

健康づくりは幸せづくり
Making Health is making happiness



52nd

Business Report

From April 1, 2005 to March 31, 2006.



ゼリア新薬
ZERIA

To Our Shareholders



Dear Shareholders,
We are hereby reporting the results of our
52nd business operations, the fiscal year
2005, for the period
from April 1, 2005 to March 31, 2006.

President
Zeria Pharmaceutical Co., Ltd.

Sachiaki Ibe

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Z・E・R・I・A Five コーポレート・スピリッツ／企業理念



Summary of our Business Operations (Consolidated)

Results of the fiscal year 2005

The result of the fiscal year 2005 is 55,545 billion yen in sales (decrease of 1.2% compared with the previous fiscal year), 1,8079 billion yen in ordinary profits (decrease of 6.0% compared with the previous fiscal year) and 1,2048 billion yen in net profits (decrease of 9.8% compared with the previous fiscal year). The dividend for this fiscal year is 16 yen per share.

Results by Operated Business

Ethical Pharmaceuticals

We have strived to improve and strengthen the quality and activities of our MR (medical representatives) with the observance of the promotion codes as our basis in operations, and implemented the re organization of our Ethical Products Sales & Marketing Division to build up and expand our main product's market through actively conducting the Drug Information operation.

In our principal field, gastrointestinal (GI) products,

Promac Granules 15%, zinc-containing antiulcer agent, achieved widespread penetration into the market and an increase in sales in spite of tough conditions, such as changes in market environment and intensification of competition. On the other hand, Acinon Capsules 75 and 150, H₂ receptor antagonist, slightly decreased in its sales, and Marzulene-S Granules/ES tablets, cytoprotective agent for gastritis and peptic ulcer, had a hard time in this fiscal year.

The total sales of Ethical Pharmaceuticals resulted in 33,203 billion yen (decrease of 2.2% compared with the previous fiscal year).

Consumer Healthcare

In the Consumer Healthcare we have devoted our efforts to establish a secure market position by means of providing with our characteristic products based on the concept of "Self-Prevention" in order to make a social contribution to the health in the advancing aging society.

Among them, Chondroitin group, pharmaceutical products for joint pain etc., achieved remarkable increase

● Sales (Consolidated): million yen

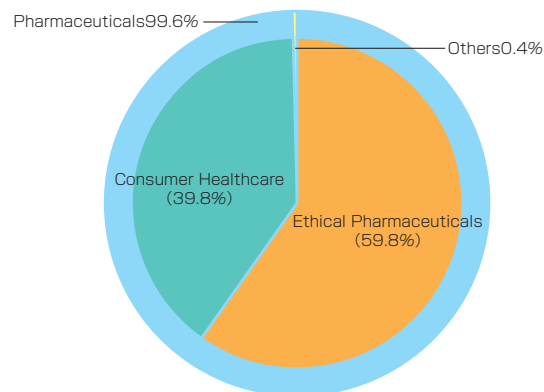
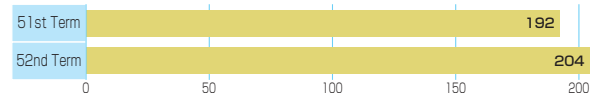
Ethical Pharmaceuticals



Consumer Healthcare



Others



Summary of our Business Operations (Consolidated)

in sales by way of vigorous and consistent marketing and promotion including launching of new products, and strengthened its position as the top brand. In addition, Hi-Jelly B group, Nutrient Tonics(pharmaceuticals), achieved a steady growth through launching a non-sugar, low calorie products range.

The total sales of Consumer Healthcare resulted in 22.137 billion yen (increase of 0.4% compared with the previous fiscal year).

Status of Research and Development

Our Research and Development Division has been actively pursuing overseas clinical studies of our original products for the purpose of developing new drugs that are globally marketable and competitive. At the same time we have been in-licensing products that have been



● Main Ethical Products

| Therapeutic Field | Product Name |
|------------------------|-----------------------------------|
| Gastrointestinal field | Acinon Capsules 75, 150 |
| | Promac Granules 15% |
| | Marzulene- S Granules, ES Tablets |
| Central nervous field | Peon Tablets 80 |
| Cardiovascular field | Landel Tablets 10, 20, 40 |
| Immune field | Ancer 20 Injection |
| Medical devices | Avitene, Syringe Avitene |

successful overseas and developing them for the Japanese market.

In our efforts to build up our pipeline of new gastrointestinal drugs, an approval application was submitted in February 2005 for Z-205, a bowel cleansing agent for colonoscopy in-licensed from the US-based InKine Pharmaceuticals, Inc. (currently Salix Pharmaceuticals, Inc.). In addition, a product for treatment of inflammatory bowel disease, Z-206, in-licensed from Tillotts Pharma AG of Switzerland, is now in Phase III.



