

**<Consolidated>**

1. Financial results for the year from April 1, 2000 to March 31, 2001

(1) Sales and income

Note: All amounts are rounded down to the nearest million Yen.

	Net sales (Millions of Yen)		Operating income (Millions of Yen)		Ordinary income (Millions of Yen)	
Year ended March 31, 2001	412,663	% 3.1	23,909	% △ 5.9	24,967	% △ 6.1
Year ended March 31, 2000	400,280	7.6	25,421	11.0	26,581	0.7

	Net income (Millions of Yen)		Earnings per share (Yen)	Earnings per share (diluted) (Yen)	Return on equity	Ordinary income/total assets	Ordinary income/net sales
Year ended March 31, 2001	12,614	% △ 2.0	36.29	—	% 4.7	% 5.3	% 6.1
Year ended March 31, 2000	12,868	31.2	37.07	—	5.2	6.2	6.6

(2) Financial Position

	Total assets (Millions of Yen)	Shareholders' equity (Millions of Yen)	Ratio of Shareholders' equity to total assets (%)	Shareholders' equity per share (Yen)
As of March 31, 2001	496,590	286,727	57.7	823.27
As of March 31, 2000	442,547	255,170	57.7	735.14

(3) Cash Flows

	Cash flows from operating activities (Millions of Yen)	Cash flows from investing activities (Millions of Yen)	Cash flows from financing activities (Millions of Yen)	Cash and cash equivalents at end of the year (Millions of Yen)
Year ended March 31, 2001	23,409	13,198	△ 8	107,264
Year ended March 31, 2000	17,428	△ 30,328	△ 1,930	70,313

2. Forecast for the year ending March 31, 2002

	Net sales (Millions of Yen)	Ordinary income (Millions of Yen)	Net income (Millions of Yen)
Six months ending September 30, 2001	203,500	10,000	4,500
Year ending March 31, 2002	417,000	25,000	12,500

Reference: Estimated earnings per share for the year ending March 31, 2002: Yen 35.89

Note: (1) The consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan.

(2) The above estimates and forecast contain 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 substantially depending on a number of factors.

## MANAGEMENT POLICY

### **1. Fundamental Management Policy**

Shionogi's corporate philosophy is to strive constantly to provide essential medicine of the best kind to ensure people's health. For this purpose, the Company thinks it is necessary to discover even better medicine, to manufacture such medicine, and to inform many people of such medicine so that it can be used widely. The Company believes that, by the constant improvement of the skills of all Shionogi people, it can contribute to the expansion of benefit of all who are stakeholders – consumers, shareholders, customers, the society and employees.

### **2. Management Strategy and Challenge Ahead**

Regarding the operating environment for the Company, discussions of fundamental reforms to Japan's medical care insurance system in response to the rising demographic share of seniors are continuing, and it is projected that the actual implementation of such reforms will inevitably cause stagnation in the domestic pharmaceuticals market. Moreover, in the light of the decreasing significance of national borders, we expect to face increasingly intense competition from huge pharmaceutical companies based in Europe and the United States. Amid these circumstances, in order to continue to maintain its above philosophy, the Company articulated and initiated the following approaches to meet its challenges in the Medium-Term Management Plan settled in April 2000.

Clearly position prescription drug operations as the core business field of the Company; reevaluate other operations based on consideration of their profitability and long-term viability; consider the optimal operating modes for fully leveraging the assets of each operation; and improve the efficiency thereof.

In order to strengthen its R&D capabilities for the discovery and accelerated development of innovative new drug candidates, increase R&D investments and focus on specific research fields in the R&D portfolio so that the investments can be concentrated in the field where the Company has core competence.

Establish infrastructure for the overseas development of new drug candidates with the future aim of establishing a worldwide sales infrastructure that would provide drugs meeting global needs.

In the domestic prescription drug market, increase market share in the antibiotics field, where the Company has strong competence, as well as in the cardiovascular and, cancer related drug fields by strengthening its sales force through the development of strong medical representatives.

In manufacturing, restructure its facilities to comply with global manufacturing standards and increase the efficiency of production.

### **3. Improvement of Management Control Structure**

Under severe business circumstances, the Company believes it is necessary to speedily make appropriate decisions in order to efficiently overcome the challenges facing management, and that it is also important to clearly define how the decisionmaking is to be checked and to operate its business with high transparency. For this purpose, the Company has made the responsibilities on business operations clear by delegating authority, and the Company also has ensured that important issues on business operation are promptly dealt with by senior managers, consisting of managing directors and other senior directors, at senior management meetings generally held once a week. Board members convene generally once a month in order to make decisions on fundamental business issues and to supervise business operations on behalf of and for the benefit of shareholders, and continue efforts to be more active in their roles. Furthermore, the Company has strengthened its audit system. For example, two outside auditors have been added to the board of auditors who participate in the important meetings such as board meetings and senior management meetings, and who also aggressively audit the Company and observe its group companies to check legal compliance and appropriateness of the operations thereof.

