



Summary of Consolidated Financial Results for the First Quarter Ended 30th June 2005 (FY2005)

July 29, 2005

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1. Notes on Preparation of Quarterly Consolidated Financial Information

1) Accounting standards for the preparation of quarterly consolidated financial statements:

The Standards for Interim Financial Statements

2) Changes in accounting principles applied: None

3) Changes in scope of consolidation and application of equity method: None

4) Auditing process by independent accountants: Yes

The quarterly consolidated financial statements have been through auditing process by our auditor Tohmatsu & Co. in accordance with the supplementary provisions “Standards of Auditors’ Opinion for the Quarterly Financial Statements” of the “Instructions for the Application of the Regulations for Timely Disclosure of Corporate Information by Issuers of Listed Securities” as set by the Tokyo Stock Exchange.

2. Financial Results for the First Quarter Ended 30th June 2005 (April 1, 2005 – June 30, 2005)

(1) Consolidated Results of Operations

(All amounts are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 2005	11	18.0	(423)	-	(430)	-	(431)	-
Three months ended June 2004	9	-	(456)	-	(484)	-	(442)	-
Fiscal year ended March 2005 (For reference)	244	7.7	(1,753)	-	(1,884)	-	(1,820)	-
	Net income per share (basic)		Net income per share (diluted)					
	Yen		Yen					
Three months ended June 2005	(6,957.04)		-					
Three months ended June 2004	(9,383.23)		-					
Fiscal year ended March 2005 (For reference)	(32,136.46)		-					

Note: Percentages for net sales, operating income, ordinary income, and net income represent year-on-year percentage change.

Qualitative Information Regarding Consolidated Results of Operations

The Sosei Group—the parent company, two consolidated subsidiaries and one equity-method affiliate—recognizes that enhancing its product pipeline is a key issue of medium-term management objectives to ensure steady growth. In the drug development business, the company focuses on three approaches to secure new compounds: (1) In-licensing compounds, already marketed or at the late-stages of development from the US and the EU; (2) Drug Reprofile Platform® (DRP®), a program to identify new indications for existing medicines and compounds; and (3) New Molecular Entity (NME) research programmes, collaborations with academia and biotech companies around the world

to facilitate access at the early stage to highly innovative lead compounds and technologies. As a result of these measures, the Company intends to expand its product pipeline.

During the first quarter, the Medicines and Healthcare products Regulatory Agency (MHRA) of the UK approved the initiation of a Phase II clinical study of SOU-001. In addition, a DRP® collaboration with NeuroSolutions Ltd. of the UK identified a candidate development compound for the treatment of neuropathic pain. Overall, R&D programs in various stages made good progress during the quarter.

As a result of these activities, consolidated net sales in the first quarter ended June 30, 2005 were 11 million yen (up 18% year-on-year), with an operating loss of 423 million yen (456 million yen one year earlier) an ordinary loss of 430 million yen (484 million yen one year earlier) and a net loss of 431 million yen (442 million yen one year earlier). Selling, general and administrative expenses totaled 431 million yen, of which 188 million yen was R&D expenses.

(2) Consolidated Financial Position

(All amounts are rounded down to the nearest million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of June 30, 2005	9,429	9,319	98.8	149,755.80
As of June 30, 2004	718	620	86.3	13,145.01
As of March 31, 2005 (For reference)	9,879	9,726	98.4	157,443.52

(3) Consolidated Cash Flow Position

(All amounts are rounded down to the nearest million yen)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents, end of period
	Million yen	Million yen	Million yen	Million yen
Three months ended June 2005	(443)	(556)	22	8,718
Three months ended June 2004	(423)	(2)	-	571
Fiscal year ended March 2005 (For reference)	(1,700)	(21)	10,424	9,697

Qualitative Information Regarding Consolidated Cash Flow Position

As of June 30, 2005, assets totaled 9,429 million yen, 450 million yen less than on March 31, 2005. Liabilities decreased from 43 million yen to 109 million yen during the same three-month period.

Net cash used in operating activities was 443 million yen. The main reason was a loss before income taxes of 430 million yen.

Net cash used in investing activities was 556 million yen. The principal use of cash was a 500 million yen deposit for the acquisition of all outstanding shares of Arakis Limited, a British firm, pursuant to the July 19, 2005 resolution of the Board of Directors regarding the acquisition of Arakis Limited.