● Main Consumer Healthcare Products

| Category | Product Name |
|---------------------------------------|--|
| Self-Prevention | Chondroitin ZS Tablets |
| | New Hepalyse Plus, New Hepalyse Drink |
| | Hi Jelly Granules, Hi Jelly Powder |
| Nutrient Tonics(Pharmaceuticals) | Hi Jelly B, Hi Jelly B Fresh |
| | New Royal Geront B |
| | Zerias V5, V10 |
| Remedies for Gastrointestinal Disease | WithOne, WithOne α , WithOne Plus |
| Cold Remedies | Cepie Gold Capsules, Granules |
| Nutrient Tonics (Quasi Drugs) | Vita Healthan B |
| Dermal Remedies | Dolmycin Ointment |
| | Dolmycorti Ointment |
| New-Concept Foods | New Health Habit |

Our pipeline also includes a wide range of our own original drugs, as well as new indications for Zeria products already on the market. Z-338, being developed in Japan, Europe and the US for patients with functional dyspepsia, is now in Phase II. Astellas Pharma Inc. is carrying out clinical study in the US based on our licensing agreement. Phase II for Promac, for an additional indication for taste disorder (dysgeusia), has been completed and Phase III is now underway. Phase III of Ancer 20 Injection in patients with cervical cancer is also ongoing, and Phase Ib/IIa for Z-360 in patients with pancreatic cancer is now being conducted in Europe. We have started preparation for clinical development of Z-207 for allergic rhinitis, working under the commission by Japan Science and Technology Agency (JST), an independent administrative institution, Contract Development in the Project to Develop Innovative Seeds. We have also been preparing for Phase I in the US for Z-501, a drug for irritable bowel syndrome originated from at our Central Research Laboratories

Promac D Tablets 75 (Orally Disintegrating tablet) was approved in this February and has been launched in this July.

We are continuously conducting new Consumer Healthcare products and their PB (private brand) products.

As a result of the progresses in the research and development, our R & D expenditure reached 6.773 billion yen (increase of 3.4% compared with the previous fiscal year).

Status of Production and Distribution

The Production and Distribution Divisions has been carrying out their operations focusing to secure the quality as the first priority. Especially, the production

section has been devoted to ensuring higher quality for our products and lowering in the. On the other hand, the distribution and logistics division has embarked on outsourcing and been devoted to promotion of the efficiency and reduction of the cost.

To contribute to expansions of the Consumer Healthcare Business, we begun the second phase construction of the Tsukuba Plant in December of last year aiming at the start of its operations in next spring.

Outlook for the fiscal year 2005

In the Ethical Pharmaceuticals, we make our efforts to promote efficient operation of the information system that has been established to cope with environmental changes. Furthermore, by investing in a promotion system utilizing IT to follow the market trend, we intend to establish a effective mechanism for maximizing our sales and marketing capability and enhancing the productivity and to develop and expand our products' market mainly focusing on GI field. In the Consumer Healthcare, we devote ourselves to further expansion of Chondroitin group market, which has been secured the top position in the joint pain products market during our 5th Mid-term 5-year Business Plan (for the period from April 2001 to March 2006), and to bring up new national brand products, and thereby aim to enhance our position in the pharmaceutical industry.

With respect to Research and Development, we endeavor to further enrich and enhance the products pipeline for ethical drugs aiming at develop internationally contributable new drugs. In addition, in response to advancing aging society, we actively pursue the development of the consumer healthcare products for supporting the self-medication.

Research and Development Pipeline

1. Domestic pipeline (Japan)

1-1) Gastrointestinal field

| Stage | Development code/ Generic name | Development | Indications | Classification | Notes |
|------------------------|--------------------------------|-------------|---------------------------------------|--|--|
| Filed | Z-205/Sodium Phosphate | Zeria | Bowel cleansing for colonoscopy | Tablet-form bowel preparation | In-licensed |
| | ZL-101/Nizatidine | Zeria | Gastroduodenal ulcer, GERD, Gastritis | Tablet | In-licensed, Acinon additional formulation |
| Phase III | Z-206/Mesalazine | Zeria | Ulcerative colitis | pH-dependent-controlled-release formulation | In-licensed |
| | Z-206/Mesalazine | Zeria | Crohn's disease | pH-dependent-controlled-release formulation | In-licensed |
| | Z-103/Polaprezinc | Zeria | Taste disorder | Zinc replacement | In-licensed, Promac additional Indication |
| Phase II | Z-338/Acotiamide | Zeria | Functional dyspepsia | Upper gastrointestinal motility modulator | Original |
| Phase I in preparation | Z-501 | Zeria | Irritable bowel syndrome | Neurokinin NK ₂ receptor antagonist | Original |

1-2) Other field

| Stage | Development code/ Generic name | Development | Indications | Classification | Note |
|------------------------|--------------------------------|-------------|-------------------|---|---------------------------------------|
| Phase III | Z-100 | Zeria | Cervical cancer | Immunomodulator | Original, Ancer additional indication |
| Phase I in preparation | Z-207 | Zeria | Allergic rhinitis | Chemical ablation Ethanol / Steroid mixture | In-licensed |