### **4. Fundamental Policy on Appropriation of Retained Earnings**

As for the appropriation of retained earnings of the Company, the Company believes it is important to make stable dividends from a long-term point of view and to increase the dividends which reflect growth in earnings through execution of the above mentioned programs. Therefore, the Company will allocate funds from internal reserves to invest in the domestic/overseas R&D activities and expansion of manufacturing facilities as well as to make investments to increase the efficiency of various managerial activities. Through these measures, the Company endeavoring to improve its profitability and to maximize its corporate value.

## RESULTS OF OPERATIONS

### 1. Overview of Operations during the fiscal year 2000

#### GENERAL

The pharmaceutical industry in this period suffered the consequences of a decrease in the national health insurance (NHI) reimbursement prices, implemented in April 2000, a reduction of 7% (industry average, Shionogi: 4.9%). Discussions on drastic reform of healthcare insurance system continued, and the pressure to suppress drug expenditure grew much stronger. On the other hand, integration of pharmaceutical markets around the world including Japan continued to progress, and competition among pharmaceutical companies including overseas companies became much severer. Thus, the current business environment remains extremely challenging, and its outlook is unclear.

In the view of situation, the Company continued efforts to strengthen its domestic sales base through collection and feedback of medical information, and in manufacturing, started planning for reorganization of plants to increase the efficiency of production. With respect to R&D, the Company reinforced its R&D activity to accelerate development of new products, and started clinical trials overseas for new product candidates focussed on the international market.

Under these circumstances, the financial results for the period under review were as follows:

#### <Consolidated>

Net sales	JPY	412,663 million	Increase	12,383 million	to the previous year ( 3.1% up )
Operating income	JPY	23,909 million	Decrease	1,512 million	" ( 5.9% down )
Ordinary income	JPY	24,967 million	Decrease	1,614 million	" ( 6.1% down )
Net income	JPY	12,614 million	Decrease	254 million	" ( 2.0% down )

#### <Non-consolidated>

Net sales	JPY	215,894 million	Decrease	4,849 million	to the previous year ( 2.2% down )
Operating income	JPY	21,410 million	Decrease	1,121 million	" ( 5.0% down )
Ordinary income	JPY	24,117 million	Decrease	2,287 million	" ( 8.7% down )
Net income	JPY	11,958 million	Decrease	1,517 million	" ( 11.3% down )

Due to reasons such as the influence of the reduction in the NHI reimbursement prices and low prevalence of influenza infection, the sales of prescription drugs, one of the Company's areas of particular strength, slowed down during the period under review. As a result, non-consolidated net sales decreased, however, consolidated net sales increased by 3.1% compared to the previous year due to the sales increase of Ohmori Co., Ltd., a wholesaler and one of the Company's subsidiaries, as the result of a merger.

On the other hand, regarding incomes, by downsizing personnel levels and streamlining work processes throughout the Shionogi group, the Company endeavored to reduce manufacturing cost, sales and administrative expenses.

However, consolidated operating income decreased by 5.9% compared to the previous year due to the decrease of non-consolidated net sales, increase in R&D expenses and decrease in gross profit of Ohmori Co., Ltd., caused by intense sales competitions. Non-operating income in the period under review also decreased due to the decrease in royalty income from the products out-licensed to overseas companies. As a result, ordinary income decreased by 6.1% and net income decreased by 2.0% compare to the previous year. The Company made a lump-sum (one-time) amortization of unrecognized differences arising from application of new accounting standard for retirement benefits which was done by setting up assets such as holding securities in trust.

Cash dividends per share for the period under review is planned to be ¥ 8.50 in total, the same as in the previous year, and will be comprised of a year-end dividend of ¥ 4.25 and an interim dividend.

With regard to R&D situation in this period under review, a series of new products in the late phase of clinical trials in Japan are currently under development including drugs for the treatment of cancer-related pain, hypertension, depression, and oral and injectable antibiotics. With a view to the worldwide market, the Company is conducting clinical trials overseas on drugs for the treatment of rheumatism, AIDS, dementia, stroke and hyperlipidemia. In addition, in January 2001, the Company jointly filed a new drug application for *Claritin*®, a drug for the treatment of allergy, with Schering-Plough K.K. Also as a topic in the period under review, the Company endeavored to reinforce the R&D system by establishing a new organization within the Company, the Manufacturing Technology R&D Laboratories, in order to increase efficiency in the fields from development to manufacturing. As a result of the above-mentioned activities, consolidated R&D expenditure in this period increased by 8.2% to ¥ 29,255 million.