Net cash provided by financing activities was 22 million yen.

The result was a net decrease of 979 million yen in cash and cash equivalents during the quarter to 8,718 million yen as of June 30, 2005.

3. Forecast for the Fiscal Year Ending 31st March 2006 (April 1, 2005 – March 31, 2006)

(All amounts are rounded down to the nearest million yen)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	100-2,600	(5,700)-(3,600)	(5,700)-(3,600)

Reference: Estimated net income per share for the full year: (91,595.69)-(57,849.91) yen

Qualitative Information Regarding Forecast

Operating results in the current fiscal year thus far are in line with the fiscal year forecast that was announced on July 19, 2005. We plan to have the sales by way of milestone payments following the Marketing Approval for SOT-375, licensing out of SOU-001, etc., however, we announce the forecast of FY2005 in a range as it will depend on the successful negotiation for licensing out and other R&D activities which are uncertain. Likewise the forecast reflects the Company's acquisition of Arakis Limited announced on 19 July, 2005, which will effect the forecast by the increase of R&D expenditures and goodwill amortisation etc. occurred by this event.

Forward-looking statements in this report are based on information available to management at the time this report was prepared. As such, they carry risks and uncertainties. Actual results and events may differ significantly from the forecast. Investors are advised not to rely solely on business forecasts in this report for making investment decisions. The company plans to continue to release quarterly financial results. Forecasts of business results will also be revised as and when considered necessary, in accordance with disclosure rules.

4. Consolidated Quarterly Financial Statements

(1) Consolidated Balance Sheets

(Unit: thousand yen)

Account	Note	As of June 30, 2005		As of June 30, 2004		As of March 31, 2005	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits		5,718,181		571,997		4,197,523	
2. Trade account receivable		6,437		5,701		6,872	
3. Securities		3,000,164		-		5,500,129	
4. Others		39,740		21,970		51,721	
Total current assets		8,764,523	93.0	599,669	83.5	9,756,246	98.8
II Fixed assets							
1. Tangible fixed assets	*	31,736		25,590		33,351	
2. Intangible fixed assets		10,499		2,338		7,264	
3. Investment and other assets							
(1) Deposits		553,150		-		-	
(2) Others		69,098		90,588		82,852	
Total fixed assets		664,484	7.0	118,516	16.5	123,469	1.2
Total assets		9,429,007	100.0	718,186	100.0	9,879,715	100.0
Liabilities							
I Current liabilities		109,315	1.2	97,712	13.6	152,989	1.6
II Long-term liabilities		389	0.0	423	0.1	337	0.0
Total liabilities		109,704	1.2	98,136	13.7	153,327	1.6
Shareholders' equity							
I Common stock		5,892,855	62.5	1,662,150	231.4	5,869,875	59.4
II Capital surplus		7,923,975	84.0	1,648,400	229.5	7,923,975	80.2
III Retained earnings		(4,499,961)	(47.7)	(2,691,116)	(374.7)	(4,068,868)	(41.2)
IV Unrealized holdings gains on other securities		567	0.0	616	0.1	491	0.0
V Foreign currency translation adjustment		1,867	0.0	-	-	915	0.0
Total shareholders' equity		9,319,303	98.8	620,050	86.3	9,726,388	98.4
Total liabilities and shareholders' equity		9,429,007	100.0	718,186	100.0	9,879,715	100.0

(2) Consolidated Income Statements

(Unit: thousand yen)