2. Overseas pipeline

| Stage | Development Code/ Generic Name | Development | Indications | Classification | Note |
|-----------------------------|--------------------------------|---------------------------|--------------------------|--|------------------------|
| Phase II (Europe) | Z-338/Acotiamide | Zeria | Functional dyspepsia | Upper gastrointestinal motility modulator | Original |
| Phase II (North America) | | Co-development (Astellas) | | Upper gastrointestinal motility modulator | Out-licensed, Original |
| Phase I b/IIa (Europe) | Z-360 | Zeria | Pancreatic cancer | Gastrin CCK ₂ receptor antagonist | Original |
| Phase I in preparation(USA) | Z-501 | Zeria | Irritable bowel syndrome | Neurokinin NK ₂ receptor antagonist | Original |

Zeria has established its 6th Mid-term Business Plan (from April 2006 to March 2011).

In 2006, our company began its 6th Mid-term Business Plan for the coming 5 years. The framework of the plan is as follows.

Fundamental concept of the 6th Mid-term Business Plan

Our aim is to build up our two areas of business, much like two wheels that strengthen the corporate vehicle, by further investing management resources into our consumer healthcare business and reinforcing the management foundations of the entire group, thus dedicating our collective efforts to the expansion of our business operations as a whole.

Management Target

Achieve net sales of 100 billion yen (consolidated), and a ratio of net income to sales of over 5%, by 2010.

Important issues

1. To enhance the productivity of our ethical drugs business and establish a firm position centered on the gastrointestinal field.
2. To develop and release new national brand products in our consumer healthcare business.
3. To further enrich and enhance our pipeline of new drugs in research and development.
4. To establish a fully integrated production and distribution system in order to raise efficiency in the production, distribution and administrative sections.
5. To dynamically evolve our pharmaceutical business and, through alliances and collaborations, develop new areas of business.

Special Offers to our Shareholders

As a token of our thanks to our shareholders for their assistance and cooperation, our company has a system to give special offers to our shareholders. From the following 2 options, we shall offer either of them according to your desire. We would like you to understand our broad products range through your trial on this opportunity.

Option A

**One box of our new concept product,
"Shin Kenko Shukan (New Health Habit)"
(2 weeks supply) to help reduce fats.**



"Shin Kenko Shukan (New Health Habit)" is a low calorie (about 220 k calories per meal) and life-supporting food product, in which various nutrients are balanced and blended. This product is recommended to people who have high body fat rate or who want to control body weight to a healthy level.

Option B

**Health food Drink,
"Chondorobe Concentrate, JUNKOU"
(2 bottles of 720 ml each)**

"Chondorobe Concentrate JUNKOU" is a health food drink which contains 1,560 mg of chondroitin sulfate, 1,000 mg of glucosamine and 1,000 mg of collagen peptide in 90 ml of standard daily standard intake volume, and we recommend this product to the customers who wish to be young and active.



Financial Statements (Consolidated)

Consolidated Balance Sheet

| Item | Term | Prior Consolidated Fiscal Year (As of March 31, 2005) | Current Consolidated Fiscal Year (As of March 31, 2006) |
|--|------|--|--|
| Assets | | | |
| Current Assets | | 25,260 | 24,011 |
| Cash and Cash Equivalents | | 2,922 | 2,147 |
| Notes Receivable and Accounts Receivable | | 16,133 | 15,225 |
| Inventories | | 3,935 | 3,821 |
| Deferred Tax Assets | | 904 | 847 |
| Other | | 1,420 | 2,022 |
| Reserve for Doubtful Accounts | | △56 | △52 |
| Fixed Assets | | 29,901 | 32,527 |
| Tangible Fixed Assets | | 15,404 | 17,412 |
| Buildings & Structures | | 4,980 | 4,743 |
| Equipment and Vehicles | | 784 | 915 |
| Land | | 9,338 | 9,346 |
| Construction in Progress | | — | 2,059 |
| Other | | 301 | 347 |
| Intangible Fixed Assets | | 1,274 | 1,149 |
| Investments and Other Assets | | 13,222 | 13,965 |
| Investment Securities | | 6,625 | 8,148 |
| Long-Term Prepaid Expenses | | 4,808 | 4,187 |
| Deferred Tax Assets | | 915 | 19 |
| Other | | 1,033 | 1,747 |
| Reserve for Doubtful Accounts | | △160 | △136 |
| | | | |
| | | | |
| Total Assets | | 55,162 | 56,539 |