## SEGMENT INFORMATION

### Pharmaceuticals and Related Business

In prescription drug field, in antibiotics, especially oral antibiotics, the Company succeeded in boosting sales growth of *Flomox*®, an oral cephem antibiotic originated by it, and increased the share in the market. However, in the period under review, since the total antibiotics market shrank due to such reasons as the low prevalence of influenza infection and the influence of NHI reimbursement price reduction, our sales in this area also decreased. As a result, non-consolidated net sales of prescription drugs decreased, and the net sales of over-the-counter (OTC) products, the market of which was in a persistent overall downtrend due to the influence of economic conditions, also decreased. In diagnostics and clinical testing services, the downward revision for NHI reimbursement prices for clinical testing occurred in April 2000 and a severe market environment continued. Net sales of diagnostics grew from the growth in sales of the BNP product, the Company's principal product in diagnostics, however, facing heavy price competition, net sales of clinical testing services shrank. On the other hand, net sales for subsidiaries increased due to the fact that Ohmori Co., Ltd., a subsidiary and wholesaler, merged with Minatogawa Tsuruta Yakuhin Co., Ltd., in October 1999. Consequently, the Company's total consolidated net sales in pharmaceuticals and related business grew by 3.1% to ¥ 381,191 million.

Also during the period under review, the Company concluded an agreement with Nippon Roche K.K. to co-promote *Tamiflu*® Capsule, an anti-influenza product launched by Nippon Roche K.K. and started information dissemination activities for the product from February 2001.

Turning to earnings in this segment, despite efforts to improve productivity, due to the decrease in non-consolidated net sales as well as the increased in R&D expenses and decline in gross profitability of Ohmori Co., Ltd., caused by drastic deterioration of the market environment for wholesalers, consolidated operating income decreased by 8.9% to ¥ 20,633 million.

### Capsule business

Despite continued efforts to expand sales by obtaining customer satisfaction through high quality products, accurate on-time delivery services and appropriate technical services, continuing difficulty in Japan to increase volume of capsule consumption by pharmaceutical companies, the principal capsule users, led to a decrease in sales. Furthermore, sales of capsule machinery such as filling machines, inspection machines, etc., in the period under review was slack. On the other hand with sales in overseas capsule business gradually recovering and the influence of a weaker exchange rate for the Yen. As a result, net sales in this segment increased by 11.5% to ¥ 11,438 million.

In spite of the cost reduction in raw materials and improvement in productivity, operating income remained almost steady at ¥ 1,488 million due to the decrease in selling prices.

### Other business

Sales of animal health products and various services such as real estate or distribution services increased by sales promotion efforts. However, sales of agrochemicals and industrial chemicals decreased due to the dull market condition and stagnation of the economy as a whole, among other efforts. As a result of the above, while total net sales of this segment dropped slightly by 1.0% to ¥ 20,034 million, operating income rose by 23.6% to ¥ 1,781 million through efforts to place emphasis on sales which would be profitable, as well as through marketing efforts to reduce headcount and minimize sales expenses.

## CASH FLOWS

In cash flows, despite income before income taxes for this period decreased compared to the previous year, the improvement of the working capital by changes in operating assets and liabilities etc, resulted in ¥ 5,981 million increase to ¥ 23,409 million in cash flows from operating activities. On the other hand, although investment in manufacturing equipment for injectable products at the Settsu plant and other facilities cost ¥ 8,331 million, with the proceeds from the withdrawal of time deposits, this resulted in ¥ 13,198 million increase in cash flows from investing activities. Cash flows from financing activities resulted 8 millions decrease, reflecting cash dividends and income by the sale of parent-company's stock held by subsidiaries. As a result, cash and cash equivalents at the end of this period increased ¥ 36,951 million to ¥ 107,264 million.

## 2. FORECAST FOR THE YEAR

Revision of NHI reimbursement prices (i.e., price reduction) did not occur in April 2000. However, it is anticipated that fundamental reforms to Japan's medical care insurance system, including the reconsideration of the NHI reimbursement price system will be done in the coming period. The Company supposes that the effect of these developments will result in the continued shrinking of the domestic pharmaceutical market. In addition, it is also anticipated that environment surrounding the pharmaceutical industry will become much severer due to intense competition in R&D and sales with other companies including overseas companies. In such an environment, the Company believes that the most significant issues are to discover and accelerate the development of innovative drug candidates and are to increase the market share by steadily performing the gathering and dissemination activities of medical information, and to continue to commit resources to achieve these goals. The Company will also strive to cope with the current severe operating environment by steadily proceeding to carry out the measures listed in the Medium-Term Management Plan such as to improve its structure by reevaluating production efficiency and existing operations, and to establish the infrastructure for the overseas development of new drug candidates. Taking all of the above into account, our financial forecast for the fiscal year 2002 is as follows:

