Annual Report 2003

Year Ended March 31, 2003

Bringing smiles to everyone

KAKEN

The origin of Kaken Pharmaceutical Co., Ltd. can be traced back to the Institute of Physical and Chemical Research (Riken), established in 1917. The Company started pharmaceutical business with full-scale development of penicillin and streptomycin based on Riken's own technologies in 1948, and since then broadened the scope of its business and drug development activities through merger and alliance. Kaken's prestige has soared accordingly.

While the Company has established strength in developing and selling pharmaceuticals for orthopedics, it is now expanding its involvement in other medical fields, such as hyperlipidemia and diabetes. The Company contributes to improving people's health by cultivating its own original technologies, engaging in joint development initiatives, introducing new technologies and acquiring marketing rights.

As a fruit of its technology and product introduction, the Company has been since June 2001 marketing Fiblast Spray consisting of Trafermin, a recombinant form of human basic fibroblast growth factor (bFGF) for the first time in the world, licensed from a US bio-pharmaceutical company, Scios, in the area of regenerative medicine (wound healing medicine).

Corporate Philosophy

By serving as many people as possible
to return smiles of happiness to their faces,
through supplying superior pharmaceuticals,
Kaken helps improve the quality of life for patients.

Business Philosophy: Three Joys

KAKEN
conducts business by

Creating joy for patients.
We strive to create and offer effective drugs that satisfy the needs of patients and medical professionals.

Creating joy as a company.
We recognize our social responsibility as a pharmaceutical company with a high ethical standard and society's trust.

Creating joy for our employees.
Our objective is to become a company with vitality and presence whose employees enjoy and take pride in their work.

CONTENTS

Forward-Looking Statements

This annual report contains forward-looking statements pertaining to the Company's business and prospects. These statements are based on current analysis of existing information and trends. Actual results may differ from expectations due to unforeseen risks and uncertainties.

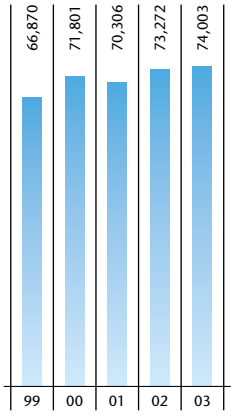
Consolidated Financial Highlights

Kaken Pharmaceutical Co., Ltd. and Consolidated Subsidiaries.

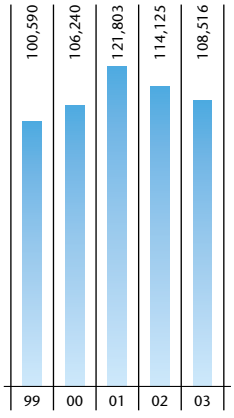
	Millions of yen		Thousands of U.S. dollars (Note)
	2003	2002	2003
For the years ended March 31,			
Net sales	¥ 74,003	¥ 73,272	$616,692
Operating income	7,947	7,725	66,225
Net income	2,598	1,765	21,650
At March 31,			
Total shareholders' equity	40,771	39,018	339,759
Total assets	108,516	114,125	904,300
	Yen		U.S. dollars (Note)
Per share data:			
Net income (Basic)	¥ 27.11	¥ 18.74	$ 0.226
Cash dividends	8.25	7.50	0.069
ROE (%)	6.51	4.70	
Capital adequacy ratio (%)	37.57	34.19	

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥120 = $1 effective on March 31, 2003.

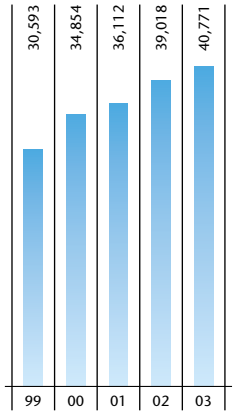
Net Sales
(¥ millions)



Total Assets
(¥ millions)



Shareholders' Equity
(¥ millions)



President's Message

Business Climate and Performance

In fiscal 2002, ended March 31, 2003, Kaken Pharmaceutical reported consolidated net sales of ¥74,003 million, up 1.0% from fiscal 2001. Operating income rose 2.9%, to ¥7,947 million, and net income jumped 47.2%, to ¥2,598 million. Our ability to secure an earnings increase greater than the revenue gain stemmed mainly from a significant decrease in revaluation loss on investment securities, which were substantial in the previous fiscal year.

Early in the year under review, health authorities decided on a general outline of reforms to the Japanese healthcare system. Such reforms promise to have a major impact on Japan's pharmaceutical industry. Decisions made included reducing National Health Insurance (NHI) price standards for the industry, lowering medical fees charged by medical institutions, and subjecting patients to an increase in health insurance co-payments.

In April 2002, the NHI price was cut by an average of 6.3% across the industry. In October 2002, the Health Insurance Law was amended, and medical care system for the elderly was reviewed. As a result, the elderly now have to bear 10% of their medical costs, which has led to a decline in the number of patients seeking medical care from medical institutions. Furthermore, in April 2003 the share of medical costs borne by individuals covered by health insurance was raised to 30%. All of these measures have served to make Japanese people more conscious of medical costs and intensified the competitive environment within the pharmaceutical industry.

NHI price of pharmaceuticals made by Kaken declined an average 7.3%, which was higher than the industry average and thus placed the Company in a difficult situation. The slight 1.0% increase in net sales was attributable mainly to higher sales mainly of new products, such as Fiblast Spray and Lipantil. By contrast, we were unable to generate higher sales of existing products, such as Artz and Procylin, due to price reductions and other factors.

For the year under review, the Company declared annual cash dividends of ¥8.25 per share, up ¥0.75 from the previous year. We plan to use retained earnings to upgrade R&D investments and reinforce our financial foundation.

Five-Year Management Plan

We are currently implementing a five-year management plan that began in April 2001 and will conclude in March 2006. Under the plan, we intend to establish a firm business foundation that will enable us to prevail in the 21st century as an "independent company with a strong presence."

To this end, we are committed to the four core management initiatives: pursuing world-class drug discovery research, strengthening our domestic sales base, maintaining high quality and productivity, and strengthening our financial foundation. This entails clarifying our areas of specialization in R&D, sales, and production, and striving to reach our targets by reinforcing our capabilities in each area. Specifically, we are targeting consolidated net sales of ¥77,000 million, operating income of ¥10,000 million, and ROE of 8% by the final year of the plan.

The four core management initiatives are outlined in more detail below.

(1) Pursuing advanced drug discovery research

We are broadening and strengthening our R&D activities to expedite the development of new drugs that meet the needs of medical professionals in the field. Our aim is to discover new drugs in-house in the Company's key areas of inflammation and immunology, infectious diseases (systemic mycosis), and endocrine and metabolic diseases. We will reinforce our R&D activities through collaborative initiatives with other organizations and through the introduction of leading-edge technologies.

(2) Strengthening domestic sales

We will establish a firm sales base focusing on orthopedics and internal medicine, primarily lipidemia and diabetes. We will also strengthen our expertise in other remarkable fields, notably in Fiblast Spray, a new product that stands at the vanguard of regenerative medicine. In the field of internal medicine, we will expand the market potential for Lipantil, a drug used to treat hyperlipidemia.

(3) Maintaining high quality and productivity

We are committed to further improving quality and reducing production costs, while expanding consignment production and other initiatives in the future.

(4) Strengthening our financial foundation

In addition to expanding revenues, we aim to increase operating income by implementing various rationalization and efficiency measures, such as reducing labor costs, reviewing nonprofitable segments, reassessing our agrochemical and animal health businesses, and outsourcing production and distribution. In the process, we plan to fortify our financial foundation and to invest in further innovation and progress.

Corporate Governance

In the previous fiscal year, we introduced an corporate officer system in order to expedite decision-making and clarify supervisory and business execution functions. We will continue strengthening the business execution authority of our executive officers while reducing the number of directors.

Following an amendment to the Commercial Code in calendar 2002, we are now permitted to choose between an auditor-style or committee-style management format. While we fully recognize that reinforcing the control and auditing functions is an important element of corporate governance, we have chosen our existing format—Board of Directors, corporate auditor system, and executive officer system—which we believe is critical to the functional operation of our company.

Future Plans

We believe that the pharmaceutical industry will continue to be confronted by harsh competition, symbolized by such factors as increased product development risk, the entry of foreign-owned pharmaceutical companies into the market, and measures to curb medical expenditures. The review of the medical system for the elderly and the increase in patients' co-payment for health insurance are underscoring huge changes in our business environment. In response, we will raise the ratio of drugs in the fields of orthopedics and internal medicine, primarily for lipidemia and diabetes, where we hold a high market share. Using the expertise we have gained in developing and selling these drugs, we will raise the number of drugs handled by our company, including those developed by other firms.

Amendments made to the Pharmaceutical Law have led to a relaxation of regulations in some areas. For example, two years from now it will be possible to consign all production to pharmaceuticals manufacturers. By contrast, drugs sold on the market are now subject to even tighter safeguards with respect to the quality and safety. We prefer to view these changes as windows of new business opportunities, and we will respond by maximizing corporate value and pursuing reforms to our administration and corporate consciousness.

We will conduct proactive marketing and sales activities, shorten R&D lead times, and continue seeking to improve our income structure. Maximizing corporate value is an important business challenge, and to this end we are carrying out comprehensive reforms to our administration and corporate consciousness. While reducing the number of executives, we will also broaden the authority of executive officers and give them more flexibility in the execution of their duties. These initiatives reflect our commitment to being an "independent company with a strong presence."

For the fiscal year to March 2004, we plan to declare an annual cash dividend of ¥9.00 per share, with an emphasis on flexibility depending on our business performance. By providing more and more patients with superior drugs, we intend to help reduce total medical expenditures by shortening the length of hospital stays. In these ways, we will continue our contribution to enhancing patients' quality of life.