(Unit: ¥ million*)

| Item | Term | Prior Consolidated Fiscal Year (As of March 31, 2005) | Current Consolidated Fiscal Year (As of March 31, 2006) |
|---|------|--|--|
| Liabilities | | | |
| Current Liabilities | | 22,741 | 19,861 |
| Notes Payable and Accounts Payable | | 7,201 | 6,490 |
| Short Term Borrowings | | 10,319 | 8,253 |
| Accrued Income Taxes | | 807 | 378 |
| Reserve for Bonuses | | 985 | 867 |
| Reserve for Adjustment for Returns | | 243 | 224 |
| Reserve for Sales Rebates | | 408 | 336 |
| Other | | 2,775 | 3,310 |
| Fixed Liabilities | | 4,706 | 7,324 |
| Bonds | | — | 1,000 |
| Long Term Borrowings | | 2,827 | 4,588 |
| Reserve for Retirement Benefits | | 1,593 | 1,478 |
| Reserve for Directors Retirement Benefits | | 212 | 188 |
| Other | | 72 | 68 |
| Total Liabilities | | 27,447 | 27,185 |
| [Minority Holdings] | | | |
| Minority Holding | | — | — |
| [Shareholders Equity] | | | |
| Capital | | 6,593 | 6,593 |
| Capital Surplus | | 5,397 | 5,414 |
| Retained Earnings | | 20,717 | 21,283 |
| Other Unrealized Gains and Losses on Securities | | 1,137 | 2,226 |
| Treasury Stock | | △6,130 | △6,164 |
| Total Capital | | 27,715 | 29,353 |
| Total Liabilities, Minority Holdings and Shareholders Equity | | 55,162 | 56,539 |

Unit: ¥ million rounded down to nearest million

Consolidated Statement of Income

(Unit: ¥ million*)

| Item | Term | Prior Consolidated Fiscal Year (Commenced April 1, 2004 and ended March 31, 2005) | Current Consolidated Fiscal Year (Commenced April 1, 2005 and ended March 31, 2006) |
|--|------|--|--|
| Sales | | 56,209 | 55,545 |
| Cost of Goods Sold | | 26,850 | 26,800 |
| Return Adjustment and Rebate | | △22 | △19 |
| Gross Profit | | 29,380 | 28,763 |
| Sales & General Administrative Expenses | | 26,958 | 26,819 |
| Operating Income | | 2,422 | 1,944 |
| Non-Operating Income | | 141 | 229 |
| Interest Income | | 2 | 2 |
| Dividend Income | | 90 | 108 |
| Investment Income | | — | 50 |
| Other | | 48 | 68 |
| Non-Operating Expenses | | 564 | 294 |
| Interest Expense | | 112 | 130 |
| Commitment Agreement Expense | | 129 | 120 |
| Investment Losses | | 210 | — |
| Foreign Exchange Loss | | 81 | — |
| Other | | 29 | 43 |
| Ordinary Income | | 1,999 | 1,879 |
| Extraordinary Incomes | | 595 | 494 |
| Gains on Sale of Fixed Assets | | 2 | 10 |
| Reversal of Reserve for Doubtful Accounts | | 13 | — |
| Gains on Set Up of Retirement Benefits Trust | | 579 | 483 |
| Extraordinary Losses | | 24 | 141 |
| Loss on Sale of Fixed Assets | | 0 | — |
| Loss on Disposal of Fixed Assets | | 7 | 15 |
| Unrealized Valuation Loss on Fixed Assets | | 4 | 102 |
| Additional Retirement Payment | | 12 | 23 |
| Net Income before Income Taxes | | 2,570 | 2,231 |
| Income, Inhabitants and Enterprise Taxes | | 1,088 | 778 |
| Deferred Income Taxes | | 97 | 204 |
| Net Income for the Term | | 1,385 | 1,248 |

* Unit: ¥ million rounded down to nearest million

Consolidated Statement of Surplus

(Unit: ¥ million*)

| Item | Term | Prior Consolidated Fiscal Year (Commenced April 1, 2004 and ended March 31, 2005) | Current Consolidated Fiscal Year (Commenced April 1, 2005 and ended March 31, 2006) |
|--|------|--|--|
| (Capital Surplus) | | | |
| Capital Surplus Beginning Balance | | 5,397 | 5,397 |
| Increase in Capital Surplus During the Term | | — | 17 |
| Gains on Sale of Treasury Stocks | | — | 17 |
| Capital Surplus Ending Balance | | 5,397 | 5,414 |
| (Retained Earnings) | | | |
| Retained Earnings Beginning Balance | | 20,040 | 20,717 |
| Increase in Retained Earnings During the Term | | 1,385 | 1,248 |
| Net Income for the Period | | 1,385 | 1,248 |
| Decrease in Retained Earnings During the Term | | 708 | 682 |
| Dividends | | 708 | 682 |
| Retained Earnings Ending Balance | | 20,717 | 21,283 |