Account	Note	Apr. 1, 2005 – Jun. 30, 2005			Apr. 1, 2004 – Jun. 30, 2004			Apr. 1, 2004 – Mar. 31, 2005		
		Amount		%	Amount		%	Amount		%
I Net sales			11,558	100.0		9,798	100.0		244,395	100.0
II Cost of sales			3,134	27.1		3,146	32.1		13,050	5.3
Gross profits			8,424	72.9		6,651	67.9		231,345	94.7
III Selling, general and administrative expenses	*		431,831	3,736.1		463,590	4,731.5		1,984,708	812.1
Operating loss			423,407	(3,663.2)		456,939	(4,663.6)		1,753,362	(717.4)
IV Non-operating income										
1. Interest income		799			-			1,503		
2. Commission income		-			-			532		
3. Insurance reimbursement		-			1,966			1,966		
4. Foreign exchange gain		5,258			-			-		
5. Others		631	6,689	57.9	211	2,178	22.3	576	4,578	1.9
V Non-operating expenses										
1. New stock issue expenses		355			14,222			58,396		
2. Initial public offering expenses		-			-			26,244		
3. Equity in earnings/losses of non-consolidated subsidiaries		13,694			13,793			45,681		
4. Others		4	14,054	121.6	1,261	29,276	298.8	5,472	135,794	55.6
Ordinary loss			430,772	(3,726.9)		484,038	(4,940.1)		1,884,578	(771.1)
VI Extraordinary income										
1. Reversal of allowance for doubtful accounts		-			155			155		
2. Gain on changes in equity interest in subsidiaries and affiliates		-	-	-	43,078	43,234	441.2	67,951	68,107	27.8
VI I Extraordinary loss										
1. Loss on sales and disposal of fixed assets		-	-	-	-	-	-	281	281	0.1
Loss before income taxes			430,772	(3,726.9)		440,803	(4,498.9)		1,816,753	(743.4)
Income taxes			320	2.7		1,803	18.4		3,605	1.4
Net loss			431,092	(3,729.6)		442,607	(4,517.3)		1,820,358	(744.8)

(3) Consolidated Surplus Statements

(Unit: thousand yen)

		Apr. 1, 2005 – Jun. 30, 2005		Apr. 1, 2004 – Jun. 30, 2004		Apr. 1, 2004 – Mar. 31, 2005	
Account	Note	Amount		Amount		Amount	
Capital surplus							
I Capital surplus, beginning of period			7,923,975		1,648,400		1,648,400
II Increase in capital surplus							
Capital increase through new stock issue		-	-	-	-	6,275,575	6,275,575
III Capital surplus, end of period			7,923,975		1,648,400		7,923,975
Retained earnings							
I Retained earnings, beginning of period			(4,068,868)		(2,248,509)		(2,248,509)
II Decrease in retained earnings							
Net loss		431,092	431,092	442,607	442,607	1,820,358	1,820,358
III Retained earnings, end of period			(4,499,961)		(2,691,116)		(4,068,868)

(4) Consolidated Cash Flow Statements

(Unit: thousand yen)

		Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
Accounts	Note	Amount	Amount	Amount
I Cash flows from operating activities				
Loss before income taxes		(430,772)	(440,803)	(1,816,753)
Depreciation		2,655	1,775	8,686
Decrease in allowance for doubtful accounts		-	(155)	(155)
New stock issue expenses		355	-	58,396
Equity in earnings/losses of non-consolidated subsidiaries		13,694	13,793	45,681
Gain on changes in equity interest in subsidiaries and affiliates		-	(43,078)	(67,951)
Loss on sales and disposal of fixed assets		-	-	281
Decrease (increase) in trade receivable		435	(1,529)	(2,700)
Decrease (increase) in accounts receivable - other		(2,024)	15,915	14,858
Increase (decrease) in accounts payables - other		(21,736)	28,488	52,622
Increase in accrued income taxes		5,934	-	21,410
Others		13,554	2,990	(14,863)
Subtotal		(417,903)	(422,604)	(1,700,487)
Interest received		(799)	33	1,503
Income taxes paid		(24,678)	(1,421)	(1,800)
Net cash used in operating activities		(443,381)	(423,992)	(1,700,784)
II Cash flows from investing activities				
Payment for purchase of tangible fixed assets		-	(4,027)	(18,022)
Proceeds from sales of tangible fixed assets		-	-	1,027
Payment for purchase of intangible fixed assets		(3,800)	-	(6,913)
Increase in deposits		(553,150)	-	-
Others		187	1,587	2,096
Net cash used in investing activities		(556,762)	(2,440)	(21,811)
III Cash flows from financing activities				
Proceeds from a new stock issue		22,624	-	10,424,903
Net cash provided by financing activities		22,624	-	10,424,903
IV Effect of exchange rate changes on cash and cash equivalents		(1,787)	(792)	(3,876)
V Increase in cash and cash equivalents		(979,307)	(427,225)	8,698,430
VI Cash and cash equivalents, beginning of period		9,697,652	999,222	999,222
VII Cash and cash equivalents, end of period	*	8,718,345	571,997	9,697,652

