



Outline of Interim Business Results FY 03/2005

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Cautionary Statement Regarding Forward-looking Information

This material includes forward-looking statements based on 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 to market existing and new products effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.

Consolidated interim business results for FY2005

(Billion yen; %)

	FY03/2005 (interim)	FY03/2004* (interim)	Y to Y change (%)
Net sales	220.2	210.4	+9.7
Cost of goods (% of sales)	68.2 (31.0%)	61.9 (29.4%)	+6.2 (+1.6 points)
SG&A costs (% of sales)	96.5 (43.8%)	96.7 (46.0%)	-0.1 (-2.2 points)
R&D expenses (% of sales)	29.0 (13.2%)	36.1 (17.2%)	-7.0 (-4.0 points)
Operating income (% of sales)	55.4 (25.2%)	51.7 (24.6%)	+3.6 (+0.6 points)
Ordinary income	56.5	51.4	+5.0
Net income	20.0	30.9	-10.9

* Figures obtained by deducting figures for consumer business from the total

Key points of the interim settlement of accounts for FY03/2005

1. Sustained growth of major products:

Good sales of Harnal in Japan and abroad; growth of Lipitor and Micardis

2. Concentration on the ethical drug business: divestiture of consumer business

3. NHI price cut: 5.3% for Yamanouchi

4. Special gains/losses: extraordinary depreciation of patent rights

* Currency exchange rate:

	FY03/2005 (interim)	FY03/2004 (interim)
Yen/dollar	110	118
Yen/euro	133	133

Consolidated sales

1. Generally good sales of major products

Harnal:	68.1 billion yen (+9.5 billion yen) (+1.2 billion yen in Japan, +3.5 billion yen in Europe, +3.6 billion yen for royalties on bulk chemical substance, +1.1 billion yen in others)
Micardis:	10.7 billion yen (+8.0 billion yen)
Lipitor:	41.6 billion yen (+3.6 billion yen)
Gaster:	39.5 billion yen (+3.4 billion yen)
Advaferon:	1.0 billion yen (-1.7 billion yen)

2. Changes from the previous year

Termination of marketing of Optiray and Euglucon:	-8.4 billion yen
Consolidation of Yamanouchi Korea:	+1.5 billion yen
GPDC*, Contract manufacturing for and supplements:	+2.9 billion yen

3. Effects of changes in currency exchange rate: -2.0 billion yen

*GPDC:US partnership established jointly with Wyeth (BMP-2 business)

Consolidated cost ratio and SG&A

1. **Cost ratio:** up 1.6 points from 29.4% to 31.0%

NHI price cut:	+0.5 points
Contract manufacturing:	+0.5 points
Product portfolio:	+0.6 points

2. **SG&A:** -0.1 billion yen (from 96.7 billion yen to 96.5 billion yen)

R&D expenses: -7.0 billion yen

1st half of FY2003: increases due to acceleration of domestic development of YM905

1st half of FY2004: carry-over of some expenses to the 2nd half and more efficient use of resources

SG&A excluding R&D expenses: +6.9 billion yen

Business development in the US: +2.5 billion yen
(from 3.0 billion yen to 5.5 billion yen)

SG&A in Europe: +2.2 billion yen
(to prepare for launching of Vesicare)

Consolidation of Yamanouchi Korea: + 0.6 billion yen

3. **Effects of changes in the currency exchange rate :** -0.8 billion yen

Geographical segment information

Billion yen

Geographical area	Net sales		Operating income	
	FY2004 (interim)	Y to Y change*	FY2004 (interim)	Y to Y change*
Japan	154.3	-3.3	53.0	+3.1
North America	3.9	+3.2	0.6	+3.3
Europe	58.3	+7.3	2.1	-3.1
Asia	35.0	+2.5	0.7	+0.6
Eliminations			-1.1	

* Figures obtained by deducting figures for consumer business from the total

Japan <Sales>: Decreases in non-consolidated sales; transfer of sales in Taiwan to Asian segment
 <Income>: Decreases in SG&A expenses including R&D expenses

North America

<Sales>: Sales of GPDC and contract manufacturing of supplements
 <Income>: Contribution of GPDC; Part of costs related to business development in the US was paid by the US segment in the corresponding period of the previous year following receipt of down payment from GSK.

Europe <Sales>: Large increases in sales of Harnal; launching of Vesicare and Eligard
 <Income>: Part of the costs related to business development in the US paid by the European segment

Asia <Sales/income>: Yamanouchi Korea consolidated from this fiscal year

Consolidated non-operating profits and losses

1. Non-operating income	4.2 billion yen
-Interest received/dividend	1.9 billion yen
-Currency exchange gain	1.2 billion yen
2. Non-operating expenses	3.1 billion yen
-Interest paid	0.3 billion yen
-Loss on investment by the equity method: (BMP-2 business in Europe)	1.0 billion yen
-Loss on product scrapping: (drugs and healthcare products)	1.0 billion yen

Consolidated special gains and losses

1. Special gains: 5.6 billion yen

Profits on securities sold 5.0 billion yen

2. Special losses 21.7 billion yen

Extraordinary depreciation of patent rights
(following conclusion of a comprehensive agreement with Pfizer):
10.5 billion yen

Loss on business restructuring
(special retirement allocation following spin-off of domestic formulation plants):
7.9 billion yen

Domestic and overseas business integration costs
(in preparation for the merger with Fujisawa):
2.4 billion yen

3. Increases in the tax rate: from 41.0% to 49.2%

Temporary tax burden following the divestiture of the consumer business
(tax on dividend in the US and Japan: 2.7 billion yen (effect of slightly less than 7%))
Increases due to the US business development cost sharing structure

Consolidated business forecast for FY03/2005

Billion yen

	Full-year forecast	FY03/2004*	Y to Y change	
			Amounts	%
Net sales	440.0	423.3	+16.7	+3.9%
Operating income	98.0	97.0	+0.9	+0.9%
Ordinary income	99.5	94.1	+5.3	+5.7%
Net income	35.5	57.4	-21.9	-38.2%

* Figures obtained by deducting figures for consumer business from the total

Currency exchange rate :

	1st half (actual)	2nd half (forecast)	Full-year forecast
Yen/dollar	110	110	110
Yen/euro	133	130	132

Consolidated business forecast for FY03/2005

Net sales:	+16.7 billion yen	
Micardis	24.0 billion yen	(+15.3 billion yen)
Harnal	135.0 billion yen	(+12.6 billion yen)
Lipitor	86.0 billion yen	(+ 8.3 billion yen)
Gaster	75.7 billion yen	(- 8.4 billion yen)
Optiray/Euglucon	0 yen	(- 11.7 billion yen)

SG&A expenses:

Cost of business development in the US	16.0 billion yen	(+7.9 billion yen)
R&D expenses	65.5 billion yen	(-3.8 billion yen)

Operating income: +0.9 billion yen

Net income: -21.9 billion yen

Special gains and losses: -30.0 billion
(including special losses related to the merger of 18.0 billion yen)