* Unit: ¥ million rounded down to nearest million

Consolidated Cash Flow Statement

(Unit: ¥ million*)

| Item | Term | Prior Consolidated Fiscal Year (Commenced April 1, 2004 and ended March 31, 2005) | Current Consolidated Fiscal Year (Commenced April 1, 2005 and ended March 31, 2006) |
|--|------|--|--|
| Cash Flow from Operating Activities | | 3,468 | 1,265 |
| Cash Flow from Investment Activities | | △8,109 | △2,031 |
| Cash Flow from Financing Activities | | 5,303 | △4 |
| Conversion Differences Relating to Cash and Cash Equivalents | | △49 | △5 |
| Increase (Decrease) in Cash and Cash Equivalents | | 612 | △775 |
| Beginning Balance of Cash and Cash Equivalents | | 2,178 | 2,790 |
| Ending Balance of Cash and Cash Equivalents | | 2,790 | 2,015 |

* Unit: ¥ million rounded down to nearest million

Non-consolidated Financial Statements

Balance Sheet

| Item | Term | |
|-------------------------------------|--|---|
| | Prior Fiscal Year (As of March 31, 2005) | Current Fiscal Year (As of March 31, 2006) |
| Assets | | |
| Current Assets | 24,335 | 23,322 |
| Cash and Cash Equivalents | 1,968 | 1,517 |
| Notes Receivable | 968 | 994 |
| Accounts Receivable | 15,670 | 14,708 |
| Inventories | 3,893 | 3,785 |
| Deferred Tax Assets | 822 | 790 |
| Other | 1,058 | 1,570 |
| Reserve for Doubtful Accounts | △46 | △43 |
| Fixed Assets | 28,369 | 31,066 |
| Tangible Fixed Assets | 13,612 | 15,640 |
| Buildings | 4,128 | 3,931 |
| Land | 8,188 | 8,195 |
| Other | 1,296 | 3,512 |
| Intangible Assets | 1,273 | 1,149 |
| Investments and Other Assets | 13,483 | 14,277 |
| Investment Securities | 6,370 | 7,987 |
| Long Term Prepaid Expenses | 4,808 | 4,187 |
| Deferred Tax Assets | 843 | — |
| Other | 1,621 | 2,239 |
| Reserve for Doubtful Accounts | △160 | △136 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Assets | 52,704 | 54,389 |

(Unit: ¥ million*)

| Item | Term | |
|--|--|---|
| | Prior Fiscal Year (As of March 31, 2005) | Current Fiscal Year (As of March 31, 2006) |
| Liabilities | | |
| Current Liabilities | 22,043 | 19,217 |
| Notes Payable | 3,348 | 2,934 |
| Accounts Payable | 3,833 | 3,528 |
| Short Term Borrowings | 9,620 | 6,070 |
| Long Term Borrowings Coming Due Within 1 Year | 352 | 1,756 |
| Accrued Corporate Taxes | 611 | 279 |
| Reserve for Bonuses | 965 | 849 |
| Reserve for Adjustment for Returns | 243 | 224 |
| Reserve for Sales Rebates | 408 | 336 |
| Other | 2,660 | 3,239 |
| Fixed Liabilities | 3,461 | 6,282 |
| Bonds | — | 1,000 |
| Long Term Borrowing | 1,664 | 3,577 |
| Reserve for Retirement Benefits | 1,593 | 1,469 |
| Reserve for Directors Retirement Benefits | 203 | 178 |
| Other | 0 | 56 |
| Total Liabilities | 25,505 | 25,500 |
| | | |
| [Shareholders Equity] | | |
| Capital | 6,593 | 6,593 |
| Capital Surplus | 5,397 | 5,414 |
| Capital Reserve | 5,397 | 5,397 |
| Other Capital Surplus | — | 17 |
| Retained Earnings | 20,202 | 20,819 |
| Legal Reserve | 1,648 | 1,648 |
| Voluntary Reserves | 16,559 | 17,159 |
| Unappropriated Profits for the Term | 1,995 | 2,012 |
| Other Unrealized Gains and Losses on Securities | 1,136 | 2,225 |
| Treasury Stocks | △6,130 | △6,164 |
| Total Shareholders Equity | 27,199 | 28,889 |
| Total Liabilities and Shareholders Equity | 52,704 | 54,389 |

Unit: ¥ million rounded down to nearest million

Non-consolidated Statement of Income

(Unit: ¥ million*)

| Item | Term | Prior Fiscal Year (Commenced April 1,2004 and ended March 31,2005) | Current Fiscal Year (Commenced April 1,2005 and ended March 31,2006) |
|---|------|---|---|
| Sales | | 54,718 | 54,344 |
| Cost of Goods Sold | | 26,551 | 26,450 |
| Gross Profit | | 28,166 | 27,894 |
| Sales and General Administrative Expenses | | 26,660 | 26,545 |
| Operating Income | | 1,506 | 1,349 |
| Non-Operating Income | | 592 | 616 |
| Non-Operating Expenses | | 536 | 266 |
| Ordinary Income | | 1,562 | 1,699 |
| Extraordinary Income | | 596 | 494 |
| Extraordinary Losses | | 24 | 141 |
| Net Income Before Income Taxes | | 2,134 | 2,052 |
| Income, Inhabitants and Enterprise Taxes | | 682 | 568 |
| Deferred Income Taxes | | 133 | 183 |
| Net Income for the Term | | 1,318 | 1,300 |
| Income Brought Forward from Previous Term | | 1,026 | 1,055 |
| Interim Dividends | | 349 | 343 |
| Unappropriated Profits for the Term | | 1,995 | 2,012 |