Basis of Preparation of Consolidated Quarterly Financial Statements

Item	Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
1. Basis of consolidation	Consolidated subsidiaries: 2 SC Consulting Co. Ltd. Kosei, Inc.	Consolidated subsidiary: 1 Sosei Consulting Co. Ltd.	Consolidated subsidiaries: 2 SC Consulting Co. Ltd. Kosei, Inc. SC Consulting Co. Ltd. has changed its name to Sosei Consulting Co. Ltd. effective January 1, 2005. Effective the current consolidated fiscal year, Kosei, Inc. is included in the consolidation due to its establishment.
2. Application of the equity method accounting	Affiliates accounted for by the equity method of accounting: 1 Stem Cell Sciences KK	Same as on the left.	Same as on the left.
3. Quarter (fiscal year) end of consolidated subsidiaries	The consolidated subsidiary's quarter ends on the closing date for consolidated financial statements.	Same as on the left.	The consolidated subsidiary's fiscal year ends on the closing date for consolidated financial statements.
4. Accounting standards	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Other securities Other securities with market quotations Other securities with market quotations are carried at fair value on the consolidated quarter balance sheet date. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined primarily by the moving-average method.)</p> <p>Other securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>(2) Depreciation and amortization method for principal assets</p> <p>1) Tangible fixed assets Depreciation of tangible fixed assets is computed by the declining-balance method. Useful life of principal assets is as follows: Buildings: 10-15 years Equipment, furniture and fixtures: 4-10 years</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Other securities Other securities with market quotations Same as on the left.</p> <p>Other securities without market quotations Same as on the left.</p> <p>(2) Depreciation and amortization method for principal assets</p> <p>1) Tangible fixed assets Same as on the left.</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Other securities Other securities with market quotations Other securities with market quotations are carried at fair value on the consolidated fiscal year balance sheet date. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined primarily by the moving-average method.)</p> <p>Other securities without market quotations Same as on the left.</p> <p>(2) Depreciation and amortization method for principal assets</p> <p>1) Tangible fixed assets Same as on the left.</p>

Item	Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
	<p>2) Intangible fixed assets Amortization of intangible fixed assets is computed by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of five years by the straight-line method.</p> <p>(3) Recognition of major reserves To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.</p> <p>(4) Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate in effect on the consolidated quarter balance sheet date. Translation gain or loss is accounted as profit or loss. The balance sheet accounts (assets, liabilities, income and expenses) of overseas consolidated subsidiaries are also translated into yen at the exchange spot rate in effect on the quarterly balance sheet dates. Foreign currency translation adjustments are stated as a component of shareholders' equity.</p> <p>(5) Other significant accounting policies 1) Consumption taxes All amounts stated are exclusive of consumption taxes.</p> <p>2) Deferred assets New stock issue expenses are charged to income as accrued.</p>	<p>2) Intangible fixed assets Same as on the left.</p> <p>(3) Recognition of major reserves Same as on the left.</p> <p>(4) Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate in effect on the consolidated quarter balance sheet date. Translation gain or loss is accounted as profit or loss.</p> <p>(5) Other significant accounting policies 1) Consumption taxes Same as on the left.</p> <p>2) Deferred assets Same as on the left.</p>	<p>2) Intangible fixed assets Same as on the left.</p> <p>(3) Recognition of major reserves Same as on the left.</p> <p>(4) Translation of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate in effect on the consolidated fiscal year balance sheet date. Translation gain or loss is accounted as profit or loss. The balance sheet accounts (assets, liabilities, income and expenses) of overseas consolidated subsidiaries are also translated into yen at the exchange spot rate in effect on the fiscal year balance sheet dates. Foreign currency translation adjustments are stated as a component of shareholders' equity.</p> <p>(5) Other significant accounting policies 1) Consumption taxes Same as on the left.</p> <p>2) Deferred assets New stock issue expenses are charged to income as accrued. The spread method, in which the underwriter underwrites a new stock issue at the underwriting price (744,000 yen in this case) and sells the shares to the public at the offering price (800,000 yen in this case), was used for the new share issues (14,050 shares effective July</p>

Item	Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
			<p>29, 2004) through public offering. In this method, the difference (786,800 thousand yen) between the offering price and the underwriting price represents the underwriting commission. This expense would have been accounted as new stock issue expenses if the conventional method in which the underwriter offers new shares to the public at the underwriting price had been used. The effect of this change was to reduce the sum of common stock and capital surplus, new stock issue expenses, ordinary loss and loss before income taxes by 786,800 thousand yen each, compared to the amounts that would have been reported if the previous method had been applied consistently.</p>
<p>5. Scope of cash and cash equivalents on consolidated cash flow statements</p>	<p>For the purpose of consolidated cash flow statements, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.</p>	<p>Same as on the left.</p>	<p>Same as on the left.</p>

