Securities Code 4559

56th

Business Report

From April 1, 2009 to March 31, 2010

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ゼリア新薬
ZERIA

To Our Shareholders

President
Sachiaki Ibe

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健康へのニーズに焦点を

Excel in quality at every level
企業活動すべてにベスト・クオリティの追求を

Reach out to the world
世界に目を向けて

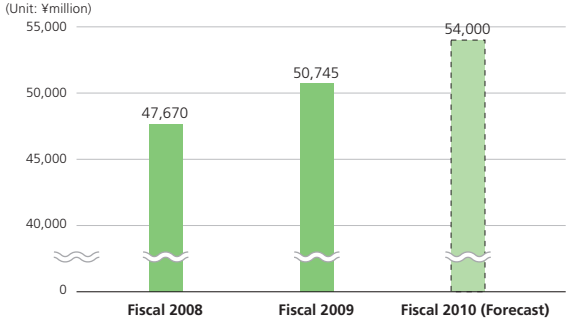
Inspire confidence in management
信頼と期待に応える経営を

Achieve our potential
事業発展の基盤づくりを

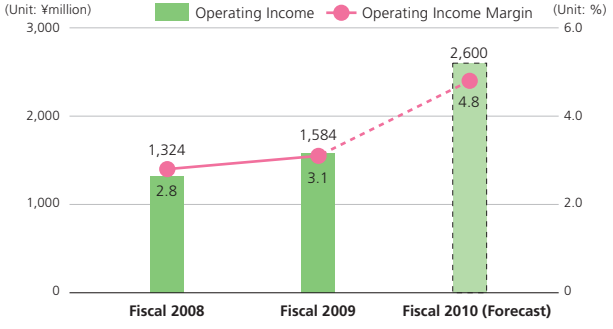
Z·E·R·I·A Five Corporate Spirits

We are pleased to report the results of the fiscal year 2009 (56th business operations) for the period from April 1, 2009 to March 31, 2010.

Sales



Operating Income/Operating Income Margin



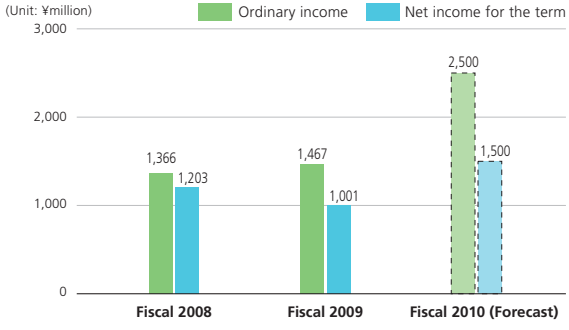
In the Japanese economy during the fiscal year under review, although there were signs of partial recovery thanks to the government's emergency economic measures and other factors, corporate earnings remained at low levels overall and a mood of stagnation in the economy was not dispelled. Moreover, difficult circumstances such as a deteriorating employment situation, a decline in capital expenditure and weak private consumption continue to persist.

In the ethical pharmaceuticals industry, we continued to see government policy to minimize treatment costs such as the promotion of generic brand pharmaceuticals. Also, in the OTC drug market, the business environment was difficult owing to factors such as weak private consumption due to the depressed economy.

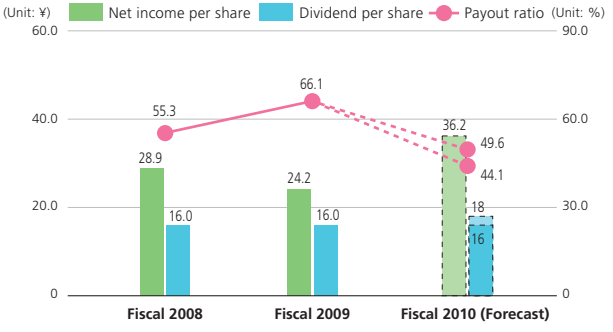
Operating under such circumstances, the Zeria Group worked to "boost its corporate value" by proceeding with the 6th Medium-Term Management Plan which covers the five-year period beginning from fiscal 2006. One of the key challenges of the plan was to actively pursue alliances and M&A that contribute to sales and income and create synergy. Following the acquisition of IONA INTERNATIONAL CORPORATION in October 2008, the Company acquired all the shares of Tillotts Pharma AG (hereinafter "Tillotts") in September 2009 to make it a subsidiary.

As a result of these activities, the results of the fiscal year 2009 are 50.745 billion yen in sales (up 6.5% compared with the previous fiscal year), 1.584 billion yen in operating income (up 19.6%), 1.467 billion yen in ordinary income (up 7.4%) and 1.001 billion yen in net income (down 16.7%). These results include the operating results of Tillotts for the three-month period from October 1, 2009 to December 31 2009.