* Unit: ¥ million rounded down to nearest million

Non-consolidated Appropriation of Profits

(Unit: ¥)

| Item | Term | Prior Fiscal Year | Current Fiscal Year |
|--|------|-------------------------------|-------------------------------|
| Disposition of Appropriation of Profits for the Term | | | |
| Unappropriated Profits for the Term | | 1,995,326,016 | 2,012,565,026 |
| This will be appropriated as follows. | | | |
| Dividends of Profit | | 339,830,768 (¥8 per share) | 339,729,240 (¥8 per share) |
| Voluntary Reserve | | | |
| Special Reserve | | 600,000,000 | 600,000,000 |
| Profits Carried Over to the Next Term | | 1,055,495,248 | 1,072,835,786 |
| Disposition of Other Capital Surplus | | | |
| Other Capital Surplus | | | |
| Gains and Losses on Sale of Treasury Stocks | | — | 17,255,000 |
| This will be appropriated as follows. | | | |
| Other Capital Surplus to be Carried Forward to the Next Term | | — | 17,255,000 |

- Notes
1. An interim dividend totaling 1343,074,864 (¥8 per share) was made on December 9, 2005
 2. Dividends of Profit were calculated after exclusion of Treasury Stocks (5,824,018 shares)

Consolidated Financial Highlights

| Item | 48th Term (Ended March 31, 2002) | 49th Term (Ended March 31, 2003) | 50th Term (Ended March 31, 2004) | 51st Term (Ended March 31, 2005) | 52nd Term (Ended March 31, 2006) |
|-------------------------------------|--|--|--|--|--|
| Sales (¥ million) | 53,837 | 55,055 | 54,375 | 56,209 | 55,545 |
| Ordinary Income (¥ million) | 3,924 | 3,004 | 2,404 | 1,999 | 1,879 |
| Net Income for the Term (¥ million) | 1,449 | 2,039 | 1,553 | 1,385 | 1,248 |
| Total Assets (¥ million) | 55,029 | 50,310 | 48,304 | 55,162 | 56,539 |
| Shareholders Equity (¥ million) | 29,730 | 29,708 | 29,330 | 27,715 | 29,353 |
| Return on Equity (%) | 4.9 | 6.9 | 5.3 | 4.9 | 4.4 |
| Ordinary Income to Sales (%) | 7.3 | 5.5 | 4.4 | 3.6 | 3.4 |
| Return on Sales (%) | 2.7 | 3.7 | 2.9 | 2.5 | 2.2 |
| Ordinary Income to Total Assets (%) | 6.7 | 5.7 | 4.9 | 3.9 | 3.4 |
| Equity Ratio (%) | 54.0 | 59.1 | 60.7 | 50.2 | 51.9 |
| Net Income per Share (¥) | 30.03 (30.03) | 42.82 | 33.93 | 31.77 | 29.23 |
| Shareholders Equity per Share (¥) | 617.07 (617.07) | 633.32 | 654.74 | 652.45 | 691.22 |

Notes Commencing the 49th Term, ¥Accounting Standard for Earnings per Share¥ (Corporate Accounting Standards No. 2) and the ¥Application Guideline for Accounting Standard for Earnings per Share¥ (Corporate Accounting Standard Application Guideline No. 4) have been applied. Further, the Earnings per Share and Shareholders Equity per Share for the 48th Term calculated under these standards have been included within the parentheses.

Number of Consolidated Subsidiaries: 2

Zeria Healthway Co., Ltd.

Sales: ¥7,338 million
 Shareholders Equity ¥85 million (100% Ownership of Voting Rights)
 Business Activities Manufacture and sales of nutritional foods and health foods

Zevice Co., Ltd.