### <Consolidated>

Net sales	JPY	417,000 million	(1.1% up to the previous year)
Ordinary income	JPY	25,000 million	(0.1% up " )
Net income	JPY	12,500 million	(0.9% down " )

### <Non-consolidated>

Net sales	JPY	218,000 million	(1.0% up " )
Ordinary income	JPY	24,000 million	(0.5% down " )
Net income	JPY	12,500 million	(4.5% up " )

## Consolidated Statements of Income

	Year ended March 31,				Increase (Decrease)
	2001		2000		
	(Millions of Yen)	%	(Millions of Yen)	%	
Net sales	¥ 412,663	100.0	¥ 400,280	100.0	¥ 12,383
Cost of sales	263,628	63.9	253,202	63.3	10,426
Gross profit	149,035	36.1	147,078	36.7	1,957
Selling, general and administrative expenses	125,126	30.3	121,657	30.4	3,469
Operating income	23,909	5.8	25,421	6.3	(1,512)
Non-operating income	4,523	1.1	5,001	1.3	(478)
Interest income	785		806		(21)
Dividend income	782		726		56
Royalty income	329		1,482		(1,153)
Exchange gain	901		—		901
Other income	1,724		1,986		(262)
Non-operating expenses	3,465	0.8	3,841	1.0	(376)
Interest expense	786		770		16
Contributions	914		957		(43)
Loss on disposal of inventories	571		479		92
Loss on disposal of property, plant and equipment	475		297		178
Other expenses	717		1,336		(619)
Ordinary income	24,967	6.1	26,581	6.6	(1,614)
Extraordinary gains	32,549	7.9	3,869	1.0	28,680
Gain on marketable securities in trust for the purpose of retirement benefits	29,696		—		29,696
Gain on sales of property, plant and equipment	387		—		387
Reversal of allowance for doubtful accounts	193		116		77
Gain on sales of investments in securities	—		2,413		(2,413)
Gain on sales of investments in non-consolidated subsidiary	—		725		(725)
Gain on sales of marketable securities	—		612		(612)
Gain on sales of parent-company stock held by subsidiaries	2,271		—		2,271
Extraordinary losses	32,959	8.0	2,753	0.7	30,206
Amortization of unrecognized differences arising from application of new accounting standard for retirement benefits	32,344		—		32,344
Loss on revaluation of investments in securities	615		326		289
Loss on cancellation of specified money in trust	—		2,427		(2,427)
Income before income taxes and minority interests	24,556	6.0	27,697	6.9	(3,141)
Income taxes, current	15,431	3.7	17,190	4.2	(1,759)
Income taxes, deferred	(3,292)	(0.8)	(2,232)	(0.5)	(1,060)
Minority interests	196	0.0	128	0.0	68
Net income	¥ 12,614	3.1	¥ 12,868	3.2	¥ (254)

## Consolidated Balance Sheets

### ASSETS

	As of March 31, 2001		As of March 31, 2000		Increase (Decrease)
	(Millions of Yen)	%	(Millions of Yen)	%	
Current assets					
Cash and bank deposits	¥ 117,741		¥ 103,193		¥ 14,548
Notes and accounts receivable	144,153		144,292		(139)
Marketable securities	196		4,486		(4,290)
Inventories	59,125		59,156		(31)
Deferred income taxes	3,660		3,198		462
Other current assets	13,489		13,401		88
Allowance for doubtful accounts	(602)		(934)		332
Total current assets	337,765	68.0	326,794	73.9	10,971
Fixed assets					
Property, plant and equipment					
Buildings and structures	38,794		40,114		(1,320)
Machinery and equipment	14,021		15,536		(1,515)
Land	21,762		21,685		77
Construction in progress	8,329		4,152		4,177
Other	5,063		5,124		(61)
Property, plant and equipment, net	87,971	17.7	86,613	19.6	1,358
Excess of cost over net assets Acquired	860		—		860
Other	2,560		2,557		3
Intangible fixed assets	3,421	0.7	2,557	0.6	864
Investments and other assets					
Investments in securities	60,432		14,826		45,606
Long-term loans receivables	2,627		942		1,685
Deferred income taxes	933		1,630		(697)
Other assets	3,669		6,359		(2,690)
Allowance for doubtful accounts	(229)		(118)		(111)
Total investments and other assets	67,433	13.6	23,640	5.3	43,793
Total fixed assets	158,825	32.0	112,811	25.5	46,014
Translation adjustments	—	—	2,940	0.6	(2,940)
Total assets	¥ 496,590	100.0	¥ 442,547	100.0	¥ 54,043