Ordinary income / Net income for the term



Net Income per share / Dividend per share / Payout ratio



Summary of Our Business Operations (Consolidated)

Ethical Pharmaceuticals

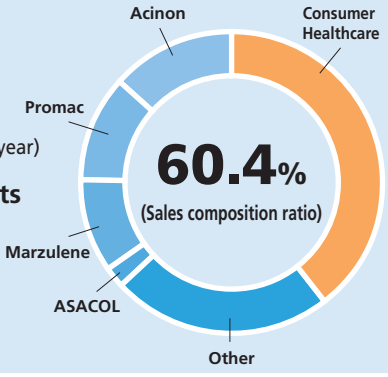
Sales

¥30,516 million

(up 6.1% from the previous fiscal year)

Sales of major products

Acinon	¥6.66 billion
Promac	¥5.78 billion
Marzulene	¥5.0 billion
ASACOL	¥1.18 billion

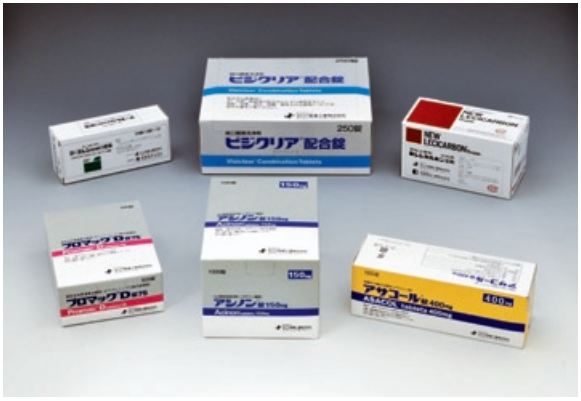


In the Ethical Pharmaceuticals division, we sought to improve the quality of our medical representatives (MRs), and took steps to upgrade our medical information activities in accordance with promotion codes.

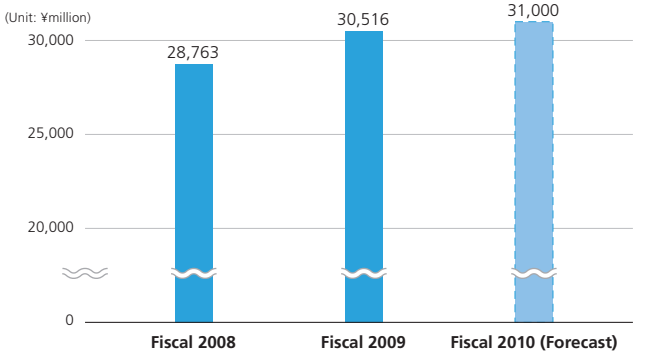
We assigned additional sales resources to gastrointestinal (GI) products, our top priority, seeking to expand the market for these products. As a result, the market penetration of the Promac® series of zinc-containing antiulcer agents deepened and sales were firm. Products such as the H2 receptor antagonist Acinon® Tablets and Marzulene® Tablets, (cytoprotective agents for gastritis and gastric ulcers) struggled as a result of intensifying market competition and increased competition by generic brands.

ASACOL®, a treatment for ulcerative colitis in-licensed from Tillotts was launched in December, 2009 following its marketing approval in October, 2009. We are currently working to achieve market penetration as quick as possible.

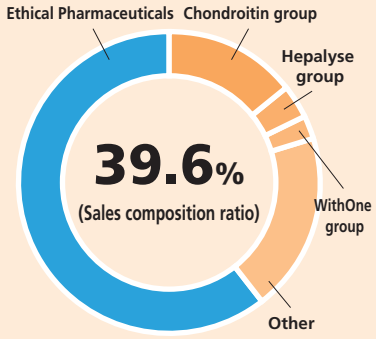
As a result, sales in the division amounted to 30.516 billion yen (a 6.1% increase from the previous fiscal year).



Consolidated sales — Ethical Pharmaceuticals



Consumer Healthcare



Sales

¥20,027 million

(up 6.9% from the previous fiscal year)

Sales of major products

Chondroitin group **¥7.3 billion**

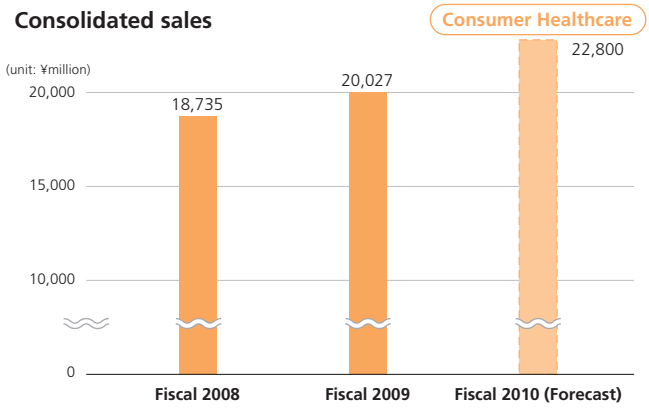
Hepalyse group **¥1.74 billion**

WithOne group **¥1.27 billion**

In the Consumer Healthcare division, amidst the steady aging of our society, we worked to develop markets for self-medication products for the general consumer.

In particular, for the mainstay Chondroitin group, sales continued to steadily expand as a result of television commercials that have been running since last year. Following the success of the Chondroitin group, television commercials started in November, 2009 in the Kanto region for the Hepalyse® line of nutrients and tonics for physical fatigue and exhaustion. Thanks to these efforts to further boost product awareness, sales expanded considerably. In addition, sales of the WithOne® group of herbal laxatives were strong.

As a result, sales in the division amounted to 20.027 billion yen (a 6.9% increase from the previous fiscal year).



Status of Research and Development

In the Research and Development division, we are actively pursuing overseas clinical studies with a view to developing new drugs that are globally marketable and competitive. At the same time, we are developing products for the Japanese market based on currently successful pharmaceuticals in-licensed from overseas.

While endeavoring to build our pipeline of new gastrointestinal drugs we obtained approval in October, 2009 to manufacture and sell Z-206 (ASACOL®), in-licensed from Tillotts, as ASACOL® Tablets 400mg for the treatment of ulcerative colitis. We began marketing ASACOL® in December, 2009.