Notes to Consolidated Quarterly Financial Statements

Notes of consolidated balance sheets

(Unit: thousand yen)

As of June 30, 2005	As of June 30, 2004	As of March 31, 2005
* Accumulated depreciation of tangible fixed assets: 21,872	* Accumulated depreciation of tangible fixed assets: 18,765	* Accumulated depreciation of tangible fixed assets: 19,782

Notes of consolidated income statements

(Unit: thousand yen)

Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
* Major components of selling, general and administrative expenses Commissions paid 65,579 R&D expenses 188,645 R&D expenses are as reported above. Significant components of R&D expenses are as follows: Personnel expenses 81,330 Trust expenses 73,889	* Major components of selling, general and administrative expenses R&D expenses 314,900 R&D expenses are as reported above. Significant components of R&D expenses are as follows: Personnel expenses 35,893 Trust expenses 279,006	* Major components of selling, general and administrative expenses R&D expenses 1,324,374 R&D expenses are as reported above. Significant components of R&D expenses are as follows: Personnel expenses 231,469 Trust expenses 1,010,811

Notes of consolidated cash flow statements

(Unit: thousand yen)

Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
* Reconciliation of consolidated balance sheets items to cash and cash equivalents at end of quarter in the consolidated cash flow statement (As of June 30, 2005) Cash and deposits 5,718,181 Securities 3,000,164 Cash and cash equivalents 8,718,345	* Reconciliation of consolidated balance sheets items to cash and cash equivalents at end of quarter in the consolidated cash flow statement (As of June 30, 2004) Cash and deposits 571,997 Cash and cash equivalents 571,997	* Reconciliation of consolidated balance sheets items to cash and cash equivalents at end of fiscal year in the consolidated cash flow statement (As of March 31, 2005) Cash and deposits 4,197,523 Securities 5,500,129 Cash and cash equivalents 9,697,652

Leases

Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
No reportable information. The Company has no outstanding lease commitments.	Same as on the left.	Same as on the left.

Securities

1. Other securities with market quotations

(Unit: thousand yen)

	Type	As of June 30, 2005			As of June 30, 2004			As of March 31, 2005		
		Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stocks	801	1,758	956	801	1,841	1,039	801	1,631	829
	(2) Bonds	-	-	-	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-	-	-	-
	Subtotal	801	1,758	956	801	1,841	1,039	801	1,631	829
Securities whose acquisition cost exceeds their carrying value	(1) Stocks	-	-	-	-	-	-	-	-	-
	(2) Bonds	-	-	-	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-	-
Total		801	1,758	956	801	1,841	1,039	801	1,631	829

2. Securities without market quotations

(Unit: thousand yen)

	As of June 30, 2005	As of June 30, 2004	As of March 31, 2005
	Carrying value	Carrying value	Carrying value
Other securities			
Unlisted stock (excluding OTC stock)	33,836	54,547	47,531
Free financial fund	3,000,164	-	5,500,129

Derivatives

Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
No reportable information. The Company does not hold or issue derivative instruments.	Same as on the left.	Same as on the left.

Segment information

1. Business segment information

Three months ended 30th June 2005 (April 1, 2005 – June 30, 2005) (Unit: thousand yen)

	Pharmaceutical business	Others business	Total	Eliminations or corporate	Consolidated
Net sales					
(1) Sales - outside customers	4,116	7,441	11,558	-	11,558
(2) Sales and transfers - inter-segment	-	600	600	(600)	-
Total	4,116	8,041	12,158	(600)	11,558
Operating expenses	427,707	8,428	436,135	(1,170)	434,965
Operating income (loss)	(423,590)	(387)	(423,977)	570	(423,407)

Notes: 1. Products and services are categorized into operating segments on the basis of similarities between product and service lines and markets.

2. Major products and categories in each operating segment are as follows:

(1) Pharmaceutical business: Pharmaceuticals

(2) Other business: Transfer of pharmaceutical-related technologies, publication of medical journals

3. Operating expenses included in eliminations or corporate: None

4. Although pharmaceuticals are the Company's core business the share of the Pharmaceuticals Business are less than 50% of the total segment sales mainly because most of the Company's drugs are still in the R&D stage. The principle activity in the others category is transfer of pharmaceutical-related technologies, with sales totaling 6,943 thousand yen and representing 60.1% of the total sales of all segments.