## LIABILITIES AND SHAREHOLDERS' EQUITY

	As of March 31, 2001		As of March 31, 2000		Increase (Decrease)
	(Millions of Yen)	%	(Millions of Yen)	%	
<b>LIABILITIES</b>					
Current liabilities					
Notes and accounts payable	¥ 83,984		¥ 79,215		¥ 4,769
Short-term bank loans and current portion of long-term debt	18,716		17,260		1,456
Accrued income taxes	8,410		9,725		(1,315)
Deferred income taxes	9		—		9
Reserve:					
Reserve for bonuses	10,188		10,118		70
Other reserves	604		635		(31)
Other current liabilities	18,164		17,184		980
<b>Total current liabilities</b>	<b>140,078</b>	<b>28.2</b>	<b>134,138</b>	<b>30.3</b>	<b>5,940</b>
Long-term liabilities					
Long-term debt	20,000		20,000		0
Deferred income taxes	14,195		—		14,195
Reserve for retirement benefits (*)	30,143		27,257		2,886
Reserve for directors' retirement benefits	432		—		432
Other long-term liabilities	2,820		3,555		(735)
<b>Total long-term liabilities</b>	<b>67,592</b>	<b>13.6</b>	<b>50,812</b>	<b>11.5</b>	<b>16,780</b>
<b>Total liabilities</b>	<b>207,671</b>	<b>41.8</b>	<b>184,951</b>	<b>41.8</b>	<b>22,720</b>
<b>MINORITY INTERESTS</b>					
Minority interests	2,192	0.5	2,425	0.5	(233)
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	21,279	4.3	21,279	4.8	0
Additional paid-in capital	20,227	4.1	20,227	4.6	0
Retained earnings	223,528	45.0	213,975	48.4	9,553
Unrealized gain on securities	24,527	4.9	—	—	24,527
Translation adjustments	(2,632)	(0.5)	—	—	(2,632)
Less, treasury stock	(3)	(0.0)	(25)	(0.0)	22
Parent-company's stock held by subsidiaries	(200)	(0.1)	(285)	(0.1)	85
<b>Total shareholders' equity</b>	<b>286,727</b>	<b>57.7</b>	<b>255,170</b>	<b>57.7</b>	<b>31,557</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥ 496,590</b>	<b>100.0</b>	<b>¥ 442,547</b>	<b>100.0</b>	<b>¥ 54,043</b>

(\*) Effective April 1, 2000, the Company and consolidated subsidiaries have adopted a new accounting standard for retirement benefits.

## Consolidated Statements of Cash Flows

		Year ended March 31, 2001	Year ended March 31, 2000
		Millions of Yen	Millions of Yen
<b>I</b>	<b>OPERATING ACTIVITIES</b>		
	Income before income taxes and minority interests	¥ 24,556	¥ 27,697
	Depreciation and amortization	8,984	9,085
	Amortization of excess of cost over net assets acquired	280	661
	Loss on disposal of property, plant and equipment	475	297
	Reversal of allowance for doubtful accounts	(223)	(176)
	Provision for retirement benefits, less payments	4,091	2,544
	Interest income and dividend income	(1,567)	(1,533)
	Interest expenses	786	770
	Exchange (gain) loss, net	(646)	304
	Decrease (increase) in notes and accounts receivables, trade	161	(916)
	Decrease(increase) in inventories	13	(1,742)
	Increase (decrease) in notes and accounts payable, trade	4,691	(1,562)
	Increase (decrease) in accrued expenses	809	(950)
	Decrease in accounts payable, other	(1,468)	(1,529)
	Bonuses to directors and statutory auditors	(105)	(103)
	Other	(1,492)	(1,599)
	<b>Subtotal</b>	39,347	31,247
	Interest and dividends received	1,500	1,490
	Interest paid	(664)	(652)
	Income taxes paid	(16,774)	(14,657)
	Net cash provided by operating activities	23,409	17,428
<b>II</b>	<b>INVESTING ACTIVITIES</b>		
	Increase in time deposits	(19,889)	(32,656)
	Decrease in time deposits	42,271	196
	Proceeds from cancellation of specified money in trust	—	6,335
	Payments for purchases of marketable securities	(160)	(125)
	Proceeds from sales of marketable securities	253	776
	Payments for purchases of investments in securities	(299)	(113)
	Proceeds from sales of investments in securities	2	4,224
	Payments for purchases of property, plant and equipment	(8,331)	(9,355)
	Proceeds from sales of property, plant and equipment	874	518
	Proceeds from collection of loans receivable	157	103
	Payments for purchases of affiliates' securities	(1,363)	—
	Other	(317)	(234)
	Net cash provided by (used in) investing activities	13,198	(30,328)
<b>III</b>	<b>FINANCING ACTIVITIES</b>		
	Increase in short-term loans, net	761	1,537
	Proceeds from long-term debt	—	725
	Repayment of long-term debt	(176)	(1,040)
	Cash dividends paid	(2,945)	(3,116)
	Cash dividends to minority shareholders	(23)	(18)
	Proceeds from gain on sales of parent-company stock held by subsidiaries	2,356	—
	Other	19	(17)
	Net cash used in financing activities	(8)	(1,930)
<b>IV</b>	Effect of exchange rate changes on cash and cash equivalents	351	(129)
<b>V</b>	Increase (decrease) in cash and cash equivalents	36,951	(14,961)
<b>VI</b>	Cash and cash equivalents at beginning of the year	70,313	82,553
<b>VII</b>	Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	—	2,134
<b>VIII</b>	Increase in cash and cash equivalents resulting from merger of an other company into a consolidated subsidiary	—	587
<b>IX</b>	Cash and cash equivalents at end of the year	¥ 107,264	¥ 70,313