The Company will now carry out Phase III clinical trials in China.

Z-338, a Zeria-developed product for patients with functional dyspepsia is being concurrently developed in Japan, Europe and the United States. In March, 2008 we concluded an agreement with Astellas Pharma Inc., for the co-development and co-marketing of Z-338 in Japan. Under this agreement, both companies worked collaboratively on the product's Phase III development for the world's first treatment of functional dyspepsia. This development has now been completed and we are proceeding with preparations to secure approval as soon as possible. In the United States and Europe, we are proceeding with preparations to start Phase III development.

As for Z-103 (Promac®), we are carrying out Phase III clinical studies to demonstrate its efficacy in the treatment of taste disorder (dysgeusia). Also, the Korean-based company SK Chemicals proceeded with the development of Promac® Granules 15%. The development and marketing agreement for the Korean market was signed in February, 2006 and in April, 2009 the product was given approval as a treatment for gastric ulcers and gastritis in that country.

We are continuing an additional Phase III study on Z-100 (Ancer®) to demonstrate its efficiency with cervical cancer.

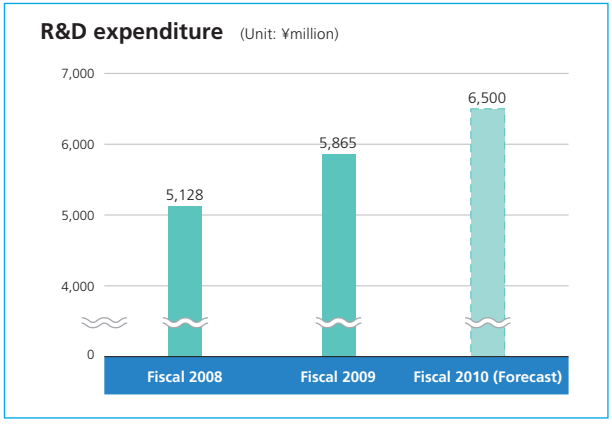
Z-208, a compound for the treatment of hepatocellular carcinoma, in-licensed from TMRC Co., Ltd. in August 2007, is currently in Phase I/II clinical trials.

Moreover, we are proceeding with Phase II development of Z-207, a therapeutic agent for allergic rhinitis, under contract with the Japan Science and Technology Agency (JST), an incorporated administrative agency.

We have also started development of Z-521, an oral phosphate formulation for primary hypophosphatemic rickets, which was selected as eligible for development assistance by the Review Meeting on Use of Unapproved Drugs of the Ministry of Health, Labour and Welfare. As for Visiclear® Combination Tablets, we applied for approval for an improved formulation in March, 2010 and are expecting to obtain approval during fiscal 2010.

In the Consumer Healthcare Division, we launched a series of new products, including Acinon® Z gastrointestinal oral medicine, a histamine H2 receptor antagonist. Acinon® Z is an Rx-to-OTC switched product containing nizatidine, the active component of Acinon® Tablets 75mg/150mg and Acinon® Z Tablets (class 1 drugs).

R&D expenditure of the fiscal year under review was 5.865 billion (up 14.4% from the previous fiscal year).



Research and Development Pipeline

The new pharmaceuticals pipeline at the Company covers 12 therapeutic areas, both in Japan and internationally.

Status of Research and Development

1. Domestic pipeline (Japan)

1) Gastrointestinal conditions

(As of May 17, 2010)

Stage	Development Code/ Generic Name	Development	Indications	Classification	Note
NDA filed	Z-209	Zeria	Bowel cleansing for colonoscopy	New formulation	In-licensed Visiclear® new formulation
Phase III	Z-103/ Polaprezinc	Zeria	Taste disorder	Zinc replacement	In-licensed Promac® additional indication
	Z-338/ Acotiamide	Co-development (Astellas)	Functional dyspepsia	Upper gastrointestinal motility modulator	Original
Phase I/II	Z-208/ Tamibarotene	Co-development (TMRC)	Hepatocellular carcinoma	Retinoic acid RAR alpha receptor agonist	In-licensed
Phase I additional study	Z-206/ Mesalazine	Co-development (Kyowa Hakko Kirin)	Crohn's disease	pH dependent controlled-release formulation	Original (Tillotts) ASACOL® additional indication

2) Other conditions

Stage	Development Code/ Generic Name	Development	Indications	Classification	Note
Phase III additional study	Z-100	Zeria	Cervical cancer	Immunomodulator	Original Ancer® additional indication
Phase II in preparation	Z-207	Zeria	Allergic rhinitis	Chemical ablation Ethanol / steroid mixture	In-licensed
Development in preparation	Z-521	Zeria	Hypophosphatemic rickets	Phosphate replacement	Original Selected eligible for development assistance for unapproved drugs

2. International pipeline

Stage	Development Code/ Generic Name	Development	Indications	Classification	Note
Approval (Korea)	Z-103/ Polaprezinc	Out-licensed (SK Chemicals)	Gastritis, Gastric ulcer	Cytoprotective antiulcer	In-licensed Promac®
Phase III in preparation (China)	Z-206/ Mesalazine	Co-development (Tillotts Pharma)	Ulcerative Colitis	pH dependent controlled-release formulation	Original (Tillotts) ASACOL®
Phase III in preparation (Europe)	Z-338/ Acotiamide	Zeria	Functional dyspepsia	Upper gastrointestinal motility modulator	Original
Phase II (North America)	Z-338/ Acotiamide	Zeria	Functional dyspepsia	Upper gastrointestinal motility modulator	Original
Phase II in preparation (Europe)	Z-360	Zeria	Pancreatic cancer	Gastrin CCK_2 receptor antagonist	Original

Reference

Phase I Clinical Trials

Drug candidates, for which animal trials have ended and the efficacy and toxicity have been confirmed, are tested on a small group of healthy subjects. These trials concentrate not only on safety, but also on how long it takes for the body to absorb the drug and the degree to which the body eliminates the drug.