Sales ¥618 million
 Shareholders Equity ¥180 million (100% Ownership of Voting Rights)
 Business Activities Insurance agency, real estate related activities

Company Information

Company Outline

| | |
|----------------------|--|
| Established: | December 1955 |
| Paid-in Capital: | JPY6,593,398,500 |
| No. of Employees: | 1,170(as of March 31, 2006) |
| Business Activities: | 1) Manufacture, sales, import and export of pharmaceuticals, non-pharmaceutical products and reagents. 2) Manufacture, sales, import and export of cosmetics, health foods, carbonated beverages, hygienic goods and medical devices. |

Board of Directors

| | |
|-----------------------------|---------------------|
| President | Sachiaki Ibe |
| Managing Director | Hiroaki Inokuchi |
| Managing Director | Haruo Nagae |
| Managing Director | Takeshi Saito |
| Directors of the Board | Akira Ohno |
| Directors of the Board | Mitsuyuki Yoshijima |
| Directors of the Board | Masahiko Hanada |
| Directors of the Board | Masakazu Kumai |
| Directors of the Board | Mikio Kan |
| Directors of the Board | Yasunori Nagatani |
| Directors of the Board | Hirofumi Senuma |
| Directors of the Board | Shigeru Moriyama |
| Directors of the Board | Hiroyuki Hori |
| Directors of the Board | Haruyuki Takeuchi |
| Directors of the Board | Kazuhiko Yoshimura |
| Standing Statutory Auditors | Shunji Hamano |
| Standing Statutory Auditors | Tatsuyuki Tanaka |
| External Auditor | Hideo Ogasawara |
| External Auditor | Yukiko Naka |

Branch

| | |
|---------------------------------|---|
| ● Headquarters | Chuo-ku, Tokyo |
| ● Sapporo Branch | Sapporo-shi |
| ● Sendai Branch | Sendai-shi |
| ● Tokyo Branch | Chuo-ku, Tokyo |
| ● Kanagawa Sales Office | Yokohama-shi |
| ● Saitama Sales Office | Saitama-shi |
| ● Chiba Sales Office | Chiba-shi |
| ● Kita kanto Sales Office | Mito-shi |
| ● Kanetsu Sales Office | Niigata-shi |
| ● Koshin Sales Office | Matsumoto-shi |
| ● Nagoya Branch | Nagoya-shi |
| ● Shizuoka Sales Office | Shizuoka-shi |
| ● Osaka Branch | Suita-shi |
| ● Osaka 2nd Sales Office | Sakai-shi |
| ● Kobe Sales Office | Kobe-shi |
| ● Kyoto Sales Office | Kyoto-shi |
| ● Kanazawa Sales Office | Kanazawa-shi |
| ● Chugoku & Shikoku Branch | Hiroshima-shi |
| ● Okayama Sales Office | Okayama-shi |
| ● Takamatsu Sales Office | Takamatsu-shi |
| ● Matsuyama Sales Office | Matsuyama-shi |
| ● Fukuoka Branch | Fukuoka-shi |
| ● Central Research Laboratories | Osato-gun, Saitama |
| ● Saitama Plant | Osato-gun, Saitama |
| ● Tsukuba Plant | Ushiku-shi |
| ● Tokyo Distribution Center | Kawaguchi-shi |
| ● Sapporo Distribution Center | Sapporo-shi |
| ● Saitama Distribution Center | Osato-gun, Saitama |
| ● Osaka Distribution Center | Daito-shi |
| ● Other Sales Office | Aomori · Koriyama · Utsunomiya · Toyama · Yonago · Yamaguchi · Kochi · Tokushima · Oita · Kumamoto · Nagasaki · Kagoshima · Okinawa |

Share Information (As of March 31, 2006)

Shareholding Status

- (i) Authorized number of shares: 119,860,000 shares
- (ii) Number of shares outstanding: 48,290,173 shares
- (iii) Number of shareholders: 3,796

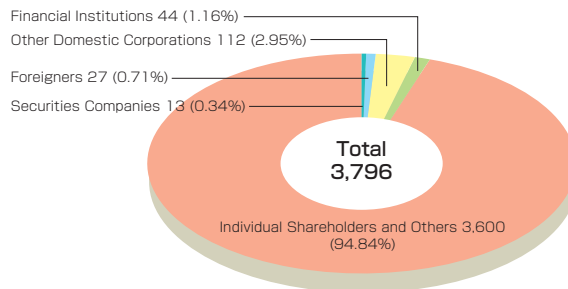
Major Shareholders

| Shareholder | Investments into the Company | | Investments Made By the Company | |
|---|------------------------------|---------------------|---------------------------------|---------------------|
| | No. of Shares Held | Percentage Held (%) | No. of Shares Held | Percentage Held (%) |
| Ibe Corporation | 5,510,770 | 11.4 | — | — |
| Zeria Pharmaceuticals Co., Ltd. Employee Stockholding Plan | 1,970,417 | 4.0 | — | — |
| Bank of Tokyo Mitsubishi UFJ Ltd. | 1,915,500 | 3.9 | — | — |
| Morinaga Milk Industry Co., Ltd. | 1,854,741 | 3.8 | 1,596 | 0.0 |
| Japan Trustee Service Bank Ltd. (Trust) | 1,672,000 | 3.4 | — | — |
| Sachiaki Ibe | 1,409,425 | 2.9 | — | — |
| Sumitomo Mitsui Banking Corporation | 1,278,301 | 2.6 | — | — |
| Resona Bank Limited. | 1,074,896 | 2.2 | — | — |
| Aioi Insurance Co., Ltd | 858,691 | 1.7 | — | — |
| The Chuo and Mitsui Trust and Banking Company Limited. | 639,000 | 1.3 | — | — |