## Segment Information

Business segment information

For the year ended March 31, 2001

Unit: Millions of Yen

	Pharmaceuticals and related business	Capsule business	Others	Total	Elimination and general corporate assets	Consolidated
I Sales and operating income:						
(1) Sales to third parties	381,191	11,438	20,034	412,663	-	412,663
(2) Intergroup sales and transfers	-	402	5,417	5,820	(5,820)	-
Total sales	381,191	11,841	25,451	418,484	(5,820)	412,663
Operating expenses	360,557	10,353	23,670	394,581	(5,827)	388,754
Operating income	20,633	1,488	1,781	23,902	6	23,909
II Assets, depreciation and capital expenditures;						
Total assets	304,022	21,696	29,592	355,311	141,278	496,590
Depreciation	7,978	1,355	682	10,016	-	10,016
Capital expenditures	10,194	530	393	11,117	-	11,117

For the year ended March 31, 2000

Unit: Millions of Yen

	Pharmaceuticals and related business	Capsule business	Others	Total	Elimination and general corporate assets	Consolidated
I Sales and operating income:						
(1) Sales to third parties	369,786	10,256	20,237	400,280	-	400,280
(2) Intergroup sales and transfers	-	916	5,263	6,180	(6,180)	-
Total sales	369,786	11,173	25,501	406,461	(6,180)	400,280
Operating expenses	347,133	9,674	24,060	380,869	(6,009)	374,860
Operating income	22,652	1,498	1,441	25,592	(171)	25,421
II Assets, depreciation and capital expenditures;						
Total assets	298,499	21,574	28,334	348,408	94,139	442,547
Depreciation	8,140	991	772	9,904	-	9,904
Capital expenditures	6,761	1,326	233	8,322	-	8,322

## <Non-consolidated>

### 1. Financial results for the year from April 1, 2000 to March 31, 2001

#### (1) Sales and income

Note: All amounts are rounded down to the nearest million Yen.

	Net sales (Millions of Yen)		Operating income (Millions of Yen)		Ordinary income (Millions of Yen)	
Year ended March 31, 2001	215,894	△ 2.2	21,410	△ 5.0	24,117	△ 8.7
Year ended March 31, 2000	220,743	1.8	22,531	8.7	26,404	4.3

	Net income (Millions of Yen)	Earnings per share (Yen)	Earnings per share(diluted) (Yen)	Return on equity	Ordinary income/total assets	Ordinary income/net sales
Year ended March 31, 2001	11,958 △ 11.3	34.06	—	4.7	6.6	11.2
Year ended March 31, 2000	13,475 38.8	38.38	—	5.8	7.9	12.0

#### (2) Dividends

	Annual dividend per share (Yen)			Annual dividend payment (Millions of Yen)	Dividend payout ratio	Dividend payout per Equity
		Interim (Yen)	Year end (Yen)			
Year ended March 31, 2001	8.50	4.25	4.25	2,984	25.0	1.1
Year ended March 31, 2000	8.50	4.25	4.25	2,984	22.1	1.2

#### (3) Financial Position

	Total assets (Millions of Yen)	Shareholders' equity (Millions of Yen)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (Yen)
As of March 31, 2001	388,085	271,556	70.0	773.37
As of March 31, 2000	340,427	239,264	70.3	681.40

### 2. Forecast for the year ending March 31, 2002

	Net sales (Millions of Yen)	Ordinary income (Millions of Yen)	Net income (Millions of Yen)	Annual dividend per share (Yen)		
				Interim (Yen)	Year end (Yen)	
Six months ending September 30, 2001	106,000	10,000	5,200	4.25	—	—
Year ending March 31, 2002	218,000	24,000	12,500	—	4.25	8.50

Reference: Estimated earnings per share for the year ending March 31, 2002: Yen 35.60

Note: (1) The non-consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan.