June 27, 2003

乾 由朗

Shiro Inui
President

Special Report

Successful New Products

Fiblast Spray: At the vanguard of regenerative medicine

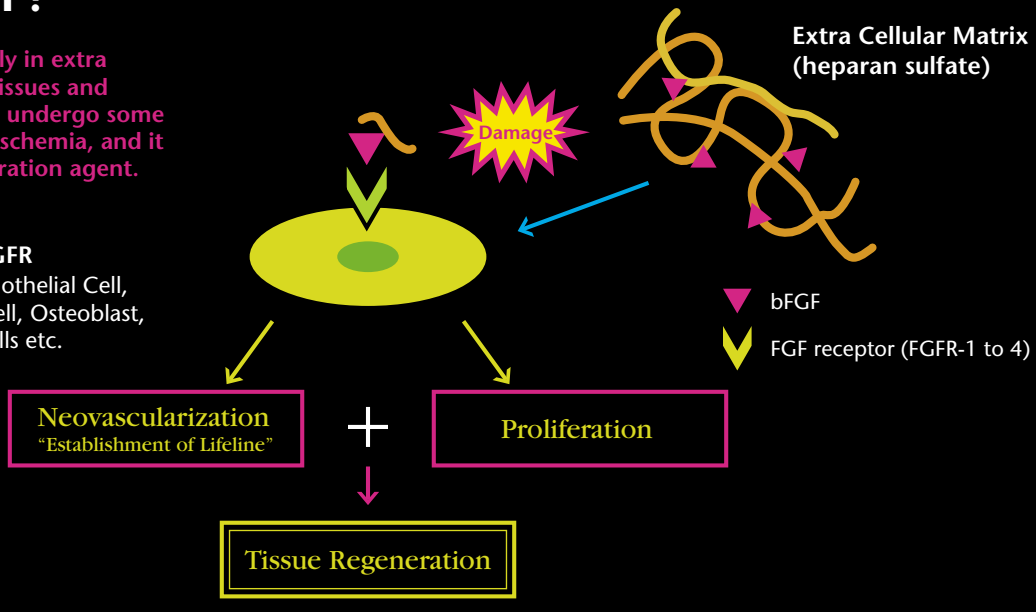
A protein called bFGF (Trafermin) is a cell growth factor existing in minute quantities in the human body. Using this protein's function, Kaken developed Fiblast Spray, the world's first regenerative drug. Fiblast Spray has been shown to stimulate the growth of numerous tissue cells, heal damaged tissue, and boost the formation of new blood vessels. Its effectiveness stems from its power to form new blood vessels, which is garnering widespread recognition. This is due to empirical evidence of Fiblast Spray's ability to promote the efficient supply of oxygen and nutrients, its effect in the treatment of skin ulcers, and the fact that new skin forms in two to three weeks when applied to bed sores or tissue damaged by burns or ulcers.

The effectiveness of Fiblast Spray was hailed soon after its market launch in June 2001. Today, it is used by all university hospitals, as well as many other hospitals and medical clinics. As a state-of-the-art drug used in regenerative medicine, Fiblast Spray is steadily penetrating the market, and since November 2002 it has held the leading market share among skin ulcer therapeutic agents.

What's bFGF?

bFGF is stored ubiquitously in extra cellular matrix (ECM) of tissues and released when the tissues undergo some damage like trauma and ischemia, and it works as a potent regeneration agent.

■ **Variety of Cells with FGFR**
Epithelial Cell, Vascular Endothelial Cell, Vascular Smooth Muscle Cell, Osteoblast, Chondrocyte, Neuronal Cells etc.



Expanding applications for Fiblast Spray

Fiblast Spray is well recognized as a skin ulcer application that produces new blood vessels containing benign granulations and as a wound-healing agent. We are conducting research and development in anticipation of expanding its application to bone fractures and osteoporosis, periodontitis, diabetic ulcers, and post-operative ulcers.

Clinical trials are being held for its application as a gel for treating bone fractures and osteoporosis, where there is an estimated market worth ¥10.0 billion for the treatment of two million patients annually (Phase II of clinical trials now in progress).

We are also developing applications in the field of periodontics. Here, Fiblast Spray has enormous market possibilities; if adopted by ordinary dentists it has the potential to reach a patient base consisting of more than 80% of Japanese adults (Phase II of clinical trials now in progress).

Expanding applications of Fiblast Spray to other areas of regenerative medicine has vast hidden potential. This includes vascularization of blood vessels in the areas of peripheral circulation and severe angina, treatment of osteoarthritis, propagation of stem cells, and nerve regeneration.

Market Expansion

On the basis of our success in Japan, we have concluded a sales agreement with Hanmi Pharmaceutical Co., Ltd., a South Korean pharmaceutical manufacturer. The market for wound healing agents in South Korea is worth ¥5 billion annually, and we expect to gain a 40% share of that market. We have plans for further expansion and are investigating launching Fiblast Spray onto the Taiwanese and Chinese markets.

Increased Production of Mentax, a Kaken Original

Mentax, a topical antifungal agent, received approval for over-the-counter (OTC) sales in the United States in December 2001. Sales of Mentax have surged as a result. In Japan too, we obtained approval to manufacture Mentax as an alternative OTC remedy for athlete's foot, and began shipments and sales in January 2003 via other companies. The active ingredient of Mentax is butenafine hydrochloride, which inhibits the reproduction of trichophyton, a fungus that causes athlete's foot.

Strengthening Antifungal R&D: Collaboration with Elitra on Genomics Based Drug Discovery

In February 2003, Kaken concluded a joint research and development agreement with the Elitra Pharmaceuticals, Inc., of the United States, covering R&D on genomic drug discovery for a new wide-spectrum systemic mycosis therapeutic agent. Elitra Pharmaceuticals will conduct screening based on its proprietary vital fungal gene information, while Kaken will undertake pre-clinical trials.

Kaken has obtained exclusive sales rights to sell antifungal agents developed through the joint R&D alliance in Japan and the rest of Asia, as well as Europe.

New Drug Development Pipeline

In new drug development, during the year we applied for approval to manufacture the diagnostic drug KP-102D and the antifungal Mentax Spray (new agent form).

Clinical trials are continuing for KCB-1B, a bFGF-related drug that promotes the healing of bone fractures; KCB-1D, used in the treatment of periodontitis; KP-102LN, used to treat pituitary dwarfism; KN-48, for the treatment of postherpetic neuralgia; and SPK-843, a drug used in the treatment of systemic mycosis. We also began clinical trials for TRK-100STP, a new form of Procylin with added effects for use in treating chronic artery occlusive disease. Meanwhile, in the area of drug discovery, we are compiling data with a view to commencing clinical trials in the autumn of 2003 of KP-496, a drug for treating bronchial asthma. Research is also continuing into drugs for treating inflammatory diseases, osteoporosis, and systemic mycosis.

In addition, we have entered into an agreement with Elitra Pharmaceuticals for the collaboration on a drug for treating systemic mycosis using new genomic information.

N.K. Curex Co., an affiliate of Kaken, is developing SNK-860, for treating diabetic neuropathy. In the year under review, we decided to formulate a new development strategy following trials in the United States conducted by Sankyo Co., Ltd.

In other highlights, we are currently in Phase II of clinical trials of KP-102LN, which is used to treat pituitary dwarfism in persons with stunted growth. In the year ending March 2010, we plan to launch on the market a new form of this drug that promotes the release of endgenous growth hormones.

Product	Development Stage	Category	Launch	Indication	Remarks
KP-102D (GHRP-2)	NDA	GH secretagogue	2004	Hypothalamo-pituitary function Diagnostic	Developed in-house
Mentax Spray	NDA	Butenafine	2004	Antifungal	New formulation, jointly developed with Hisamitsu Pharmaceutical Co., Inc.
KCB-1B	Phase II	bFGF	2009	Intractable bone fractures	New indication
KCB-1D	Phase II	bFGF	2009	Periodontitis	New indication
KP-102LN (GHRP-2)	Phases II	GH secretagogue	2009	Short stature	Developed in-house
TRK-100STP (Procylin)	Phase II	Orally active prostacyclin	2008	ASO	New indication: Jointly developed with Toray Industries, Inc.
KN-48	Phase I	Lidocaine patch	2010	Postherpetic neuralgia	Developed in-house
SPK-843	Phase I	Polyene antibiotic	2009	Systemic mycosis	Developed in-house
KP-496	Phase I	LT/TX dual inhibitor	2010	Asthma	Developed in-house
SNK-860	Under consideration for redevelopment	ARI	2005	Diabetic neuropathy	Jointly developed with N.K. Curex Co., Ltd. and Sanwa Kagaku Kenkyusho Co., Ltd.

Review of Operations

Pharmaceuticals

Kaken is steadily expanding its fields of medical involvement and increasing sales of a broad spectrum of mainstay products—from Artz, an anti-osteoarthritic, to Procylin, used for treating chronic artery occlusive disease, Adofeed, a pain-relieving plaster, and Lipantil, an anti-hyperlipidemic. We are also actively promoting Fiblast Spray, our new wound-healing agent that has garnered much attention in the field of regenerative medicine, as well as Seprafilm, a post-operative anti-adhesive.

With respect to Cytotec, an NSAIDs-induced gastric ulcer preventive, Kaken has obtained exclusive sales rights for Japan from Pharmacia Corporation and now handles all sales of this product.

We recently commenced co-promotion of Zyloric tablets, used for treating hyperuricaemia, and we are expanding sales channels for Lipantil, a lipid lowering agent which is also effective in reducing uric acid levels.

Agrochemicals and Animal Health Products

Kaken decided to withdraw from drug discovery R&D related to agrochemicals and animal health products beginning in April 2003. Production activities will continue at new bases established in Asia. Withdrawal from drug discovery and research activities in these segments will facilitate our effort to strengthen R&D on pharmaceuticals for medical treatment.

Pharmaceuticals

Artz (anti-osteoarthritic) Artz is made of ultra-pure sodium hyaluronic acid extracted from rooster combs. Hyaluronic acid is a naturally occurring, biocompatible polymer found throughout the body, particularly in synovial fluid. A viscoelastic supplement, Artz replaces the diseased synovial fluid found in osteoarthritic knees and restores the physical properties and elastoviscosity of this diseased synovial fluid. It is injected directly into the knee joint by the physician.

Procylin (Prostacyclin analog) Procylin is an orally active and chemically stable prostacyclin analog (Beraprost) that directly acts on the PGI2 receptor to inhibit platelet aggregation. It is already in wide clinical use for treating chronic artery occlusive disease. In September 1999, Procylin was approved for the additional indication of pulmonary hypertension, which cannot be cured with most remedies currently in use.