Phase II Clinical Trials

After safety has been confirmed by Phase I clinical trials, the appropriate method of use of the drug candidate such as the efficacy, safety, dosage, and method of administration is tested on a small number of patients against a placebo.*

Phase III Clinical Trials

By administering to a large number of patients, the final efficacy, safety and method of use of the drug candidate is studied. During this phase, the drug candidate is tested against other currently used drugs and against a placebo.* In many cases, stringent testing methods called double-blind studies are performed.

* Placebo: A fake drug that does not contain the active component, but which is indistinguishable from the drug candidate by outer appearance or taste.

Status of Production and Distribution

In our Production and Distribution division, we attached top priority to securing the highest-possible quality. In our production-related divisions in particular, we focused our operations on seeking higher quality and cost efficiencies. Meanwhile, in the distribution and logistics divisions, we outsourced logistics operations as part of an overall goal to increase operational efficiency and further reduce costs.

The Company had been shipping its products from three distribution centers: Sapporo, Tokyo and Osaka. A newly established Kyushu Distribution Center in Tosu City, Saga Prefecture commenced operation in July, 2009. We aim to use this new distribution center to further improve our distribution services to ensure we can continue to readily supply our products.

Close-up shot

ChondroHi 900 Jelly is newly released

In July 2010, ChondroHi 900 Jelly, a jelly-type formulation of vitamin B_1 plus Chondroitin, was introduced to the market. The jelly-type formulation is suitable for people who have difficulties swallowing tablet and capsule formulations, particularly the elderly. The once-a-day sachet contains 900 mg of Chondroitin and four vitamins. The stick-type sachet can be carried around and taken at any time without water. Its flavor is acerola. We are actively marketing this product as part of our Chondroitin-based product lineup.

Outlook for the Fiscal Year 2010

For our consolidated outlook for fiscal 2010 ending March 31, 2011, we forecast sales of 54.0 billion yen (up 6.4% from the previous fiscal year), operating income of 2.6 billion yen (up 64.1%), ordinary income of 2.5 billion yen (up 70.4%) and net income of 1.5 billion yen (up 49.7%).

Sales

In the Ethical Pharmaceuticals division, although we expect existing products to be affected by the revision of drug prices that took effect in April of this year, we are anticipating expanded sales on account of the market penetration of ASACOL®, a treatment for ulcerative colitis that was launched in December last year. Sales from Tillotts will be recorded for the full-year in fiscal 2010. A drop in revenue is expected for some product sales as a result of the merger between a supplier company and a buyer company.

In fiscal 2010 the Consumer Healthcare division will run nationwide television commercials for the Chondroitin and Hepalyse® lines of products, for which we ran television commercials in the Kanto region in fiscal 2009. The overall goal is to raise awareness of the Zeria brand while expanding sales.

As a result of these efforts, we forecast sales will be higher compared with the fiscal year under review.

Income

We forecast considerably higher operating income, ordinary income and net income compared with the fiscal year under review on account improvements cost reduction, increased sales of highly profitable products and the effect of recording a full-year of sales results from Tillotts.

	Fiscal 2009	Fiscal 2010 (Forecast)
Sales	¥50,745 million (up 6.5% year on year)	¥54,000 million (up 6.4% year on year)
Operating Income	¥1,584 million (up 19.6% year on year)	¥2,600 million (up 64.1% year on year)
Ordinary Income	¥1,467 million (up 7.4% year on year)	¥2,500 million (up 70.4% year on year)
Net Income for the Term	¥1,001 million (down 16.7% year on year)	¥1,500 million (up 49.7% year on year)

Special Offers to Our Shareholders

We offer a hospitality program to our shareholders in recognition of their constant support. This time we have changed the content of option A and the new hospitality program will commence from the record date at the end of fiscal 2009. Shareholders can choose from one of the five options A to E. We hope our shareholders to try the gift products for better understanding of our wide-ranging product structure.

Option A

Packed in environmentally friendly and convenient aluminum cans.

An assortment of aluminum can drinks (Content has changed)

Each assortment set includes twelve bottles each of the following: fruity mango-pineapple flavored HEPACAN® which contains 100 mg of liver-extract, 30 mg of curcumin (turmeric extract) and black pepper extract (piperine); EnergyCan®, Japan's first quasi-drug nutrient tonics packaged in an aluminum can; and muscat-grape flavored WithOpre®, a slightly carbonated specified health-food drink that contains 2.5 g of galacto-oligosaccharides in one 100-ml bottle.

Option B

Health food drink

Chondrobe® Concentrate, JUNKOU®

Chondrobe® Concentrate JUNKOU® is a health-food drink containing 1,560 mg of chondroitin sulfate, 1,000 mg of glucosamine and 1,000 mg of collagen peptide in 90 ml of standard daily intake volume. We recommend this product to our customers who wish to be youthful and active.