(2) The above estimates and forecast contain 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 substantially depending on a number of factors.

## Non-consolidated Statement of Income

	Year ended March 31,				Increase (Decrease)
	2001		2000		
	Millions of Yen	%	Millions of Yen	%	
Net sales	¥ 215,894	100.0	¥ 220,743	100.0	¥ (4,849)
Cost of sales	95,326	44.2	101,370	45.9	(6,044)
Gross profit	120,568	55.8	119,373	54.1	1,195
Selling, general and administrative expenses	99,157	45.9	96,841	43.9	2,316
Operating income	21,410	9.9	22,531	10.2	(1,121)
Non-operating income	5,564	2.6	6,368	2.9	(804)
Interest income	661		623		38
Interest on securities	251		309		(58)
Dividend income	1,224		1,017		207
Rental income of real estate	1,473		1,546		(73)
Royalty income	329		1,482		(1,153)
Exchange gain	685		6		679
Other income	939		1,382		(443)
Non-operating expenses	2,857	1.3	2,495	1.1	362
Interest expense and discount	-		255		(255)
Interest expense	231		-		231
Bond interest	401		401		0
Contributions	880		912		(32)
Loss on disposal of inventories	570		479		91
Loss on disposal of property, plant and equipment	389		226		163
Other expenses	384		220		164
Ordinary income	24,117	11.2	26,404	12.0	(2,287)
Extraordinary gains	29,696	13.8	3,182	1.4	26,514
Gain on marketable securities in trust for the purpose of retirement benefits	29,696		-		29,696
Reversal of allowance for doubtful accounts	-		156		(156)
Gain on sales of investments in securities	-		2,413		(2,413)
Gain on sales of marketable securities	-		612		(612)
Extraordinary losses	30,984	14.4	2,753	1.2	28,231
Amortization of unrecognized differences arising from application of new accounting standard for retirement benefits	30,424		-		30,424
Loss on revaluation of investments in securities	560		326		234
Loss on cancellation of specified money in trust	-		2,427		(2,427)
Income before income taxes	22,829	10.6	26,833	12.2	(4,004)
Income taxes, current	12,890	6.0	15,420	7.0	(2,530)
Income taxes, deferred	(2,018)	(0.9)	(2,061)	(0.9)	43
Net income	11,958	5.5	13,475	6.1	(1,517)
Retained earnings brought forward	6,622		3,330		3,292
Prior year's tax effect of adoption of accounting for deferred income taxes	-		2,549		(2,549)
Reversal of reserve for special depreciation due to adoption of accounting for deferred income taxes	-		379		(379)
Reversal of reserve for deferred capital gain on property due to adoption of accounting for deferred income taxes	-		11		(11)
Interim dividend	1,492		1,492		0
Unappropriated retained earnings at end of the year	¥ 17,089		¥ 18,253		¥ (1,164)

## Non-consolidated Balance Sheets

### ASSETS

	As of March 31, 2001		As of March 31, 2000		Increase (Decrease)
	Millions of Yen	%	Millions of Yen	%	
Current assets					
Cash and bank deposits	¥ 105,119		¥ 92,998		¥ 12,121
Notes receivable	13,408		19,788		(6,380)
Accounts receivable, trade	71,904		68,932		2,972
Marketable securities	–		4,361		(4,361)
Treasury stock	3		25		(22)
Merchandise and finished goods	18,979		19,428		(449)
Work in process and semi-finished goods	16,166		17,462		(1,296)
Raw materials and supplies	8,181		8,401		(220)
Raw materials to arrive	218		348		(130)
Accounts receivable, other	830		1,292		(462)
Deferred income taxes	2,932		2,655		277
Short-term loans receivable	6,318		5,892		426
Other current assets	2,242		1,221		1,021
Allowance for doubtful accounts	(484)		(460)		(24)
Total current assets	245,821	63.3	242,351	71.2	3,470
Fixed assets					
Property, plant and equipment					
Buildings	24,791		25,604		(813)
Structures	1,803		1,911		(108)
Machinery and equipment	8,630		9,773		(1,143)
Vehicles and carriers	77		68		9
Tools, furniture and fixtures	4,616		4,680		(64)
Land	9,684		9,623		61
Construction in progress	8,085		3,500		4,585
Property, plant and equipment, net	57,687	14.9	55,162	16.2	2,525
Intangible fixed assets	877	0.2	799	0.2	78
Investments and other assets					
Investments in securities	57,613		14,021		43,592
Investments in subsidiaries and affiliates	17,115		16,247		868
Long-term deposits	155		159		(4)
Long-term loans receivable	53		62		(9)
Long-term loans to employees	528		683		(155)
Long-term loans to subsidiaries	5,850		5,968		(118)
Long-term prepaid expenses	832		1,302		(470)
Deferred income taxes	–		1,955		(1,955)
Other assets	1,654		1,746		(92)
Allowance for doubtful accounts	(103)		(34)		(69)
Total investments and other assets	83,698	21.6	42,144	12.4	41,584
Total fixed assets	142,264	36.7	98,076	28.8	44,188
Total assets	¥ 388,085	100.0	¥ 340,427	100.0	¥ 47,658