Adofeed (pain-relieving plaster) Adofeed is a pain-relieving plaster containing Flurbiprofen as its active ingredient, which is absorbed through the skin. Applied to the affected area twice a day, Adofeed has proven effective in treating osteoarthritis, tennis elbow, muscle pain, and other inflammatory diseases.

Mentax (topical antifungal) Mentax is a topical antifungal with Butenafine as its main ingredient. An original Kaken product, Mentax is sold worldwide, including in the U.S. through Bertek/Mylan and in Canada through Schering-Plough. In December 2001, Mentax was approved as OTC Drug in the U.S., which is sold under the trade name of Lotrimin Ultra through Schering- Plough.

Lipantil (anti-hyperlipidemic) A fibrate type of lipid lowering agent, Lipantil containing Fenofibrate lowers both triglyceride and cholesterol. Originally developed by Fournier in France, Lipantil was sublicensed to Kaken in 1996 from a Japanese licensee, Grelan Pharm. Kaken launched Lipantil on the Japanese market in May 1999.

Seprafilm (post-operative anti-adhesive) Seprafilm is a sheet-type, bioabsorbable, anti-adhesive, biomaterial consisting of hyaluronic acid and CMC. This unique product, licensed from Genzyme Corp., was already in use in the gynecological field in Japan. In June 1999, it received additional approval for use in preventing post-operative abdominal adhesions.

Fiblast Spray (wound healing agent) Consisting of Trafermin, a human recombinant form of bFGF, this is a new type of drug for treating bed sores and other skin ulcers. Fiblast Spray strongly stimulates the growth of endothelial cells and fibroblasts. It also accelerates wound healing by producing highly vascularized granulation tissues. Introduced by Scios Inc., Fiblast Spray was first developed by Kaken, which commenced sales in June 2001.

Ebrantil (α1-blocker) Ebrantil is a specific α1-adrenergic receptor antagonist (Urapidil) for neurogenic dysuria. Clinical studies have shown that twice-daily administration of Ebrantil capsules significantly improves difficulty in urination caused by central or peripheral neural disorders without causing significant hypertension. It was approved for this indication in November 1999. Ebrantil already has been in use for hypertension and dysuria caused by BPH (Benign Prostatic Hyperplasia).

Cytotec (ulcer preventive) An ulcer preventive whose active ingredient is Misoprostol, Cytotec is effective for NSAIDs - induced gastric ulcer. It was developed by Searle (now Pharmacia Corporation), and has been sold by Kaken since 1995.

Norinyl T28 (Low-dose oral contraceptive) Norinyl T28 is a Sunday-start-type, low-dose oral contraceptive pill containing a combination of two hormones: norethisterone and ethinylestradiol. Incidence of metrorrhagia, which is often observed by users of this type product, is low. Norinyl T28 was developed by Monsanto Company and Daiichi Pharmaceutical Co., Ltd. and received approval in June 1999. In September 1999, Kaken launched this product into the Japanese market. Kaken is currently marketing Norinyl T28 in collaboration with Morinaga Milk Industry Co., Ltd.

Eyecare 0.1 (Eye drop for corneal disorders) Hyaluronic acid, a naturally occurring, biocompatible polymer, was first discovered in the eye and has proved to promote to healing cornea epithelium wounds. It is also a major component of Kaken's Artz for the treatment of osteoarthritis. Eyecare 0.1 eye drop solution, containing ultrapure hyaluronic acid (0.1%), was approved in March 2000, for the treatment of corneal disorders, including dry eyes. It was launched into the Japanese market in July 2000 and co-marketed with Teika Pharmaceutical Co., Ltd. under the same brand name.

Mirol (Anti-glaucoma) Consisting of Levobunolol (0.5%), Mirol is a β-blocker for treating glaucoma and ocular hypertension. Mirol is used once daily as eye drops without heavy viscosity. This product was launched in February 2001. Originally developed by Allergan Inc. in the U.S., Mirol was sublicensed to Kaken from a Japanese licensee, Kyorin Pharmaceutical Co., Ltd.

Agrochemicals and Animal Health Products

Agrochemicals

Polyoxin (Fungicide) Polyoxin is a fungicide produced by a certain type of bacterium isolated from the soil in the Aso region of Japan. It is particularly effective for treating damage caused by alternalia in apple, pear and other fruit trees, as well as flowering trees and tobacco plants. It is also effective against botrytis rot and powdery mildew. With low toxicity, it does not damage crops and is highly safe for use.

Pentoxazon (Herbicide) Pentoxazon is a new type of paddy herbicide. It is effective against first-year weeds and has long-lasting effects. It is highly safe for use in rice paddies and can be used before, during or after transplantation.

Animal Health Products

Salinomycin (Anti-coccidiosis in fowls) Salinomycin was developed originally by Kaken. It is sold in Japan, Europe, North America, Asia and other regions. It is the most widely used agent in the world to prevent and treat coccidiosis, a contagious disease that begins when protozoans become parasitic in the intestinal tracts of fowls. When transmitted, coccidiosis causes stunted growth and even death. The disease can be known to cause major economic damage in modern, large-scale chicken farms.

Colistin (Antibiotic) Colistin is used to prevent diseases caused by Gram-negative bacteria, such as colon bacillus and salmonella. Colistin is highly safe and is one of the few drugs used against Gram-negative bacteria. It has found widespread use. It is sold in Japan, European and Asian countries.

Commitment and Excellence

Research and Development

Discovery Research

We are committed to strengthening and broadening our R&D activities. To this end, we are reinforcing in-house drug discovery research and adopting a multifaceted approach to cultivating new R&D themes. At the same time, we will actively pursue joint research and introduce new technologies, both in Japan and overseas, in order to pinpoint and capitalize on lucrative opportunities.

Drug Discovery Research Laboratories are located in Kyoto, the ancient capital of Japan. There, our dedicated researchers constantly study the latest scientific information and technologies.

Our main in-house drug discovery research themes are inflammation and immunology, endocrine and metabolic diseases, and infectious diseases, especially systemic mycosis. In endocrine and metabolic diseases, in particular, drugs for treating osteoporosis, diabetes, and obesity appear very promising for Kaken in light of Japan's aging society.

Computer-aided drug design (CADD) is an important part of our rational approach to drug discovery. Our medicinal chemists continue to explore chemical candidates synthesized in various projects in order to design a superior peptidemimetic focusing laboratory.

To establish a strong presence in genomic approach and other leading-edge technologies, we are actively involved in joint research programs with other laboratories and academic institutions. We enter licensing agreements with these entities as appropriate. These collaborations are designed to ensure more effective R&D and minimize unforeseeable risks pertaining R&D investments.

Kyoto Research Laboratories

Our laboratories are exploring a number of innovative technologies in collaboration with leading academic scientists and pharmaceutical companies. As a result, our expertise has expanded to the fields of asthma, endocrinology, systemic mycosis, cardiology, and oral care.

Our researchers are highly motivated and dedicated to excellence at every phase of drug discovery research. Moreover, we have a refined education program that is producing many talented young researchers.

Since 2001, we have conducted joint R&D on drugs for treating diabetes and obesity with IDD Inc. of the United States. In addition, in February 2003 we concluded an agreement with Elitra Pharmaceuticals covering R&D on genomic drug discovery for treating systemic mycosis. Our aim is to develop a new drug for the effective treatment of mycosis on the basis of Elitra's unique "vital gene information" related to fungi.

Research and Development

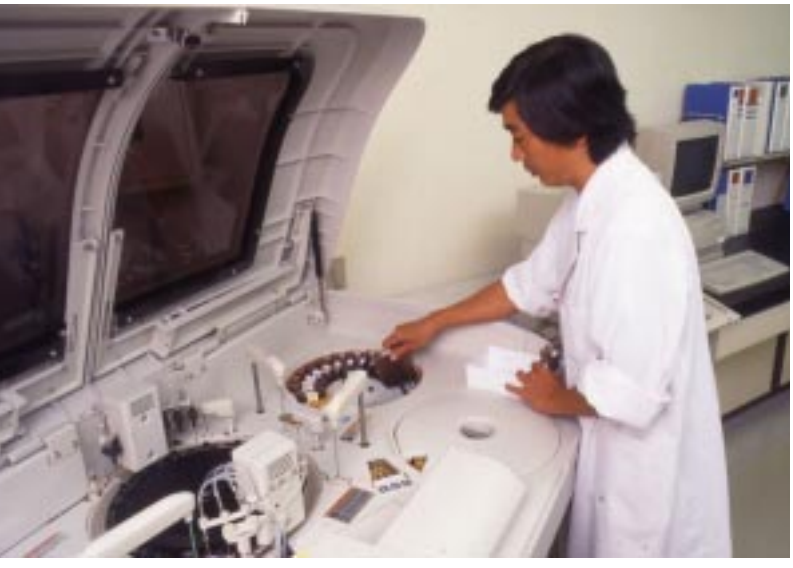
Development Research

Kaken's Development Research Laboratories are located in Shizuoka Prefecture. There, we undertake a wide range of research activities in a stimulating environment. Our objective here is to develop candidate compounds identified during discovery research into commercially acceptable new drugs. Our drug development research covers pharmacokinetics research, drug formulation, safety evaluation, and quality assurance.

The Company's drug development activities are highly acclaimed. We have received the Okochi Memorial Prize five times in the past. This is the most respected prize in Japan for companies and researchers who have contributed to innovative drug production.

Our Pharmacokinetics Research Group uses the latest equipment and technologies to study the absorption, distribution, metabolism, and excretion of drugs in order to determine their effectiveness and safety in the body. Our Drug Formulation Group studies general pharmaceutical designs and formulations using drug delivery systems (DDSs) and pinpoints technologies to develop optimal dosage forms. Our Safety Evaluation Group strictly evaluates the safety of candidate compounds. Our Quality Assurance Group works to ensure that information generated in all Kaken laboratories is of the highest quality and reliability.

Shizuoka Research Laboratories



To expedite research and development, we will pursue joint initiatives on a global basis in the areas of joint development, introduction of new technologies, and technology transfer. We will also actively outsource the functions of basic research and clinical trials.

In 2003, Kaken's scientists were awarded for the Most Outstanding Thesis of an innovation development from the Academy of Pharrmaceutical Science and Technology, Japan (APSTJ). "Research on Rapidly-disintegrating Tablets Using the Surface-modifying Method."