Three months ended 30th June 2004 (April 1, 2004 – June 30, 2004) (Unit: thousand yen)

	Pharmaceutical business	Others business	Total	Eliminations or corporate	Consolidated
Net sales					
(1) Sales - outside customers	-	9,798	9,798	-	9,798
(2) Sales and transfers - inter-segment	-	600	600	(600)	-
Total	-	10,398	10,398	(600)	9,798
Operating expenses	461,217	6,689	467,907	(1,170)	466,737
Operating income (loss)	(461,217)	3,708	(457,509)	570	(456,939)

Notes: 1. Products and services are categorized into operating segments on the basis of similarities between product and service lines and markets.

2. Major products and categories in each operating segment are as follows:

(1) Pharmaceutical business: Pharmaceuticals

(2) Other business: Transfer of pharmaceutical-related technologies, publication of medical journals

3. Operating expenses included in eliminations or corporate: None

4. Although pharmaceuticals are the Company's core business the share of the Pharmaceuticals Business are less than 50% of the total segment sales mainly because most of the Company's drugs are still in the R&D stage. The principle activity in the others category is transfer of pharmaceutical-related technologies, with sales totaling 9,702 thousand yen and representing 93.3% of the total sales of all segments.

Fiscal year ended 31st March 2005 (April 1, 2004 – March 31, 2005) (Unit: thousand yen)

	Pharmaceutical business	Others business	Total	Eliminations or corporate	Consolidated
Net sales					
(1) Sales - outside customers	204,881	39,513	244,395	-	244,395
(2) Sales and transfers - inter-segment	-	2,400	2,400	(2,400)	-
Total	204,881	41,913	246,795	(2,400)	244,395
Operating expenses	1,970,560	31,878	2,002,438	(4,680)	1,997,758
Operating income (loss)	(1,765,678)	10,035	(1,755,642)	2,280	(1,753,362)

Notes: 1. Products and services are categorized into operating segments on the basis of similarities between product and service lines and markets.

2. Major products and categories in each operating segment are as follows:

(1) Pharmaceutical business: Pharmaceuticals

(2) Other business: Transfer of pharmaceutical-related technologies, publication of medical journals

3. Operating expenses included in eliminations or corporate: None

2. Geographic segment information

Three months ended 30th June 2005 (April 1, 2005 – June 30, 2005)

No information on geographic segments has been presented because the Company and its consolidated subsidiaries have conducted 90% of their sales in Japan and over 90% of the Company's consolidated total assets were located in Japan.

Three months ended 30th June 2004 (April 1, 2004 – June 30, 2004)

No information on geographic segments has been presented because the Company and its consolidated subsidiaries have conducted 90% of their sales in Japan and over 90% of the Company's consolidated total assets were located in Japan.

Fiscal year ended 31st March 2005 (April 1, 2004 – March 31, 2005)

No information on geographic segments has been presented because the Company and its consolidated subsidiaries have conducted 90% of their sales in Japan and over 90% of the Company's consolidated total assets were located in Japan.

3. Overseas sales

Three months ended 30th June 2005 (April 1, 2005 – June 30, 2005)

(Unit: thousand yen)

	Europe	North America	Others	Total
I Overseas sales	4,669	4,742	224	9,635
II Net sales	-	-	-	11,558
III Share of overseas sales in total consolidated net sales	40.4%	41.0%	1.9%	83.4%

Notes: 1. Geographic area segments are based on geographical proximity.

2. Principal countries and regions included in each geographic segment are as follows:

- (1) Europe: U.K., Germany and France
- (2) North America: U.S.

3. Overseas sales comprise sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

Three months ended 30th June 2004 (April 1, 2004 – June 30, 2004)

(Unit: thousand yen)

	Europe	North America	Others	Total
I Overseas sales	5,631	2,335	485	8,452
II Net sales	-	-	-	9,798
III Share of overseas sales in total consolidated net sales	57.5%	23.8%	5.0%	86.3%

Notes: 1. Geographic area segments are based on geographical proximity.

2. Principal countries and regions included in each geographic segment are as follows:

- (1) Europe: U.K., Germany and France
- (2) North America: U.S.