Option C

Cosmetics and health products

An assortment of cosmetics and mini health drinks

Each box of this assortment contains two bottles of Aposty® Cleansing Foam and two bottles of Aposty® Mild Lotion, Chondroitin-based skin care products for adults, which have been building an excellent reputation; ten bottles of Royal Jelly Peach Flavor Drinks Sugarless, a 2-kcal mini drink containing royal jelly, coix seed and vitamins; and ten bottles of Royal Jelly Apple Flavor Drinks Sugarless containing the same ingredients.

Option D

Chondroitin-Content Intensive Nighttime Essence (cosmetics)

ZZ:CC® ADSORB ESSENCE

ZZ:CC® ADSORB ESSENCE is an intensive nighttime essence that contains Chondroitin, a substance which the Company has been studying over many years.
The product contains highly-purified Chondroitin, a form of collagen which is an established skin beautifying component, and hyaluronate in proprietary ratios. We named this functional moisturizing and protective component "Skin Roots® PG III." In addition to the new component, the essence contains a sustainable vitamin C derivative, a vitamin P derivative and a number of plant extracts. With intensive nighttime use, the essence penetrates the calloused outer skin layer during sleep and it keeps the skin moisturized until the following morning. The aim of this product is to make bare skin translucent by consistently supplying skin-beautifying components.

Option E

Three-product Quality Moisturizer Set

IONA Three-product Basic Skincare Set

The three products are as follows: IONA Soap Brilliant, a soap rich in natural ingredients containing moisturizing plant extracts; IONA Skin Lotion B.I. (R), which contains rock extract, polyols (mannitol and sorbitol), and hyaluronic acid Na (moisturizer-component), is a moisturizing lotion that helps restore the skin's own ability to retain moisture; and IONA Ion Cream Brilliant, which contains moisturizer and emollient components, is a water-soluble cream that protects the stratum corneum which acts as a barrier to moisture loss.

About IONA INTERNATIONAL CORPORATION

In October 2008, IONA INTERNATIONAL CORPORATION (hereinafter "IONA"), known for its IONA brand, was added to the Zeria Group. Through this new addition, the Group made a full-fledged entry into the field of cosmetics.

IONA INTERNATIONAL CORPORATION, Fukushima Industrial Park

For more than 30 years, IONA has been developing the IONA basic skincare line of products.
Ritorno, the first product created out of synergy of Zeria and IONA collaboration, was launched in November last year.
Ritorno is a jointly developed product that fuses Zeria's Chondroitin with IONA's "ION".

Analysts' Meeting for Fiscal 2009 (Year ended March 2010)

On Friday, May 28, 2010, the Company held its Analysts' Meeting for Fiscal 2009 (Year ended March 2010) for analysts, institutional investors and the press. President Ibe gave a presentation mainly on the initiatives for fiscal 2010 as well as the operating results summary. A video of the presentation has been posted on the "For Investors" section of the Company's website along with the accompanying presentation material.

In particular, the three main challenges for fiscal 2010 were explained which provided clarity on the Company's management strategy. The following is the brief summary.

1. First Year of Full-scale Overseas Expansion

The first challenge is to make fiscal 2010 the first year of full-scale overseas expansion. In the Z·E·R·I·A Five Corporate Spirits, the third letter "R" stands for "Reach out to the world." To achieve this, we are actively expanding overseas with our new subsidiary Tillotts as a central point of this plan. In fiscal 2010, the overseas component of the Zeria Group's sales is forecasted to be approximately 11% on account of the recording of a full-year operating results of Tillotts'. We are aiming to realize an overseas sales component beyond 25% in the near future.

2. Make ASACOL® a Revenue Pillar of the Pharmaceuticals Business

The second challenge is to "make ASACOL® a revenue pillar of the Ethical Pharmaceuticals business." Our aim is to secure 50% of market share by fiscal 2011. In fiscal 2010, we shall cooperate with our joint-marketing partner Kyowa Hakko Kirin Co., Ltd. to achieve market penetration as soon as possible.

3. Follow The Success of Chondroitin by Making Hepalyse® our No. 2 National Brand

The third challenge is to follow the success of Chondroitin by making Hepalyse® our No. 2 national brand in the Consumer Healthcare business. For Chondroitin, we started running a third television commercial in mid- June this year with the aim of expanding the market through wider product awareness. During the 7th Medium-Term Management Plan, we aim to achieve ¥10.0 billion in sales. Following the success of Chondroitin, we shall develop Hepalyse®, a nutrient tonic for physical fatigue and exhaustion containing liver hydrolysate, into our No. 2 national brand. Through television commercials that started running nationwide in July, we expect to expand its market.

Topics

Lecture Held to Commemorate the Launch of ASACOL® Tablets 400 mg

At a lecture held in February this year to commemorate the launch of ASACOL® Tablets 400 mg, a large number of physician specialists in lower digestive tract disorders from all over Japan attended and showed great interest in the new formulation. ASACOL® is used in over 60 countries around the world to treat inflammatory bowel disease (IBD), and with approximately 50% market share in the United States, it is the top brand in the field worldwide. Now that we have released ASACOL® patients have a broader choice of options for the treatment of ulcerative colitis, and we expect it to contribute to improving the quality of life of many patients. We expect to quickly achieve market penetration by teaming up with Kyowa Hakko Kirin Co., Ltd. to market ASACOL® in Japan.