Medical Representative System

Head Office

Kaken's medical representatives (MRs) provide doctors with updated information on the Company's products and respond promptly to requests from medical professionals. Our MRs also gather medical information related to the safety and effectiveness of our drugs and provide feedback from customers to the relevant departments.

Our MRs also play a key role in our R&D and production activities through their communication with doctors and patients. Being on the front line, they obtain valuable information from doctors' offices and other medical institutions. In addition, they help us develop user-friendly package designs and product descriptions by incorporating the suggestions of medical professionals.

We are currently reviewing and strengthening our marketing and sales system in order to expand sales of our pharmaceutical products. The number of sub-branch offices are being increased so that medical representatives (MRs) can work closely with local communities and provide up-to-date information on our products that meet the needs of medical professionals. During the term under review, we upgraded offices in major regions around the country to sub-branch status, and by fiscal year-end there were 66 sub-branch offices nationwide. We are also increasing the number of MRs, with plans to have 700 of them in place by March 2005.

The measures outlined above have mainly been directed at hospitals due to the success of past MR activities in the area of orthopedics. With respect to internal medicine, there are numerous small medical clinics, the majority of which are serviced by drug wholesalers. In the future, we must strengthen sales activities aimed at such medical clinics by upgrading our lineup of drugs for internal medicine. These include the hyperlipidemic agent Lipantil and a drug for treating diabetic neuropathy that is currently consideration for redevelopment.

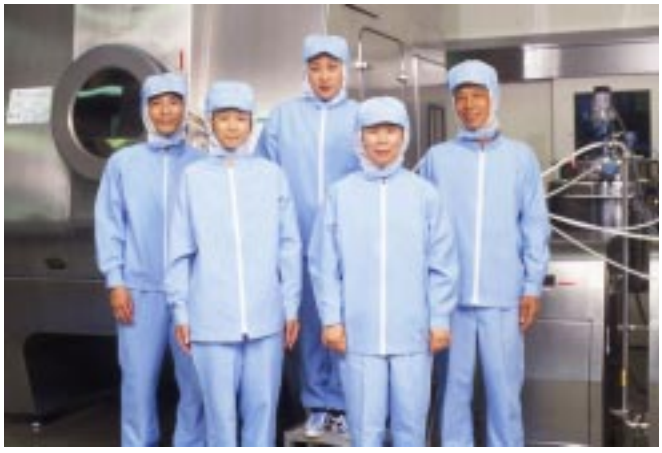
By raising the numbers of sub-branch offices and MRs, we hope to further reinforce our stronghold in the market for orthopedics treatments. We also aim to expand market share in the areas of surgical medicine and internal medicine with drugs for treating diabetes and lipid metabolism.

Production and Quality Control

Shizuoka Factory

Our production facilities in Shizuoka Prefecture are on the east bank of the Ohi River, near Mt. Fuji. These facilities are among the first in the industry to incorporate factory automation systems. They comply with Good Manufacturing Practices (GMP) of Japan, which stipulate requirements for drug manufacturing and quality control.

While adhering to these requirements, we also maintain even stricter in-house regulations for our production facilities. The quality of products for export is governed by GMP regulations in the United States, which were formulated by the U.S. Food and Drug Administration (FDA).



Our production facilities are equipped with the latest technologies for protecting the environment. In order to boost quality and productivity, we are currently reviewing work procedures and reevaluating products and standards. Our overriding objective here is to reduce the ratio of cost of sales to net sales. At the same time, we are using our specialist manufacturing-related expertise to invest in production and packaging lines so that we can accept orders for consignment production in the future.

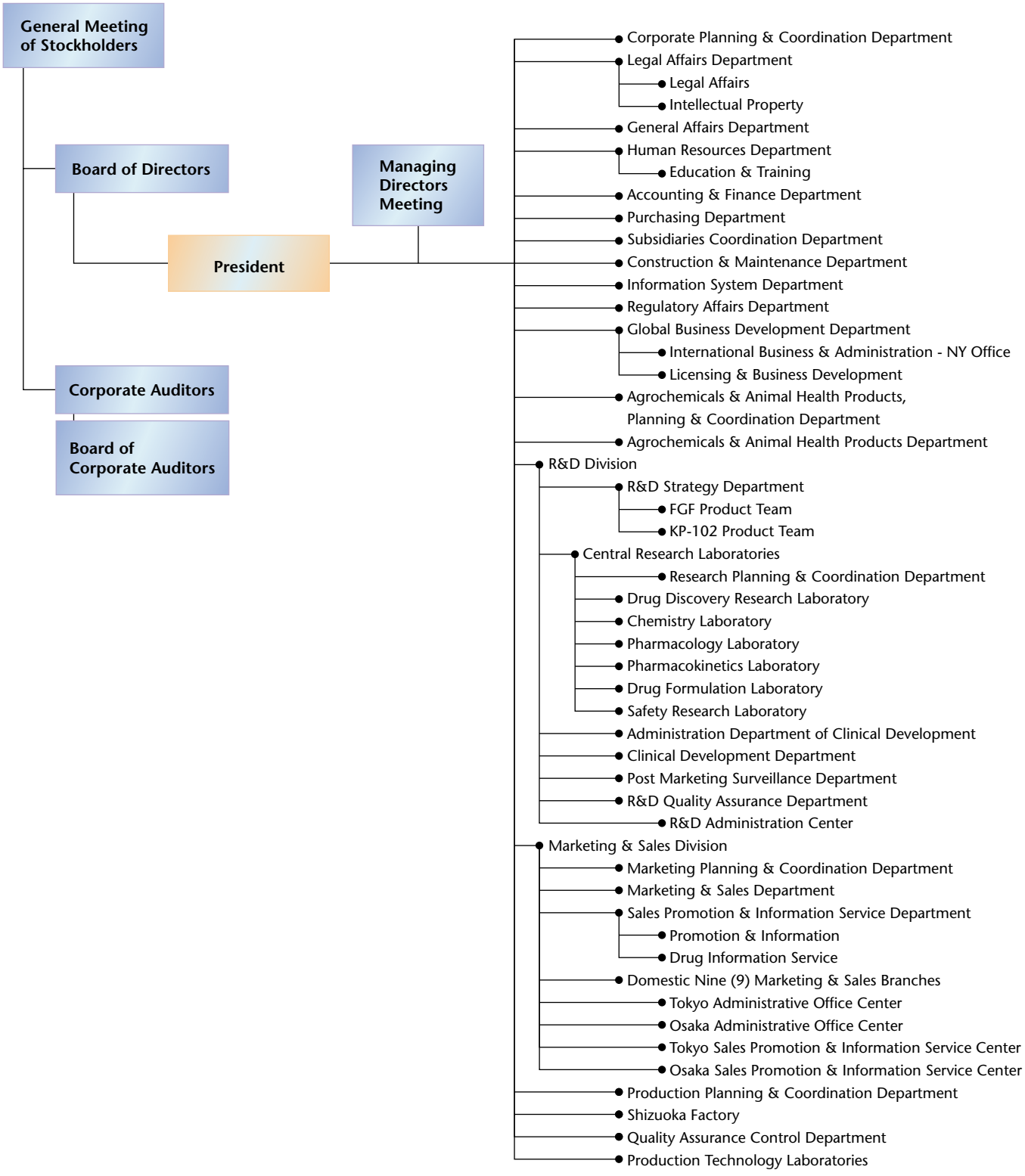
We are increasing consignment production of agrochemicals and animal health products overseas. We are also working to cut costs by outsourcing distribution.

Environmental Protection Activities

As a pharmaceutical manufacturer involved in life sciences, we are committed to fulfilling our social responsibilities and contributing to people's well-being. Another important management priority is to protect the global environment and help realize a prosperous society.

We pursue proactive environmental protection activities at our Shizuoka production and R&D facilities. Having obtained ISO14001 certification, these facilities work to minimize waste, incineration, and land reclamation, while reducing power consumption and otherwise saving energy. They also work to monitor and control the volumes of chemical used, minimize discharge of harmful substances into the atmosphere, and improve the quality of effluent. In addition, staff at our Shizuoka facilities strive to develop products and production technologies that have minimal impact on the environment.

Organizations



Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note)
	2003	2002	2001	2000	1999	**2003**
For the years ended March 31,						
Net sales	**¥ 74,003**	¥ 73,272	¥ 70,306	¥ 71,801	¥ 66,870	**$616,692**
Operating income	**7,947**	7,725	6,805	5,925	5,487	**66,225**
Net income	**2,598**	1,765	1,999	1,989	647	**21,650**
At March 31,						
Total shareholders' equity	**40,771**	39,018	36,112	34,854	30,593	**339,759**
Total assets	**108,516**	114,125	121,803	106,240	100,590	**904,300**
	Yen					U.S. dollars (Note)
Per share data:						
Net income (Basic)	**¥ 27.11**	¥ 18.74	¥ 21.78	¥ 21.68	¥7.06	**$ 0.226**
Cash dividends (Non-Consolidated)	**8.25**	7.50	7.50	7.50	7.50	**0.069**
ROE (%)	**6.51**	4.70	5.63	6.08	2.11	
Capital adequacy ratio (%)	**37.57**	34.19	29.65	32.81	30.41	

Note: U.S. dollar amounts are translated, for convenience only, at the rate of ¥120 = $1 effective on March 31, 2003.

(¥ millions)

Sales of Pharmaceuticals (Non-Consolidated)	Sales	Share	Change
Artz	¥17,881	27.7%	- 4.5%
Procylin	9,396	14.5	- 12.8
Adofeed	7,163	11.1	- 14.2
Fiblast Spray	2,880	4.5	+52.5
Lipantil	2,693	4.2	+ 9.6
Seprafilm	2,677	4.1	+27.8
Mentax	2,287	3.5	- 1.0
Cytotec	2,209	3.4	+64.0
Others	17,403	26.9	+ 8.1
Total	¥64,589	100.0	+ 0.8

Note: The sales figures above relate to Japanese medical institutions only.

Revenues and Earnings

In fiscal 2002, ended March 31, 2003, consolidated net sales increased 1.0%, due mainly to stagnating sales of existing products stemming from reductions in NHI prices.

