined by the first-in, first-out method.

Raw materials and supplies are stated at cost determined by the average method.

2. Depreciation and Amortization of Depreciable and Amortizable Assets

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

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

Buildings	2 to 50 years
Machinery and equipment	4 to 15 years
Other	2 to 60 years

(2) Amortization of intangible fixed assets and long-term prepaid expenses 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) Allowance for sales rebates

The allowance for sales rebates 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.

(3) Accrued retirement benefits for employees

Accrued retirement benefits for employees are provided for retirement benefits to be paid under the Company's defined benefit plan 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 by the straight-line method over the average remaining years of service of the employees. Prior service cost is being amortized as incurred by the straight-line method over the average remaining years of service of 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. Accounting for Leases

Noncancelable leases 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.

5. 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 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) 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.

6. Other Significant Accounting Policies for the Semiannual Non-consolidated Financial Statements

Accounting for consumption tax

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

(4) Dividends per share

Dividends per share consisted of the following:

	For the six months ended September 30, 2004 (Interim dividend)	For the six months ended September 30, 2003 (Interim dividend)	For the year ended March 31, 2004 (Annual dividend)
	Yen	Yen	Yen
Common stock:	¥15.00	¥15.00	¥31.00
Ordinary dividends	¥15.00	¥15.00	¥31.00
Special dividends	¥0.00	¥0.00	¥0.00

(5) Changes in the number of shares of common stock issued during the six months ended September 30, 2004

Conversion of convertible bonds

The number of shares issued: 5,053 shares
 Price per share: 1,979 yen
 The amount transferred to capital: 5 million yen

(6) Notes to Semiannual Non-consolidated Financial Statements

(Non-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 ¥110,298 million	*1. Accumulated depreciation of property, plant and equipment ¥103,818 million	*1. Accumulated depreciation of property, plant and equipment ¥107,426 million
2. Contingent liabilities	2. Contingent liabilities	2. Contingent liabilities
(1) Guarantees of debt of others (Guarantees of loans payable to financial institutions)	(1) Guarantees of debt of others (Guarantees of loans payable to financial institutions)	(1) Guarantees of debt of others (Guarantees of loans payable to financial institutions)
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. 29million
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
*3. Accrued consumption tax Consumption tax received, net of consumption tax paid, is presented as accrued consumption tax in the accompanying non-consolidated balance sheet.	*3. Accrued consumption tax Same as that for the six months ended September 30, 2004	

(Non-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
<p>*1. Non-operating income includes the following:</p> <p>Interest income ¥199 million</p> <p>Interest income form securities ¥30 million</p> <p>Dividend income ¥698 million</p>	<p>*1. Non-operating income includes the following:</p> <p>Interest income ¥276 million</p> <p>Interest income form securities ¥24 million</p> <p>Dividend income ¥698 million</p>	<p>*1. Non-operating income includes the following:</p> <p>Interest income ¥648 million</p> <p>Interest income form securities ¥52 million</p> <p>Dividend income ¥966 million</p>
<p>*2. Non-operating expenses include the following:</p> <p>Interest expense ¥0 million</p> <p>Interest expense on bonds ¥40 million</p>	<p>*2. Non-operating expenses include the following:</p> <p>Interest expense ¥2 million</p> <p>Interest expense on bonds ¥40 million</p>	<p>*2. Non-operating expenses include the following:</p> <p>Interest expense ¥5 million</p> <p>Interest expense on bonds ¥81 million</p>
<p>*3. Special gains include the followings:</p> <p>Gains on sales of investment securities ¥5,008 million</p>	<p>_____</p>	<p>_____</p>
<p>*4. Special losses include the followings:</p> <p>Extraordinary amortization of patents ¥10,591 million</p> <p>Loss on business restructuring ¥7,606 million</p>	<p>_____</p>	<p>_____</p>
<p>*5. Income taxes</p> <p>Tax-effect accounting is adopted for the calculation of income tax expense for the six months ended September 30, 2004 using the simplified method and, accordingly, income taxes - deferred have been included in "Income taxes - current."</p>	<p>*5. Income taxes</p> <p>Tax-effect accounting is adopted for the calculation of income tax expense for the six months ended September 30, 2003 using the simplified method and, accordingly, income taxes - deferred have been included in "Income taxes - current."</p>	<p>_____</p>
<p>6. Depreciation and amortization recognized were as follows:</p> <p>Property, plant and equipment ¥3,895 million</p> <p>Intangible assets ¥1,801 million</p>	<p>6. Depreciation and amortization recognized were as follows:</p> <p>Property, plant and equipment ¥3,983 million</p> <p>Intangible assets ¥2,843 million</p>	<p>6. Depreciation and amortization recognized were as follows:</p> <p>Property, plant and equipment ¥8,491 million</p> <p>Intangible assets ¥5,661 million</p>
<p>*7. Research and development expenses charged to income amounted to ¥24,448 million.</p>	<p>*7. Research and development expenses charged to income amounted to ¥30,289 million.</p>	<p>*7. Research and development expenses charged to income amounted to ¥59,358 million.</p>

(Lease Transactions)

For the six months ended September 30, 2004	For the six months ended September 30, 2003	For the year ended March 31, 2004																																																																																																
<p>1. Finance lease transactions except for those agreements which stipulate the transfer of ownership of the leased assets to the lessee</p> <p>(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:</p> <p style="text-align: right;"><i>(Millions of yen)</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Acquisition costs</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Net book value</th> </tr> </thead> <tbody> <tr> <td>Other (tools, furniture and fixtures)</td> <td style="text-align: right;">¥3,852</td> <td style="text-align: right;">¥1,526</td> <td style="text-align: right;">¥2,325</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥3,852</td> <td style="text-align: right;">¥1,526</td> <td style="text-align: right;">¥2,325</td> </tr> </tbody> </table> <p>(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.</p> <p>(2) Future minimum lease payments subsequent to September 30, 2004 are summarized as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Due in one year</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">or less</td> <td style="text-align: right;">¥958 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Due after one year</td> <td style="text-align: right; border-top: 1px solid black;">1,367 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">¥2,325 million</td> </tr> </table> <p>(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.</p> <p>(3) Lease payments and depreciation of leased assets are shown below:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Lease payments</td> <td style="text-align: right;">¥591 million</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥591 million</td> </tr> </table> <p>(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.</p> <p>2. Future minimum lease payments for operating leases subsequent to September 30, 2004 are summarized as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Due in one year</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">or less</td> <td style="text-align: right;">¥12 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Due after one year</td> <td style="text-align: right; border-top: 1px solid black;">7 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">¥19 million</td> </tr> </table>		Acquisition costs	Accumulated depreciation	Net book value	Other (tools, furniture and fixtures)	¥3,852	¥1,526	¥2,325	Total	¥3,852	¥1,526	¥2,325	Due in one year		or less	¥958 million	Due after one year	1,367 million	Total	¥2,325 million	Lease payments	¥591 million	Depreciation	¥591 million	Due in one year		or less	¥12 million	Due after one year	7 million	Total	¥19 million	<p>1. 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(Securities)

Investments in subsidiaries and affiliates for which fair value is available

There were no investments in subsidiaries and affiliates whose market value is available as of September 30, 2004 and 2003 and March 31, 2004.

(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

As described in the “Significant Subsequent Events” in the consolidated financial statements, the Company entered into an agreement (the “Agreement”) to merge with Fujisawa Pharmaceutical Co., Ltd., on May 24, 2004. The Agreement was approved at the annual general meeting of the Company’s shareholders held on June 24, 2004.