## LIABILITIES AND SHAREHOLDERS' EQUITY

	As of March 31, 2001		As of March 31, 2000		Increase (Decrease)
	Millions of Yen	%	Millions of Yen	%	
<b>LIABILITIES</b>					
Current liabilities					
Notes payable	¥ 6,766		¥ 6,984		¥ (218)
Accounts payable, trade	11,187		8,768		2,419
Short-term bank loans	7,900		7,900		0
Current portion of long-term debt	43		53		(10)
Accounts payable, other	2,883		3,955		(1,072)
Accrued expenses	6,430		5,863		567
Accrued income taxes	6,666		8,501		(1,835)
Deposits received	3,758		3,476		282
Reserve for bonuses	8,470		8,400		70
Allowance for losses on sales returns	583		579		4
Allowance for discounts and rebates	112		169		(57)
Notes payable for construction	2,260		1,281		979
Other current liabilities	5		2		3
<b>Total current liabilities</b>	<b>57,065</b>	<b>14.7</b>	<b>55,936</b>	<b>16.4</b>	<b>1,129</b>
Long-term liabilities					
Bond	20,000		20,000		0
Long-term debt	1,203		1,351		(148)
Deferred income tax	13,246		-		13,246
Reserve for retirement benefits (*)	24,564		23,851		713
Reserve for directors' retirement benefits	432		-		432
Other long-term liabilities	17		23		(6)
<b>Total long-term liabilities</b>	<b>59,463</b>	<b>15.3</b>	<b>45,226</b>	<b>13.3</b>	<b>14,237</b>
<b>Total liabilities</b>	<b>116,529</b>	<b>30.0</b>	<b>101,162</b>	<b>29.7</b>	<b>15,367</b>
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	21,279	5.5	21,279	6.3	0
Additional paid-in capital	20,227	5.2	20,227	5.9	0
Legal reserve	5,319	1.4	5,319	1.6	0
Retained earnings	201,331	51.9	192,437	56.5	8,894
Reserve:					
Special depreciation	583		523		60
Deferred capital gain on property	14		15		(1)
General reserve	183,645		173,645		10,000
Unappropriated retained earnings	17,089		18,253		(1,164)
Unrealized gain on securities	23,398	6.0	-	-	23,398
<b>Total shareholders' equity</b>	<b>271,556</b>	<b>70.0</b>	<b>239,264</b>	<b>70.3</b>	<b>32,292</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 388,085</b>	<b>100.0</b>	<b>¥ 340,427</b>	<b>100.0</b>	<b>¥ 47,658</b>

(\*) Effective April 1, 2000, the Company has adopted a new accounting standard for retirement benefits.

### Proposed Appropriation of Retained Earnings

Category	Year ended March 31, 2001	Year ended March 31, 2000	Increase
	Millions of yen	Millions of yen	(Decrease)
Unappropriated retained earnings	17,089	18,253	(1,164)
Reversal of special depreciation reserve	66	—	66
Reversal of reserve for acquisition value of property, plant and equipment	—	1	(1)
<b>Total</b>	<b>17,155</b>	<b>18,254</b>	<b>(1,099)</b>
Appropriation			
Dividends	1,492 (4.25 yen per share)	1,492 (4.25 yen per share)	0
Bonuses to directors and statutory auditors	80	80	0
(Directors)	( 76.5)	( 76.5)	0
(Statutory auditors)	( 3.5)	( 3.5)	0
Reserve for acquisition value of property, plant and equipment	15	—	15
Special depreciation reserve	—	59	(59)
General reserve	10,000	10,000	0
<b>Total appropriation</b>	<b>11,587</b>	<b>11,631</b>	<b>(44)</b>
Retained earnings brought forward to the next term	5,568	6,622	(1,054)

Notes: An interim dividends payment of 1,492 millions of yen (4.25 yen per share) was made on December 1,2000.