During the year, we focused on promoting sales of mainstay products—such as Artz, Procylin, and Adofeed—as well as new offerings destined to become part of our next-generation lineup in the future. Although we were unable to increase sales of existing mainstay products, such new items as Fiblast Spray and Lipantil steadily penetrated the market, with sales growing accordingly. In addition, the Company took over unified sales of Cytotec, which also contributed to higher revenues.

Although unit sales of Artz increased, this was not sufficient to offset a decline in value terms stemming from reductions in pharmaceutical prices, causing year-on-year sales to fall slightly. Sales of Procylin and Adofeed also declined due to lower pharmaceutical prices, as well as intensifying competition and depressed demand from the elderly, who now have to bear 10% of their medical costs.

In the year under review, more and more medical professionals adopted Seprafilm hyaluronic acid film, greatly boosting sales. The Company's promotion of Seprafilm in gastrointestinal surgery, which is now covered by health insurance, added to the appeal of this product. We also enjoyed an increase in royalty income related to Fiblast Spray and Mentax.

In the agrochemicals and animal food additives segment, sales of the herbicide Pentoxazon increased, but sales of Polyoxin, a fungicide, declined due to tighter controls on methods of using agricultural chemicals in the wake of amendments to the Agricultural Chemicals Regulation Law, as well as problems related to unregistered agricultural chemicals.

Sales of agrochemicals and animal food additives Eustin and Colistin increased in terms of export volume, but severe price-cutting in overseas markets caused sales in value terms to decline.

As a result, sales of pharmaceuticals, including medical devices, agrochemicals and animal food additives in the year under review totaled ¥70,930, a year-on-year increase of 0.9%.

In other areas, revenue from renting our real estate holdings remained largely unchanged. Consequently, other businesses grew 2.3%, to ¥3,073 million.

Operating income rose 2.9%, to ¥7,947 million, owing largely to increased sales of new products. Although we reported a ¥1,283 million loss in equity of NK Curex Co., an affiliate, net income jumped 47.2%, to ¥2,598 million, owing primarily to the absence of large revaluation loss on investment securities, which the Company incurred in the previous fiscal year.

With around 20% of its workforce scheduled to retire over the next several years, Kaken is committed to improving business efficiency and streamlining operations.

Consolidated Cash Flows

Cash and cash equivalents at the end of fiscal 2002 stood at ¥13,247 million, down ¥3,163 million from a year earlier. This resulted mainly from redemption of convertible bond amounting to ¥ 18,491 million.

Net cash provided by operating activities totaled ¥8,197 million, up from ¥3,142 million increase in the previous year. This improvement resulted mainly from ¥1,463 million in income before income taxes and minority interests, as well as a decrease in notes and accounts receivable-trade.

Net cash used in investing activities amounted to ¥4,254 million, up from ¥2,004 million in fiscal 2001. This was mainly due to acquisition of investment securities.

Net cash used in financing activities was ¥7,106 million, down from ¥8,669 million compared to the year before. This was the net result of a number of factors, including ¥9,723 million in proceeds from issuance of yen-denominated convertible bonds in the Swiss market and redemption of convertible bonds totaling ¥18,491 million.

Performance Indicators

In the year under review, the ratio of operating income to net sales was 10.8%, representing the fifth year of successive increases. Net income per share totaled ¥27.11, up 44.7% from the previous year. Return on equity (ROE) rose 1.8 points, to 6.5%.

The ratio of shareholders' equity to total assets at fiscal year-end was 37.6%, up 3.4 points from a year earlier, owing to the redemption of convertible bonds, an increase in retained earnings, and other factors. Shareholders' equity per share rose ¥19.01, to ¥431.91.

Outlook

In the fiscal year ending March 31, 2004, the Company expects net sales to remain largely unchanged, or perhaps increase slightly, from the year under review. Revenues will be constrained by a continuation of the current harsh business climate and the lack of new drugs scheduled for release. We also project a modest increase in earnings.

The Company plans to declare annual cash dividends of ¥9.00 per share, up ¥0.75 from fiscal 2002. We are also targeting ROE of 8.0% or higher by the year to March 2006.

During the next fiscal year, we plan to buy back a maximum of 2 million shares in treasury stock amounting to ¥1,000 million, equivalent to 2.1% of total shares outstanding.

Consolidated Balance Sheets

As of March 31, 2003 and 2002

ASSETS	Millions of yen 2003	2002	Thousands of U.S. dollars (Note 3) 2003
Current Assets:			
Cash on hand and at bank (Note 4)	¥ 13,264	¥ 14,439	$110,533
Marketable securities (Notes 4 and 5)	150	2,191	1,250
Receivables:			
Notes and accounts receivable-trade	34,390	39,436	286,583
Accounts receivable-other	584	561	4,867
	34,974	39,997	291,450
Less: Allowance for doubtful accounts	(24)	(11)	(200)
	34,950	39,986	291,250
Inventories (Note 6)	10,207	9,796	85,058
Deferred tax assets (Note 13)	1,143	830	9,525
Other current assets	1,129	882	9,409
Total current assets	60,843	68,124	507,025
Property, Plant and Equipment:			
Buildings and structures	34,734	35,054	289,450
Machinery and equipment	17,544	17,136	146,200
	52,278	52,190	435,650
Less: Accumulated depreciation	(28,067)	(26,982)	(233,892)
	24,211	25,208	201,758
Land	3,638	3,844	30,317
Construction in progress	43	—	358
	27,892	29,052	232,433
Investments and Other Assets:			
Investment securities (Note 5)	3,981	3,869	33,175
Investments in unconsolidated affiliates (Note 5)	2,459	773	20,492
Intangible assets and long-term prepaid expenses	3,578	4,318	29,817
Deferred tax assets (Note 13)	7,277	6,027	60,642
Deferred charges	185	151	1,541
Other assets	2,301	1,811	19,175
	19,781	16,949	164,842
TOTAL ASSETS	¥108,516	¥114,125	$904,300

The accompanying notes are an integral part of the Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	2002	Thousands of U.S. dollars (Note 3) 2003
Current Liabilities:			
Short-term bank loans (Note 7)	¥ 6,175	¥ 6,204	$ 51,458
Current portion of long-term debt (Note 7)	1,668	19,167	13,900
Payables:			
Notes and accounts payable-trade	12,711	14,482	105,925
Notes and accounts payable-construction	551	643	4,592
Accounts payable-other	2,445	3,261	20,375
	15,707	18,386	130,892
Accrued expenses	416	557	3,467
Accrued bonuses	1,708	1,773	14,233
Accrued sales rebates	616	472	5,133
Accrued income taxes (Note 13)	2,761	1,506	23,008
Other current liabilities	581	560	4,842
Total current liabilities	29,632	48,625	246,933
Non-Current Liabilities:			
Long-term debt (Note 7)	30,487	19,169	254,058
Accrued pension and severance costs (Note 10)	6,512	6,162	54,267
Accrued retirement benefits to directors	493	500	4,108
Deferred tax liabilities (Note 13)	290	319	2,417
Other long-term liabilities	330	331	2,750
Total non-current liabilities	38,112	26,481	317,600
Minority Interests in Consolidated Subsidiaries	1	1	8
Commitments and contingencies (Note 14)			
Shareholders' Equity:			
Common stock - no par value			
Authorized: 360,000,000 shares			
Issued : 94,518,374 shares			
as of March 31, 2002 and 2003	17,000	17,000	141,667
Capital surplus	15,735	15,735	131,125
Retained earnings	8,406	6,557	70,050
	41,141	39,292	342,842
Less:			
Net unrealized loss on valuation of other securities, net of taxes (Note 2)	(262)	(258)	(2,183)
Treasury stock, at cost	(108)	(16)	(900)
Total shareholders' equity	40,771	39,018	339,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥108,516	¥114,125	$904,300

Consolidated Statements of Income

For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Net sales	¥74,003	¥73,272	$616,692
Cost of sales	38,039	37,500	316,992
Gross profit	35,964	35,772	299,700
Selling, general and administrative expenses (Note 12)	28,017	28,047	233,475
Operating income	7,947	7,725	66,225
Other Income (Expenses):			
Interest and dividend income	79	102	658
Interest expense	(608)	(813)	(5,067)
Amortization of net obligation at transition	(525)	(525)	(4,375)
Gain (Loss) on sales/disposal of property, plant and equipment, net	696	279	5,800
Loss on sales of investment securities, net	(8)	(304)	(67)
Revaluation loss of investment securities	(276)	(1,882)	(2,300)
Equity in losses of affiliates	(1,283)	(0)	(10,692)
Revaluation loss of golf membership	(84)	(6)	(700)
Others, net	(284)	(385)	(2,365)
	(2,293)	(3,534)	(19,108)
Income before income taxes and minority interests	5,654	4,191	47,117
Income taxes (Note 13):			
Current	4,656	3,471	38,800
Deferred	(1,600)	(1,045)	(13,333)
	3,056	2,426	25,467
Income before minority interests	2,598	1,765	21,650
Minority interests	0	0	0
Net income	¥ 2,598	¥ 1,765	$ 21,650
	Yen		U.S. dollars (Note 3)
Per share data:			
Net income:			
Basic	¥ 27.11	¥ 18.74	$ 0.226
Diluted	¥ 20.50	¥ 16.17	$ 0.171
Cash dividends	¥ 8.25	¥ 7.50	$ 0.069

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2003 and 2002

	Millions of yen					
	Number of common stock	Common stock	Capital surplus	Retained earnings	Unrealized loss on other securities	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2001	91,799,041	¥15,923	¥14,661	¥5,537	¥ —	¥ (9)	¥36,112
Net income				1,765			1,765
Cash dividends				(699)			(699)
Directors' bonuses				(46)			(46)
Shares issued on conversion of convertible bonds	2,719,333	1,077	1,074				2,151
Net unrealized loss on valuation of other securities, net of taxes					(258)		(258)
Treasury stock acquired, net						(7)	(7)
Balance at March 31, 2002	94,518,374	¥17,000	¥15,735	¥6,557	¥ (258)	¥ (16)	¥39,018
Net income				2,598			2,598
Cash dividends				(709)			(709)
Directors' bonuses				(40)			(40)
Net unrealized loss on valuation of other securities, net of taxes					(4)		(4)
Treasury stock acquired, net						(92)	(92)
Balance at March 31, 2003	**94,518,374**	**¥17,000**	**¥15,735**	**¥8,406**	**¥ (262)**	**¥(108)**	**¥40,771**