Third Television Commercial for Chondroitin ZS Tablets®

Chondroitin ZS Tablet® television commercial

On June 12, 2010, the third television commercial for Chondroitin ZS Tablets®, a remedy for joint pain and lower back pain, starring television celebrity Mr. Yoshizumi Ishihara began airing throughout Japan. This year is the third year that television commercials for Chondroitin ZS Tablets® starring Mr. Ishihara have been run. In the new commercial, Mr. Ishihara, dressed in a yukata-robe, explains the effect of Chondroitin at Gunma Prefecture's Ikaho Onsen, a hot spring town famous for its long stairway, while reporting on the state of people's health and vigor. While making the point that it "contains 1560 mg of chondroitin (daily dosage)," the main focus of the ad is the idea of "Chondroitin as pharmaceutical" which clearly differentiates Chondroitin ZS Tablets® from other supplements. This is complemented by the longstanding sound logo that sings of the relief that Chondroitin ZS offers the knees and lower back. The witty commercial is receiving a strong positive reception. The television commercial can be viewed from the Company's website (http://www.zeria.co.jp/).

Conclusion of Comprehensive and Exclusive Contract for Domestic Development and Sales with U.S. HemCon

In April 2010, we concluded a comprehensive and exclusive contract for the domestic development and sales of hemostatic dressing and wound dressing products with HemCon Medical Technologies Inc. (hereinafter HemCon) of the United States. By concluding this contract, the Company acquired the rights to market all HemCon products within Japan. Zeria will import the Chitosan-based hemostatic dressing and wound dressing products (patches, gauzes, bandages etc.) which are manufactured and sold by HemCon in the United States and approximately 60 other countries around the world. They will then be sold by the Company's subsidiary Zeria Shoji Co., Ltd. As a part of new business in the sector surrounding the Pharmaceuticals business, we anticipate that this alliance with HemCon will be able to contribute to the overall value of the Zeria Group.

Financial Statements (Consolidated)

Consolidated Balance Sheets (Summary)

(Unit: ¥million*)

Item \ Term	Prior Consolidated Fiscal Year (As of March 31, 2009)	Current Consolidated Fiscal Year (As of March 31, 2010)
Assets		
Current Assets	**24,828**	**26,161**
Cash and Cash Equivalents	2,812	3,574
Notes Receivable and Accounts Receivable	12,359	13,155
Inventories	5,749	6,209
Deferred Tax Assets	617	678
Other	3,325	2,584
Reserve for Doubtful Accounts	(36)	(40)
Fixed Assets	**33,281**	**44,809**
Tangible Fixed Assets	**19,891**	**20,700**
Buildings & Structures	6,433	6,431
Equipment and Vehicles	3,034	2,962
Land	10,082	11,039
Construction in Progress	18	3
Other	323	265
Intangible Fixed Assets	**1,664**	**11,627**
Investments and Other Assets	**11,725**	**12,481**
Investment Securities	5,660	7,161
Deferred Tax Assets	1,049	1,231
Other	5,115	4,163
Reserve for Doubtful Accounts	(100)	(75)
Total Assets	**58,110**	**70,971**

Item \ Term	Prior Consolidated Fiscal Year (As of March 31, 2009)	Current Consolidated Fiscal Year (As of March 31, 2010)
Liabilities		
Current Liabilities	**21,836**	**35,892**
Notes Payable and Accounts Payable	4,966	5,129
Short Term Borrowings	12,880	24,706
Other	3,989	6,056
Fixed Liabilities	**8,561**	**7,083**
Bonds	2,600	1,400
Long Term Borrowings	5,349	4,768
Reserve for Retirement Benefits	168	173
Other	443	741
Total Liabilities	**30,398**	**42,976**
Net Assets		
Shareholders' Equity	**28,907**	**29,235**
Capital	**6,593**	**6,593**
Capital Surplus	**5,414**	**5,414**
Retained Earnings	**24,177**	**24,517**
Treasury Stock	**(7,278)**	**(7,290)**
Valuation Gains and Losses and Translation Adjustments	**(1,195)**	**(1,239)**
Other Unrealized Gains and Losses on Securities	**(1,195)**	**(1,287)**
Deferred Hedge Gain	**—**	**5**
Foreign Currency Translation Adjustment	**—**	**41**
Total Net Assets	**27,711**	**27,995**
Total Liabilities and Net Assets	**58,110**	**70,971**

Unit: ¥million rounded down to nearest million

Consolidated Statements of Income (Summary)

(Unit: ¥million*)

Item \ Term	Prior Consolidated Fiscal Year (Commenced April 1, 2008 and ended March 31, 2009)	Current Consolidated Fiscal Year (Commenced April 1, 2009 and ended March 31, 2010)
Sales	**47,670**	**50,745**
Cost of Goods Sold	**22,257**	**23,300**
Gross Profit	**25,413**	**27,444**
Reversal of Provision for Sales Returns	**185**	**186**
Provision for Sales Returns	**186**	**169**
Gross Profit-Net	**25,412**	**27,461**
Sales & General Administrative Expenses	**24,087**	**25,876**
Operating Income	**1,324**	**1,584**
Non-Operating Income	**413**	**284**
Non-Operating Expenses	**371**	**400**
Ordinary Income	**1,366**	**1,467**
Extraordinary Income	**668**	**416**
Extraordinary Losses	**31**	**315**
Net Income Before Income Taxes	**2,003**	**1,568**
Income, Inhabitants and Enterprise Taxes	**501**	**825**
Deferred Income Taxes	**299**	**(259)**
Net Income for the Term	**1,203**	**1,001**

Unit: ¥million rounded down to nearest million

Consolidated Cash Flow Statements (Summary)

(Unit: ¥million*)