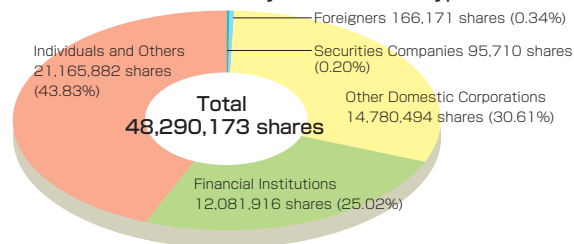
In addition to the above, the Company holds 5,824,018 treasury shares.

Distribution of Shareholders by Shareholder Type

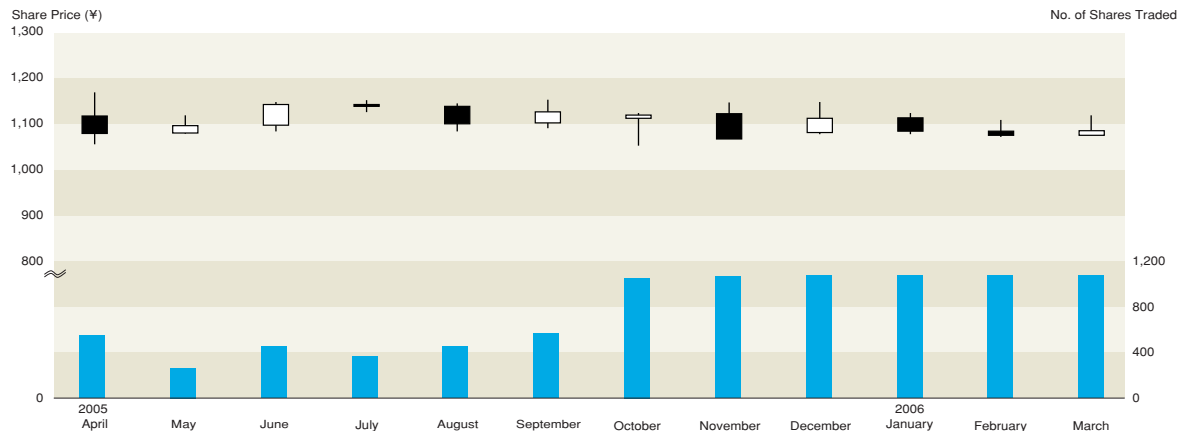
Shareholder Composition



Distribution of Shares by Shareholder Type



Share Price and Trading Volume



Shareholder Memo

| | |
|--|---|
| ● Fiscal Year End | March 31 |
| ● Ordinary General Meeting of the Shareholders Date on which the list of shareholders eligible to exercise voting rights is finalized | March 31 |
| ● End of term dividend Date on which the list of beneficial shareholders is finalized | March 31 |
| ● Interim Dividend Date on which the list of beneficial shareholders is finalized | September 30 |
| ● Ordinary General Meeting of the Shareholders ● Method of Notice | Late June Electronic notification http://www.zeria.co.jp However, when unable to provide notices electronically, notices will be posted in the Nihon Keizai Shimbun newspaper published in Tokyo. The Chuo Mitsui Trust and Banking Company, Limited. 3-33-1 Shiba, Minato-ku, Tokyo 105-8574 |
| ● Transfer Agent | Transfer Agency Division, Chuo Mitsui Trust and Banking Company, Limited. 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 0120-78-2031 (toll-free) |
| ● Operation Center of Transfer Agent | All domestic branches of the Chuo Mitsui Trust and Banking Company, Limited. Main Branch and all domestic branches of Japan Securities Agents Co., Ltd. |
| ● Handling Locations | 4559 |
| ● Securities Code | |

Notice

Request for the necessary forms for change of address reporting, request for purchases of fractional share, transfer of title and designation of transfer account for dividend receipts can be obtained by calling the toll free number of the transfer agent or using the Internet homepage.

Requests accepted 24 hours a day at:

0120-87-2031 (toll-free) or

http://www.chuomitsui.co.jp/person/p_06.html

Up-to-date IR information may be viewed on the Company's homepage

URL <http://www.zeria.co.jp/>



The Company has set up a homepage for the purpose of providing accurate information on a timely basis. The home page contains a wide variety of information useful for shareholders and investors from IR information to the latest news.



Zeria Pharmaceutical Co.,Ltd.

10-11 Nihonbashi Kobuna-cho Chuo-ku Tokyo 103-8351

TEL 03-3663-2351 FAX 03-3663-2352

03-3663-2080(Customer Service)

<http://www.zeria.co.jp/>