	Thousands of U.S. dollars (Note 3)					
	Number of common stock	Common stock	Capital surplus	Retained earnings	Unrealized loss on other securities	Treasury stock at cost	Total shareholders' equity
Balance at March 31, 2002	94,518,374	$141,667	$131,125	$54,641	$(2,150)	$(133)	$325,150
Net income				21,650			21,650
Cash dividends				(5,908)			(5,908)
Directors' bonuses				(333)			(333)
Net unrealized loss on valuation of other securities, net of taxes					(33)		(33)
Treasury stock acquired, net						(767)	(767)
Balance at March 31, 2003	**94,518,374**	**$141,667**	**$131,125**	**$70,050**	**$(2,183)**	**$(900)**	**$339,759**

Consolidated Statements of Cash Flows

For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥ 5,654	¥ 4,191	$ 47,117
Adjustments for:			
Depreciation	2,100	2,073	17,500
Amortization of long-term prepaid expenses	1,020	1,491	8,500
Amortization of deferred charges	243	215	2,025
Equity in losses of affiliates	1,283	0	10,692
Revaluation loss of golf membership	84	6	700
Accrual for pension and severance costs, less payments	350	382	2,917
Interest and dividend income	(79)	(102)	(658)
Interest expense	608	813	5,067
Loss on sale of investment securities	8	304	67
Revaluation loss of investment securities	276	1,882	2,300
Loss on disposals of property, plant and equipment	93	77	775
Gain on sale of property, plant and equipment	(789)	(356)	(6,575)
Decrease (Increase) in notes and accounts receivable-trade	5,046	(2,052)	42,050
Decrease (Increase) in inventories	(411)	487	(3,425)
Increase (Decrease) in notes and accounts payable-trade	(1,771)	371	(14,758)
Paid bonuses to directors	(40)	(46)	(333)
Other, net	(1,549)	(527)	(12,911)
	12,126	9,209	101,050
Interest and dividends received	78	107	650
Interest paid	(606)	(808)	(5,050)
Income taxes paid	(3,401)	(5,366)	(28,341)
Net cash provided by operating activities	8,197	3,142	68,309
II. Cash flows from investing activities			
Acquisition of investment securities	(3,382)	(10)	(28,183)
Proceeds from sales of investment securities	22	67	183
Acquisition of property, plant and equipment	(1,419)	(995)	(11,825)
Proceeds from sales of property, plant and equipment	1,248	362	10,400
Payment of long-term prepaid expenses	(200)	(1,488)	(1,667)
Other, net	(523)	60	(4,358)
Net cash used in investing activities	(4,254)	(2,004)	(35,450)
III. Cash flows from financing activities			
Proceeds from long-term debt	3,000	—	25,000
Repayment of long-term debt	(508)	(1,499)	(4,233)
Proceeds from issuance of convertible bonds	9,723	—	81,025
Redemption of convertible bonds	(18,491)	(6,256)	(154,092)
Decrease in short-term bank loan	(29)	(206)	(242)
Cash dividends paid	(709)	(699)	(5,908)
Other, net	(92)	(9)	(767)
Net cash used in financing activities	(7,106)	(8,669)	(59,217)
Net decrease in cash and cash equivalents	(3,163)	(7,531)	(26,358)
Cash and cash equivalents at beginning of year	16,410	23,941	136,750
Cash and cash equivalents at end of year (Note 5)	¥13,247	¥16,410	$110,392
Major non-cash transactions:			
Increase in common stock due to conversion of convertible bonds	¥ —	¥ 1,077	$ —
Increase in additional paid-in capital due to conversion of convertible bonds	—	1,074	—
Decrease in convertible bonds due to conversion	¥ —	¥ 2,151	$ —

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements of KAKEN PHARMACEUTICAL CO., LTD. (the "Company") and its consolidated subsidiaries (collectively the "Group") are basically an English version of those which were prepared from accounts and records maintained by the Group and in accordance with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards, and filed with the Director of Kanto Finance Bureau. The consolidated statements of shareholders' equity have been prepared to provide additional information.

Certain items presented in the consolidated financial statements have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

---

2. Summary of Significant Accounting Policies:

(a) Principles of Consolidation

The Company had five subsidiaries as of March 31, 2003 and 2002. The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The consolidated subsidiaries as of March 31, 2003 and 2002 are as follows:

KAKEN REALTY & SERVICE CO., LTD.
KAKEN PHARMA CO., LTD.
KAKEN LOGISTICS CO., LTD.
EIKO FILTER CO., LTD.
FUJIKA CORPORATION

The Company had an affiliate as of March 31, 2003 and 2002. Investment in N·K Curex Co., Ltd. is accounted for by the equity method.

All significant intercompany transactions, account balances and unrealized profits among the Group have been eliminated in consolidation.

The difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary is allocated to identifiable assets based on fair value at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill, and amortized over a period of five years on a straight-line basis.

(b) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits which are able to be withdrawn within three months and short-term investments with original maturity of three months or less and are considered to have minimal risk from market fluctuations.

(c) Marketable and Investment Securities

Securities are classified as one of four categories; (1) Trading, (2) Held-to-maturity debt, (3) Securities of subsidiaries and affiliated, and (4) Other. Trading securities are recorded at market value with unrealized gains and losses recognized in the current years earnings. Debt securities that are expected to be held-to-maturity are carried at amortized cost. Securities of subsidiaries and affiliates are carried at cost. Other securities are expected to be sold in the long term and those, whose fair values are readily determinable, are carried at fair value with unrealized gains or losses included as a separate component in shareholders' equity, net of taxes. Other securities without market quotations are stated at cost, determined by the moving average method.

Effective from the year ended March 31, 2002, other securities, which are expected to be sold in the long-term and those, whose fair values are readily determinable, are carried at fair value with unrealized gains or losses included as a separate component in shareholders' equity, net of taxes. Previously, such securities were carried at cost under a transition treatment of the new accounting standard for financial instruments which was effective in the year ended March 31, 2001. As a result of this adoption, investment securities decreased by ¥445 million, and the related deferred tax assets (non-current) increased by ¥187 million. Net unrealized loss on valuation of other securities are reported as a separate component of shareholders' equity, net of taxes.

(d) Inventories

Inventories are stated at cost, this being determined by the average method.

(e) Property, Plant and Equipment

Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of assets, except for buildings, structures, machinery and equipment for the Komagome office that are computed on the straight-line method. Consolidated subsidiaries principally adopted the straight-line method. Furthermore, depreciation of buildings, except for ancillary facilities to buildings, acquired after April 1,1998, is computed using the straight-line method. The range of useful lives is from 3 years to 60 years for buildings and from 2 years to 17 years for equipment.

(f) Pension and Retirement Benefits

Employees who terminate employment are entitled, under most circumstances, to lump-sum payments or pension payments as described below, determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. The minimum payment is an amount based on voluntary retirement. In addition to the minimum payment based on voluntary retirement, employees receive additional benefits for retirement due to age limit, death or other defined reasons. The Company has a non-contributory defined benefit funded pension plan (entrusted) which covers 30% of the benefits payable under the existing retirement plan to employees.

The accrued pension and severance costs represents the amount actuarially calculated projected benefit obligations less (1) the fair value of the plan assets (2) unrecognized actuarial loss or gain and (3) the unrecognized transition amount arising from adopting the new standard. If the fair value of the plan assets exceeds the projected benefit obligations, prepaid pension and severance costs are recorded. The transition amount (unfunded and unrecognized benefit obligation) of ¥7,902 million at April 1, 2000 is amortized on a straight-line basis over 15 years (for subsidiaries mainly 10 years). Unrecognized actuarial loss or gain is amortized on a straight-line basis over 10 years from the next year in which they arise. For the Company, prepaid pension and severance costs were recognized for a portion of the plan covered by the non-contributory pension plan assets and the accrued pension and severance costs were recognized for a portion of the plan not covered by the plan assets.

Accrued retirement benefits to directors and statutory auditors is provided in an amount equivalent to the liability the relevant company would have been required to pay upon retirement at the balance sheet date, as prescribed by its internal rules.

(g) Income Taxes

Income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements.

(h) Consumption Taxes

Consumption taxes have been excluded from amounts shown on the accompanying consolidated statements of income.

(i) Research and Development Expenses

Previously significant research and development expenses for new products and new technologies had been capitalized and amortized over five years on the straight-line basis.

However, on April 1, 1999, a new accounting standard for Research and Development expenses (the "R&D expenses") was adopted. Under the new standard, R&D expenses are charged to income as incurred, while the capitalized amounts at March 31, 1999 are amortized over the remaining period.

(j) Derivative Financial Instruments

Derivative instruments, which include foreign currency exchange forward contracts and interest rate swap agreements, are used as a part of the Company's risk management of foreign currency and interest rate risk exposures of its financial assets and liabilities.

Foreign currency exchange forward contracts:

The Company enters into foreign currency exchange forward contracts to limit exposure, affected by changes in foreign currency exchange rates, on accounts receivable and payable and cash flows generated from anticipated transactions denominated in foreign currencies. For foreign currency exchange forward contracts which are designated and are effective as hedges of such currency exchange rate risk on existing assets and liabilities, the Company adopted the accounting method whereby foreign currency denominated assets and liabilities are measured at the contract rate of the respective foreign currency exchange forward contracts. With respect to such contracts for anticipated transactions, the contracts are marked-to-market and the unrealized gains / losses are deferred in the balance sheet to be released to income when the exchange gains/losses on the hedged items or transactions are recognized.

Interest rate swap agreements:

The Company enters into interest rate swap agreements, in order to lower funding costs and limit the Company's exposure in respect of the underlying financial instruments, resulting from adverse fluctuations in interest rates. The related interest differentials paid or received under the interest rate swap agreements are recognized in interest expenses over the terms of the agreements.

Derivative financial instruments have not been implemented by consolidated subsidiaries.

(k) Bond Issue Costs

Bond issue costs are capitalized and amortized over three years on the straight-line basis.