Item \ Term	Prior Consolidated Fiscal Year (Commenced April 1, 2008 and ended March 31, 2009)	Current Consolidated Fiscal Year (Commenced April 1, 2009 and ended March 31, 2010)
Cash Flow from Operating Activities	423	5,858
Cash Flow from Investing Activities	(3,363)	(15,479)
Cash Flow from Financing Activities	3,258	10,373
Conversion Differences Relating to Cash and Cash Equivalents	—	19
Increase in Cash and Cash Equivalents	318	771
Beginning Balance of Cash and Cash Equivalents	2,352	2,670
Ending Balance of Cash and Cash Equivalents	2,670	3,442

Unit: ¥million rounded down to nearest million

Consolidated Statement of Changes in Net Assets (Summary) (From April 1, 2009 to March 31, 2010)

(Unit: ¥million*)

	Shareholders' Equity					Valuation Gains and Losses and Translation Adjustments				Total Net Assets
	Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Other Unrealized Gains and Losses on Securities	Deferred Hedge Gain	Foreign Currency Translation Adjustment	Total Valuation Gains and Losses and Translation Adjustments	
Balance as of March 31, 2009	6,593	5,414	24,177	(7,278)	28,907	(1,195)	—	—	(1,195)	27,711
Change during the Term										
Dividends from Surplus			(661)		(661)					(661)
Net Income for the Term			1,001		1,001					1,001
Acquisition of Treasury Stock				(12)	(12)					(12)
Net Change in Items other than Stockholders' Equity during the Term						(91)	5	41	(44)	(44)
Total Change during the Term	—	—	339	(12)	327	(91)	5	41	(44)	283
Balance as of March 31, 2010	6,593	5,414	24,517	(7,290)	29,235	(1,287)	5	41	(1,239)	27,995

Unit: ¥million rounded down to nearest million

Company Information (As of March 31, 2010)

Company Outline

Established:	December 1955
Paid-in Capital:	¥6,593,398,500
Number of Employees:	1,280 (Consolidated)
Business Activities:	1.Manufacturing, sales, import and export of pharmaceuticals, quasi drugs and reagents. 2.Manufacturing, sales, import and export of cosmetics, health foods, soft drinks, hygienic goods and medical devices.

Board of Directors (As of June 29, 2010)

President	Sachiaki Ibe
Senior Managing Director	Takeshi Saito
Managing Director	Hirokazu Endo
Managing Director	Shigeya Furuhata
Director	Akira Ohno
Director	Masakazu Kumai
Director	Yasunori Nagatani
Director	Hiroshi Ono
Director	Makoto Kishimoto
Director	Mikio Kan
Director	Shigeru Moriyama
Director	Yoshihiro Hiraga
Director	Nobuhito Hashimoto
Director	Katsuyuki Ishii
Director	Mitsuhiro Tago
Director	Haruyuki Takeuchi
Auditor	Shunji Hamano
Auditor	Masahiko Hanada
Part Time Auditor	Tetsuo Komori
Part Time Auditor	Yukiko Naka

Branch

- Headquarters
- Sapporo Branch
- Sendai Branch
- Tokyo Branch
- Tokyo 3rd Sales Office
- Kanagawa Sales Office
- Saitama Sales Office
- Chiba Sales Office
- Kita Kanto Sales Office
- Koshinetsu Sales Office
- Nagoya Branch
- Osaka Branch
- Osaka 2nd Sales Office
- Kobe Sales Office
- Other Sales Office
- Keiji Hokuriku Sales Office
- Chugoku & Shikoku Branch
- Okayama Sales Office
- Takamatsu Sales Office
- Fukuoka Branch
- Central Research Laboratories
- Saitama Plant
- Tsukuba Plant
- Tokyo Distribution Center
- Sapporo Distribution Center
- Saitama Distribution Center
- Osaka Distribution Center
- Kyushu Distribution Center

Aomori, Koriyama, Utsunomiya, Kanetsu, Shizuoka, Kanazawa, Yamaguchi, Yonago, Matsuyama, Kochi, Nagasaki, Kumamoto, Oita, Kagoshima, Okinawa

Number of Consolidated Subsidiaries: 4

Tillotts Pharma AG

Paid-in Capital:	CHF 1,640,000 (equity stake: 100%)
Business Activities:	Manufacturing and sales of products for treatment of IBD (inflammatory bowel disease) and IBS (irritable bowel syndrome).

Zeria Healthway Co., Ltd.

Paid-in Capital:	¥85 million (equity stake: 100%)
Business Activities:	Purchase and sales of nutritional foods and health foods

IONA INTERNATIONAL CORPORATION

Paid-in Capital:	¥200 million (equity stake: 100%)
Business Activities:	Manufacturing and sales, etc. of cosmetics and quasi drugs

Zevice Co., Ltd.

Paid-in Capital:	¥180 million (equity stake: 100%)
Business Activities:	Insurance agency, real estate related activities, etc.