3. Overseas sales comprise sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

Fiscal year ended 31st March 2005 (April 1, 2004 – March 31, 2005)

(Unit: thousand yen)

	Europe	North America	Others	Total
I Overseas sales	27,022	7,867	2,769	37,660
II Net sales	-	-	-	244,395
III Share of overseas sales in total consolidated net sales	11.1%	3.2%	1.1%	15.4%

Notes: 1. Geographic area segments are based on geographical proximity.

2. Principal countries and regions included in each geographic segment are as follows:

- (1) Europe: U.K., Germany and France
- (2) North America: U.S. and Canada

3. Overseas sales comprise sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

Per share information

(Unit: Yen)

Apr. 1, 2005 – Jun. 30, 2005		Apr. 1, 2004 – Jun. 30, 2004		Apr. 1, 2004 – Mar. 31, 2005	
Shareholders' equity per share:	149,755.79	Shareholders' equity per share:	13,145.01	Shareholders' equity per share:	157,443.52
Net loss per share:	6,957.04	Net loss per share:	9,383.23	Net loss per share:	32,136.45
Net income per share (diluted) is not presented since the company posted a net loss.		Net income per share (diluted) is not presented since the company posted a net loss.		Net income per share (diluted) is not presented since the company posted a net loss.	

Note: The following is a reconciliation of basic net loss per share to net income per share (diluted).

(Unit: thousand yen)

	Apr. 1, 2005 – Jun. 30, 2005	Apr. 1, 2004 – Jun. 30, 2004	Apr. 1, 2004 – Mar. 31, 2005
Net loss	431,092	442,607	1,820,358
Net loss not available to common shareholders	-	-	-
Net loss available to common stocks	431,092	442,607	1,820,358
Average number of shares outstanding	61,964 shares	47,170 shares	56,644 shares
Summary of potential stock not included in the calculation of "Net income per share (diluted)" since there was no dilutive effect	Stock Option 3 issues (Balance of shares issuable under stock acquisition rights: 3,435 shares) Stock Option 6 issues (Balance of shares issuable under stock acquisition rights: 3,205 shares)	Stock Option No. 1 (Balance of shares issuable under stock acquisition rights: 2,690 shares) Stock Option No. 2 (Balance of shares issuable under stock acquisition rights: 350 shares) Stock Option No. 3 (Balance of shares issuable under stock acquisition rights: 1,360 shares) Stock Option 6 issues (Stock acquisition rights: 3,465)	Stock Option 3 issues (Balance of shares issuable under stock acquisition rights: 3,888 shares) Stock Option 6 issues (Balance of shares issuable under stock acquisition rights: 3,205 shares)

Notable events subsequent to the balance sheet date

Apr. 1, 2005 - Jun. 30, 2005	Apr. 1, 2004 - Jun. 30, 2004	Apr. 1, 2004 - Mar. 31, 2005
<p>1. New issue</p> <p>New issue of the Company share to the 3rd parties was resolved by its Board of Directors on July 19, 2005.</p> <ul style="list-style-type: none"> - Share type: common share - Number of shares to be issued: 35,630 shares - Issue price: 522,600 yen - Total value of new issue: 18,620,238,000 yen - Amount credited to capital share: 	No reportable information.	Same as on the left.

<p>261,300 yen per share</p> <ul style="list-style-type: none"> - Date of remittance: Aug. 30, 2005 - Dividend reckoning date: Apr. 1, 2005 - Use of funds raised: The new shares are to be issued in consideration for shares of Arakis Limited and no cash to be transacted. <p>2. Acquisition of Arakis Limited</p> <p>Acquisition of Arakis Limited by acquiring its shares was resolved by the Company's Board of Directors on Jul. 19, 2005.</p> <ul style="list-style-type: none"> - Aim: To enrich its product pipeline and enhance the access to global pharmaceutical markets, etc. - Acquiree: Existing shareholders of Arakis Limited - Business: Biopharmaceutical - Capital share: 138 million yen - Date of acquisition: 30 Aug. 2005 - Number of shares to be acquired: 1,006,203 - Total value of the acquired shares: 20,927,676,000 yen - Percentage of acquisition: 100% - Consideration: The Company will acquire Arakis shares in consideration for the Company's new issue and cash. 		
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** This financial report is solely a translation of summary of Japanese IQ Report, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer English translation.*