(l) Appropriation of Retained Earnings

The Commercial Code of Japan provides that appropriations of retained earnings, including bonuses to directors and statutory auditors, require approval by the shareholders at the annual ordinary general meeting of shareholders. Appropriations of retained earnings are, therefore, not reflected in the consolidated financial statements for the period to which they relate, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

(m) Shareholders' Equity

Under the Commercial Code of Japan, at least 50 per cent of the issue price of new shares is required to be designated as stated capital. The portion which is designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital have been credited to capital surplus.

The Commercial Code of Japan permits the Company to use retained earnings distributable to shareholders to acquire its own stock for retirement, following approval by the shareholders.

(n) Net Income and Dividends per Shares

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each financial year appropriately adjusted for subsequent free distribution of shares (stock splits), if applicable.

Effective from the year ended March 31, 2003, the Company adopted "Accounting Standard for Earnings per Share" (Accounting Standard No.2) and "Implementation Guidance on Accounting Standards for Earnings per Share" (Accounting Implementation Guidance No.4). The effect of the adoption of these accounting standard and guidance on net income and net assets per share was immaterial for the current fiscal year.

Cash dividends per share shown for each year in the accompanying consolidated statements of income represent dividends approved or declared as applicable to the respective years.

Fully-diluted net income per share is computed, based on the assumption that the convertible bonds were fully converted into common stock on the date of issue or at the beginning of the respective years subsequent to the issue, with appropriate adjustments of related interest expense (net of tax).

3. United States Dollar Amounts:

The Group maintains its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥120=U.S.$1. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at ¥120=U.S. $ 1 or any other rate.

4. Cash and Cash Equivalents:

Cash on hand and at banks and marketable securities are reconciled to cash and cash equivalents of consolidated statements of cash flows as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Cash on hand and at banks	**¥13,264**	¥14,439	**$110,533**
Marketable securities	**150**	2,191	**1,250**
	13,414	16,630	**111,783**
Time deposits which fall due in more than three months	**(17)**	(70)	**(141)**
Marketable securities due in more than three months	**(150)**	(150)	**(1,250)**
	(167)	(220)	**(1,391)**
Cash and cash equivalents	**¥13,247**	¥16,410	**$110,392**

5. Marketable Securities and Investment Securities:

	Millions of yen						Thousands of U.S. dollars (Note 3)		
	Cost	Market value	Unrealized gain (loss)	Cost	Market value	Unrealized gain (loss)	Cost	Market value	Unrealized gain (loss)
For the years ended March 31,	**2003**			2002			**2003**		
Other securities:									
Market value available									
Equity securities	**¥3,744**	**¥3,356**	**¥(388)**	¥3,911	¥3,499	¥(412)	**$31,200**	**$27,967**	**$(3,233)**
Other securities	**208**	**155**	**(53)**	228	195	(33)	**1,733**	**(1,291)**	**(442)**
	3,952	**3,511**	**(441)**	4,139	3,694	(445)	**32,933**	**29,258**	**(3,675)**
Market value not available	**2,929**	**2,929**	**—**	2,989	2,989	—	**24,409**	**24,409**	**—**
Total	**¥6,881**	**¥6,440**	**¥(441)**	¥7,128	¥6,683	¥(445)	**$57,342**	**$53,667**	**$(3,675)**
Held-to-maturity debt securities:									
Market value not available	**¥ 150**	**¥ 150**	**¥ —**	¥ 150	¥ 150	¥ —	**$ 1,250**	**$ 1,250**	**$ —**

Other securities sold during the fiscal years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2003	2002	**2003**
Proceeds from sales	**¥22**	¥67	**$183**
Gross realized gains	**—**	—	**—**
Gross realized losses	**8**	304	**67**

Write down of investments in securities

During the years ended March 31, 2003 and 2002, certain equities with market quotations were written down by ¥270 million. The Company writes down the book value of equities when the market value declines by more than 50%, or the market value declines approximately by more than 30% but less than 50%, and the Company's management determines the decline to be other temporary.

6. Inventories:

Inventories as of March 31, 2003 and 2002 are comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2003**	2002	**2003**
Finished products	**¥ 4,706**	¥4,884	**$39,217**
Work in process	**1,524**	1,770	**12,700**
Raw materials	**2,446**	2,464	**20,383**
Supplies	**1,409**	481	**11,742**
Raw materials in transit	**122**	197	**1,016**
	¥10,207	¥9,796	**$85,058**

7. Short-term Bank Loans and Long-term Debts:

Short-term bank loans outstanding as of March 31, 2003 and 2002 are represented the notes issued by the Group to banks. Customarily, these notes are renewed at maturity subject to renegotiation of interest rates and other factors. The weighted-average interest rates applicable to short-term bank loans as of March 31, 2003 and 2002 are 0.88% and 0.89%, respectively. Outstanding balance of short-term bank loans as of March 31, 2003 and 2002 were ¥6,175 million and ¥6,204 million, respectively.

Long-term debts as of March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	**2003**	2002	**2003**
Loans from banks and other financial institutions due 2003 to 2008	**¥ 5,162**	¥ 2,670	**$ 43,017**
1.0% unsecured convertible bond due 2003 (a)	**—**	18,491	**—**
0.0% unsecured convertible bond due 2007 (b)	**7,849**	7,849	**65,408**
0.0% unsecured convertible bond due 2007 (c)	**10,000**	—	**83,333**
Other long-term debt with interest bearing due 2003 to 2033	**9,144**	9,326	**76,200**
	32,155	38,336	**267,958**
Less: current portion	**(1,668)**	(19,167)	**(13,900)**
	¥30,487	¥19,169	**$254,058**

a) 1.0% Unsecured convertible bond
Holders of this bond are entitled to convert these bonds into common stock at a price of ¥1,610 during the period from April 1, 1994 to March 28, 2003.

b) 0.0% Unsecured convertible bond
Holders of this bond are entitled to convert these bonds into common stock at a price of ¥630 during the period from August 9, 2000 to September 14, 2007.

c) 0.0% Unsecured convertible bond
Holders of this bond are entitled to convert these bonds into common stock at a price of ¥732 during the period from August 8, 2002 to September 14, 2007.

Aggregate annual maturities of convertible bonds in the next five fiscal year are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Within one year	¥ —	$ —
Over one year less than two years	—	—
Over two years less than five years	17,849	148,741
More than five years and thereafter	—	—
	¥17,849	$148,741

Aggregate annual maturities of long-term bank loans and other interest bearing debt are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	Long-term bank loans	Other interest bearing debt	Long-term bank loans	Other interest bearing debt
Within one year	¥1,480	¥ 188	$12,333	$ 1,567
Over one year less than two years	682	194	5,684	1,616
Over two years less than three years	—	200	—	1,667
Over three years less than four years	—	207	—	1,725
Over four years less than five years	—	213	—	1,775
More than five years and thereafter	3,000	8,142	25,000	67,850
	¥5,162	¥9,144	$43,017	$76,200

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due or in the event of their default, to offset cash deposits against such obligations due to the bank. The Group has not received any such requests to date.

At March 31, 2003, the Company had unused commitment lines of credit amounting to ¥2,000 million ($16,667 thousand).

At March 31, 2003 and 2002, assets pledged as collateral for certain short-term (¥1,410 million) and long-term debts (¥9,986 million), including current portion of long-term debts, were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
March 31	**2003**	2002	**2003**
Assets pledged			
Buildings and structures	**¥10,679**	¥11,139	**$ 88,992**
Machinery and equipment	**2,005**	2,117	**16,708**
Land	**108**	108	**900**
Investment securities	**1,254**	1,411	**10,450**
	¥14,046	¥14,775	**$117,050**
Liabilities and secured			
Short-term bank loans	**¥ 1,410**	¥ 1,410	**$ 11,750**
Long-term bank loans	**842**	1,328	**7,017**
Other interest bearing debt	**9,144**	9,326	**76,200**
	¥11,396	¥12,064	**$ 94,967**

8. Accounting for Leases:

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, however, leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

Assumed data "as if capitalized" as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, which included the portion of interest thereon, were summarized as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
March 31	2003	2002	2003
Acquisition cost	¥15	¥15	$125
Accumulated depreciation	7	6	58
Net book value	¥ 8	¥ 9	$ 67
Depreciation	¥ 2	¥ 2	$ 17

Depreciation is computed on the straight-line method over the lease term of the leased assets with no residual value.

Periodic lease expenses on finance lease contracts without ownership-transfer for the year ended March 31, 2003 and 2002 were summarized as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2003	2002	2003
Periodic lease expense	¥2	¥2	$17

The amount of outstanding future lease payments due at March 31, 2003 and 2002, which included the portion of interest thereon, was summarized as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
March 31	2003	2002	2003
Within one year	¥2	¥ 1	$17
Over one year	7	9	58
	¥9	¥10	$75

9. Derivative Financial Instruments:

Derivative financial instruments are utilized by the Company principally to reduce interest rate and foreign exchange rate risks. The Company has established a control environment which includes policies and procedures for risk assessments and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for speculative purposes.

The Company is exposed to certain market risks arising from its exchange forward contracts and interest rate swap agreements. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest rate derivatives; however, the Company does not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high bond ratings.

10. Pension and Retirement Benefits:

The benefit obligation and plan assets, funded status and composition of amounts recorded in the consolidated balance sheet as of March 31, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
March 31	2003	2002	2003
Projected benefit obligations	¥(24,175)	¥(22,561)	$(201,458)
Plan assets	7,820	8,048	65,166
Funded status	(16,355)	(14,513)	(136,292)
Unrecognized transition amount	6,313	6,844	52,608
Unrecognized actuarial loss	3,743	1,763	31,192
	(6,299)	(5,906)	(52,492)
Amounts recognized in the balance sheet consists of —			
Prepaid pension cost	213	256	1,775
Accrued pension and severance costs	¥ (6,512)	¥ (6,162)	$ (54,267)

The components of net pension and severance costs for the year ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S.dollars (Note 3)
	2003	2002	2003
Service cost	¥ 786	¥ 747	$ 6,550
Interest cost	630	749	5,250
Expected return on plan assets	(121)	(199)	(1,008)
Amortization of transition amount	531	528	4,425
Actuarial loss	181	46	1,508
Net pension expense	¥2,007	¥1,871	$16,725

Assumptions used in calculation of the above information as of March 31, 2003 were as follows:

Discount rate	2.3%
Expected rate of return on plan assets	1.5%
Method of attributing the projected benefits to periods of services	years of service

11. Shareholders' Equity:

The following appropriations of the Company's retained earnings in respect of the year ended March 31, 2003 which were approved by the shareholders at the general meeting held on June 27, 2003, have not been incorporated in the accompanying consolidated financial statements.