Share Information (As of March 31, 2010)

Shareholding Status

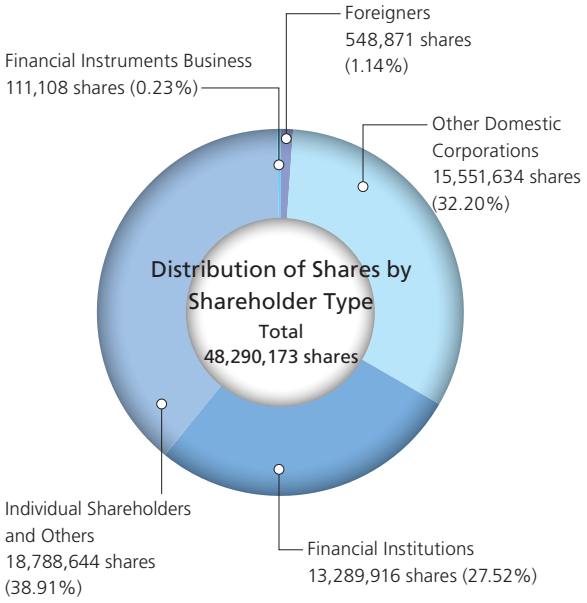
(i) Number of authorized shares: 119,860,000 shares
(ii) Number of shares outstanding: 48,290,173 shares
(iii) Number of shareholders: 3,686

Major Shareholders

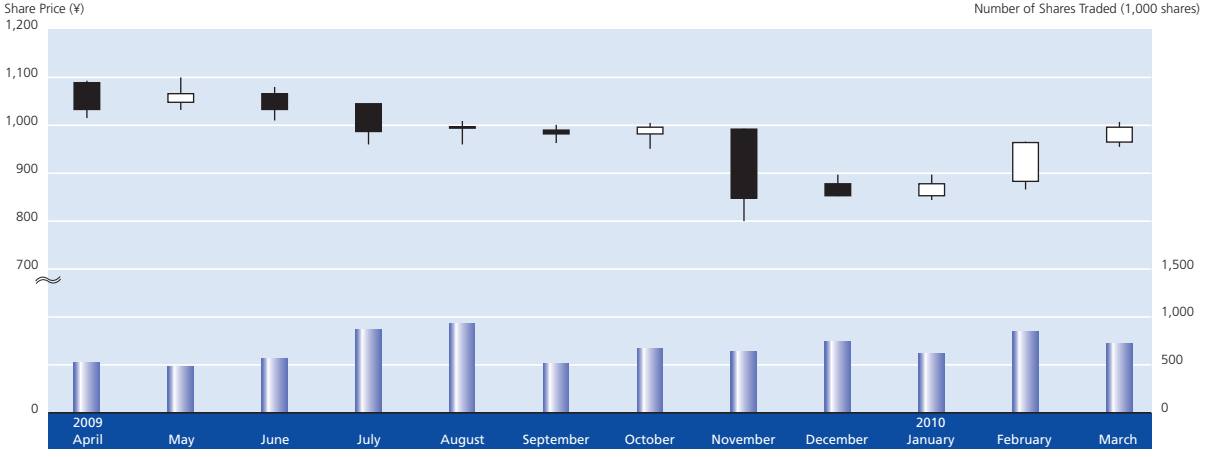
Name of Shareholder	Number of Shares Held	Percentage Held (%)
Ibe Corporation	5,510,770	13.3
The Bank of Tokyo Mitsubishi UFJ, Ltd.	1,915,500	4.6
Morinaga Milk Industry Co., Ltd.	1,854,741	4.5
Japan Trustee Service Bank, Ltd. (Trust Account)	1,704,000	4.1
Zeria Pharmaceuticals Co., Ltd. Employee Stockholding Plan	1,651,417	4.0
Sachiaki Ibe	1,434,425	3.5
Sumitomo Mitsui Banking Corporation	1,278,301	3.1
Mizuho Bank, Ltd.	1,278,230	3.1
Resona Bank, Limited	1,074,896	2.6
Aioi Insurance Co., Ltd.	858,691	2.1

(Note) The percentage held is calculated by subtracting treasury stock (totaling 6,924,148 shares).

Distribution of Shares by Shareholder Type



Share Price and Trading Volume



Shareholder Memo

Fiscal Year	From April 1 of each year to March 31 of the following year
Ordinary General Meeting of the Shareholders	Late June of each year
Record Date	Ordinary General Meeting of the Shareholders and end of term dividend March 31 of each year Interim dividend September 30 of each year
Transfer Agent	The Chuo Mitsui Trust and Banking Company, Limited 3-33-1 Shiba, Minato-ku, Tokyo
Mailing Address	Transfer Agency Division, The Chuo Mitsui Trust and Banking Company, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
(Inquiry information)	TEL: 0120-78-2031 (toll-free) Handling operation is conducted in main branch and all domestic branches of The Chuo Mitsui Trust and Banking Company, Limited and main branch and all domestic branches of Japan Securities Agents Co., Ltd.

- **Applications for change of address or for purchase demands of fractional shares, etc.**

  Please send such notifications or applications to the securities company where your account is held.

  For shareholders for whom a special account has been opened because there is no account held by a securities company, please send such notifications or applications to The Chuo Mitsui Trust and Banking Company, Limited, the account management institution for the special account.

- **Applications for payment of dividends payable**

  Please send such applications to the transfer agent, The Chuo Mitsui Trust and Banking Company, Limited.

- **Statement of Dividend Calculation**

  The" Statement of Dividend Calculation" that is sent to shareholders at the time of dividends payment serves as your" Payment Notification Statement," based on the provisions of the Act on Special Measures Concerning Taxation. When you file your final tax return, you can use this document as the accompanying documentation.

  From this year onwards, shareholders who receive payment of dividends by the dividend warrant shall also receive the" Statement of Dividend Calculation" upon each dividends payment. Shareholders who file final tax returns should store this document in a secure place.

The latest IR information may be viewed on the Company's website.

URL http://www.zeria.co.jp/english/

The Company has set up a website for the purpose of providing accurate information on a timely basis. The website contains a broad array of information useful for shareholders and investors, from IR information to the latest news.

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ZERIA

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