	Millions of yen	Thousands of U.S.dollars (Note 3)
Retained earnings at the end of the year	¥6,648	$55,400
Utilization of general reserve		
Utilization of deferred gain on sales of property, plant and equipment	17	142
	6,665	55,542
Appropriations:		
Dividends (¥4.50 per share)	(424)	(3,354)
Bonuses to directors	(37)	(308)
[of which to statutory auditors]	[4]	[33]
Transfer to general reserve:		
Deferred gain on sales of property, plant and equipment	(6)	(50)
Others reserves	(1,000)	(8,333)
Retained earnings carried forward to the following year	¥5,198	$43,317

12. Selling, General and Administrative Expenses:

Major elements of "Selling, general and administrative expenses" for two years in the period ended March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Salaries	**¥6,628**	¥6,926	**$55,233**
Bonuses	**3,060**	2,980	**25,500**
Pension and severance costs	**1,094**	992	**9,117**
Provision for retirement benefits to directors	**71**	75	**592**
Research and development expenses	**5,695**	5,253	**47,458**
Sales promotion	**1,732**	1,828	**14,433**
Advertisement	**651**	651	**5,425**
Rent and lease	**1,752**	1,731	**14,600**
Travel	**1,422**	1,465	**11,850**

13. Income Taxes:

The Group is subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 42.05 % for the two years in the period ended March 31, 2003. Reconciliation of the differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2003 and 2002 is as follows:

	2003	2002
Statutory tax rate	**42.05%**	42.05%
Increase (decrease) in taxes resulting from:		
Expenses not deductible for income tax purpose (ex. Entertainment expenses)	**9.73**	14.36
Income not included for income tax purpose (ex. Dividend income)	**(0.20)**	(0.30)
Equity in losses of affiliates	**(3.49)**	0.00
Inhabitant equalization taxes	**1.40**	1.86
Change of tax rate in defferd tax assets	**2.40**	—
Other	**2.17**	(0.09)
Effective tax rate	**54.06%**	57.88%

Due to the change in local tax law on March 31,2003, the effective tax rate used in the calculation of deferred tax assets and liabilities at March 31, 2003 is reduced to 40.69% as compared with 42.05% for the prior fiscal year. This reduced effective tax rate applies only to deferred tax items that will be settled on and after April 1, 2004. As a result, net of deferred tax assets and net of deferred tax liabilities as of March 31, 2003 decreased by ¥141 million and income taxes-deferred for the year ended March 31, 2003 increased by ¥135 million.

Significant components of deferred tax assets as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2003	2002	2003
Deferred tax assets:			
Non-deductible portion of reserve for bonuses	¥ 600	¥ 475	$ 5,000
Provision for reserve for sales rebates	259	198	2,158
Enterprise taxes payable	257	133	2,142
Devaluation of financial instruments	1,887	1,069	15,725
Amortization of R&D	72	56	600
Amortization of long-term prepaid expenses	843	997	7,025
Pension and severance costs	1,567	1,015	13,058
Provision for retirement benefits to directors	206	210	1,717
Non-deductible portion of allowance for bad debt	77	87	642
Unrealized gain of property, plant and equipment	2,568	2,568	21,400
Unrealized loss on other securities	181	187	1,508
Other	112	62	933
Total deferred tax assets	8,629	7,057	71,908
Valuation allowance	(28)	—	(233)
Deferred tax assets, net	8,601	7,057	71,675
Deferred tax liabilities:			
Deferred gain on sales of property, plant and equipment	(470)	(519)	(3,917)
Other	(1)	0	(8)
Total deferred tax liabilities	(471)	(519)	(3,925)
Deferred tax assets, net	¥8,130	¥6,538	$67,750

14. Contingencies:

The Group had contingent liabilities arising from notes discounted at banks in the ordinary course of business in the amount of ¥ 2,088 million as of March 31, 2003.

15. Segment Information:

Information about operations in industry segments of the Group for years ended March 31, 2003 and 2002 is as follows:

	Millions of yen				
	2003				
	Pharmaceutical	Other*	Total	Eliminations or Corporate	Consolidated
I. Sales and Operating Income					
Sales to customers	¥70,930	¥ 3,073	¥74,003	¥ —	¥ 74,003
Inter-segment/transfer	—	304	304	(304)	—
	70,930	3,377	74,307	(304)	74,003
Operating expenses	64,068	2,292	66,360	(304)	66,056
Operating income	¥ 6,862	¥ 1,085	¥ 7,947	¥ —	¥ 7,947
II. Assets, Depreciation and Capital Expenditures					
Assets	¥65,486	¥19,985	¥85,471	¥23,045	¥108,516
Depreciation	¥ 2,547	¥ 816	¥ 3,363	¥ —	¥ 3,363
Capital Expenditures	¥ 1,924	¥ 74	¥ 1,998	¥ —	¥ 1,998

	Millions of yen				
	2002				
	Pharmaceutical	Other*	Total	Eliminations or Corporate	Consolidated
I. Sales and Operating Income					
Sales to customers	¥70,268	¥ 3,004	¥73,272	¥ —	¥ 73,272
Inter-segment/transfer	—	594	594	(594)	—
	70,268	3,598	73,866	(594)	73,272
Operating expenses	63,766	2,375	66,141	(594)	65,547
Operating income	¥ 6,502	¥ 1,223	¥ 7,725	¥ —	¥ 7,725
II. Assets, Depreciation and Capital Expenditures					
Assets	¥68,728	¥20,899	¥89,627	¥24,498	¥114,125
Depreciation	¥ 2,913	¥ 866	¥ 3,779	¥ —	¥ 3,779
Capital Expenditures	¥ 3,649	¥ 58	¥ 3,707	¥ —	¥ 3,707

	Thousands of U.S. dollars (Note 3)				
	2003				
	Pharmaceutical	Other*	Total	Eliminations or Corporate	Consolidated
I. Sales and Operating Income					
Sales to customers	$591,083	$ 25,609	$616,692	$ —	$616,692
Inter-segment/transfer	—	2,533	2,533	(2,533)	—
	591,083	28,142	619,225	(2,533)	616,692
Operating expenses	533,900	19,100	553,000	(2,533)	550,467
Operating income	$ 57,183	$ 9,042	$ 66,225	$ —	$ 66,225
II. Assets, Depreciation and Capital Expenditures					
Assets	$545,717	$166,542	$712,259	$192,041	$904,300
Depreciation	$ 21,225	$ 6,800	$ 28,025	$ —	$ 28,025
Capital Expenditures	$ 16,033	$ 617	$ 16,650	$ —	$ 16,650

*Other business fields consist of mainly real estate.

Report of Independent Auditors

To the Board of Directors
KAKEN PHARMACEUTICAL CO., LTD.

We have audited the accompanying consolidated balance sheets of KAKEN PHARMACEUTICAL CO., LTD. and its consolidated subsidiaries (collectively, the "Group") as of March 31, 2003 and 2002 and the related consolidated statements of income, shareholders' equity and cash flows for the years ended , all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2003 and 2002 and the consolidated results of their operations and their cash flows for the years ended in conformity with accounting principles and practices generally accepted in Japan (See Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Hijiribashi Audit Corporation

Tokyo, Japan
June 27, 2003

Corporate Data (As of March 31, 2003)

REGISTERED HEAD OFFICE
28-8, Honkomagome 2-chome, Bunkyo-ku,
Tokyo 113-8650, Japan
Tel: 81-3-5977-5001
Fax: 81-3-5977-5131
http://www.kaken.co.jp

Founded
March 1917

Incorporated
March 1948

Paid-in Capital
¥17,000 million (As of Sept. 30, 2003)

Common Stock
Authorized: 360,000,000 shares
Issued: 94,518,374 shares (As of Sept. 30, 2003)
Number of Shareholders: 24,392

Employees *(Non-Consolidated)*
Administration: 144
Sales & Marketing: 981
Production & Technology: 275
Research & Development: 261

Global Business Development
2-28-8, Hon-Komagome, Bunkyo-ku,
Tokyo 113-8650, Japan
Executive Officer & General Manager
Masao Ishida
Tel: 81-3-5977-5046
Fax: 81-3-5977-5133
E-mail: masao-ishida@kaken.co.jp

Branch Offices
Sapporo Branch
Sendai Branch
Tokyo-1 Branch
Tokyo-2 Branch
Nagoya Branch
Osaka-1 Branch
Osaka-2 Branch
Hiroshima Branch
Fukuoka Branch

Plant
Shizuoka Factory

Research Laboratories
Shizuoka Research Laboratories
Kyoto Research Laboratories
Production Technology Laboratories

Overseas Office:
Kaken New York Office
245 Park Avenue, 24th Floor, New York, NY10167
Tel: 1-212-372-8910
Fax: 1-212-372-8970
E-mail: ny@kaken.co.jp

Board of Directors and Corporate Auditors

President and Representative Director
Shiro Inui

Executive Managing Director
Takeshi Hirahara
(Administration)

Executive Managing Director
Yoshinori Kambayashi
(Research and Development)

Executive Managing Director
Takeji Saito
(Marketing and Sales)

Executive Managing Director
Shuji Komoto
(Accounting & Purchasing)

Executive Director
Yutaka Handa
(Personnel)

Executive Director
Shinichi Takamatsu
(Accounting)

Executive Director
Masahiro Hori
(Agrochemicals and Animal Health Products)

Auditor
Osamu Okamoto
(Standing)

Auditor
Satoshi Shoji
(Standing)

Auditor
Sumio Yoshizawa

Auditor
Keizo Nemoto

Kaken Pharmaceutical Co., Ltd.
28-8, Honkomagome 2-chome, Bunkyo-ku,
Tokyo 113-8650, Japan
Tel: 81-3-5977-5001
Fax: 81-3-5977-5131
http://www.kaken.co.jp

Printed in Japan