August 28, 2003

Fiscal Year 2003
Interim Report

~ Performance Review and Future Strategy ~

Consolidated Results of Profit Performance

(Millions of yen)

	2000 Interim	2003 Interim	Y/Y	2002 Annual
Net sales	12,209	14,153	15.9%	26,529
Operating income	2,069	3,114	50.5%	4,445
Ordinary income	2,278	3,453	51.6%	4,727
Net income	1,585	2,047	29.2%	2,894
Equity in earnings of associated companies	371	307	(17.2)%	474

Consolidated subsidiaries:

TFB Inc. (Japan), Fujirebio America Inc. (USA), Fujirebio Diagnostics Inc. (USA), Fujirebio Taiwan Inc. (Taiwan), and Rebio Gen Inc.

Associated companies accounted for by the equity method:

SRL Inc. (Japan) and JGS Inc. (Japan)

Results of Consolidated Companies

(Millions of yen)

Company	Fujirebio Inc.	Y/Y	TFB Inc.	Y/Y	FAI(FDI)	Y/Y	Fujirebio Taiwan, Inc.	Y/Y	Rebio Gen Inc.
Sales	11,208	19.3%	2,002	0.0%	1,863	5.9%	102	(18.5)%	487
Operating profit	2,682	50.5%	33	5.5%	326	16.4%	2.5	(20.4)%	73
Ordinary profit	2,956	66.4%	33	26.3%	252	22.6%	1.6	—	66
Net income	1,502	28.4%	10	231.3%	167	24.2%	(0.1)	—	37

Associated companies accounted for by the equity method:

	Equity ratio	Equity in earnings of associated companies
SRL Inc.	33.4%	330 million yen
JGS Inc.	23.05%	(23 million yen)

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Consolidated Sales by Product Segments

(Millions of yen)

	2000 Interim	2003 Interim	Y/Y	2002 Annual
CL-EIA based	4,090	4,632	13.3%	9,004
Agglutination based	4,585	4,242	(7.5)%	9,404
ESPLINE series	221	1,286	481.9%	1,147
NAT products	124	434	250.3%	332
RIA & others	3,089	3,435	11.2%	6,442
Royalty	98	123	25.5%	200
TOTAL	**12,209**	**14,153**	**15.9%**	**26,529**

*** FY2003 Interim Sales of ESPLINE Influenza A&B: 1.06 billion yen**

* CL-EIA: Chemiluminescent Enzyme Immunoassay

* "Agglutination based" includes hemagglutination(HA) and Passive(Parlicle) Agglutination.

* NAT: Nucleic Acid Amplification Test

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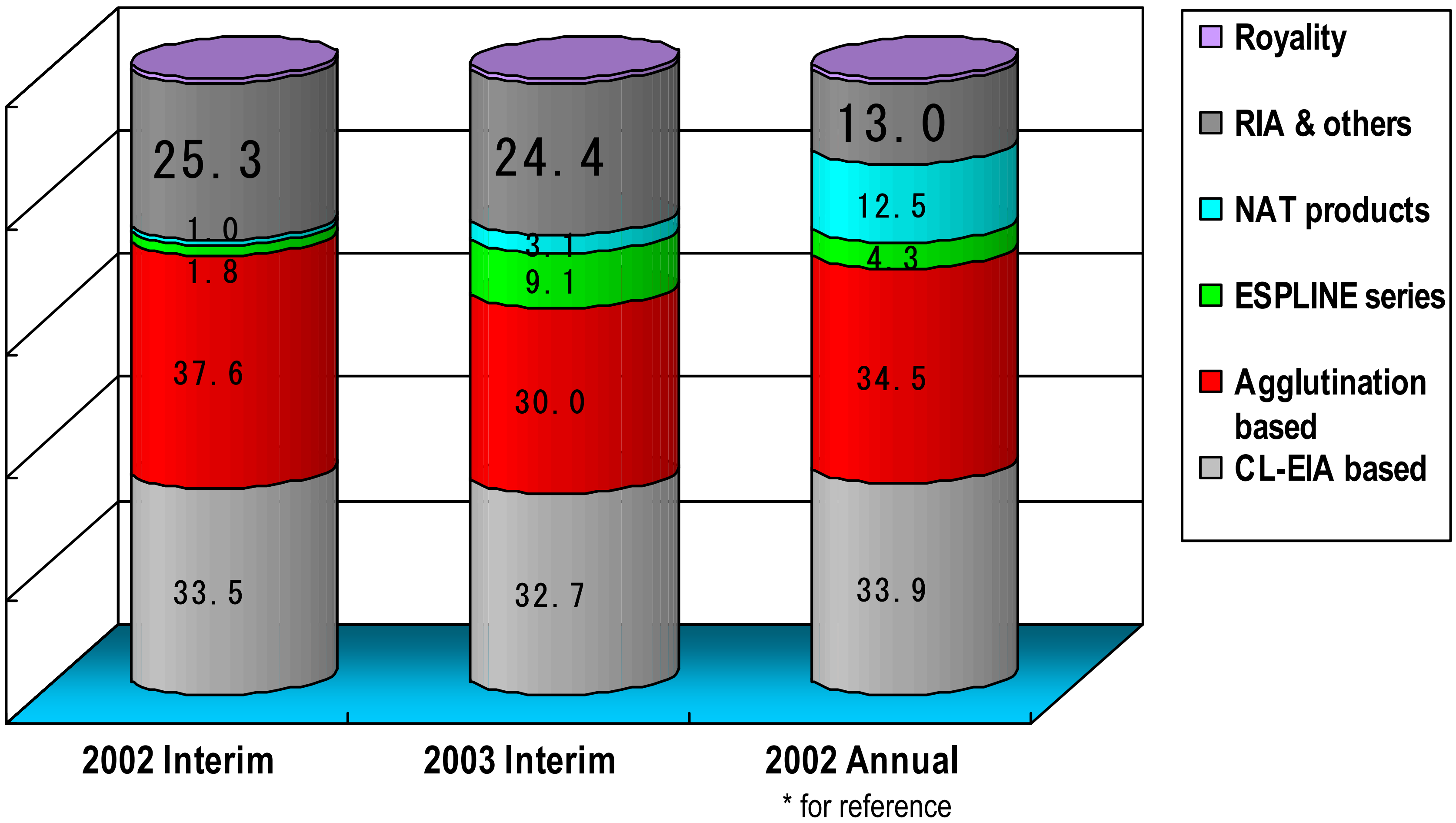
Sales by Product Segments

(Ratio of Sales: %)



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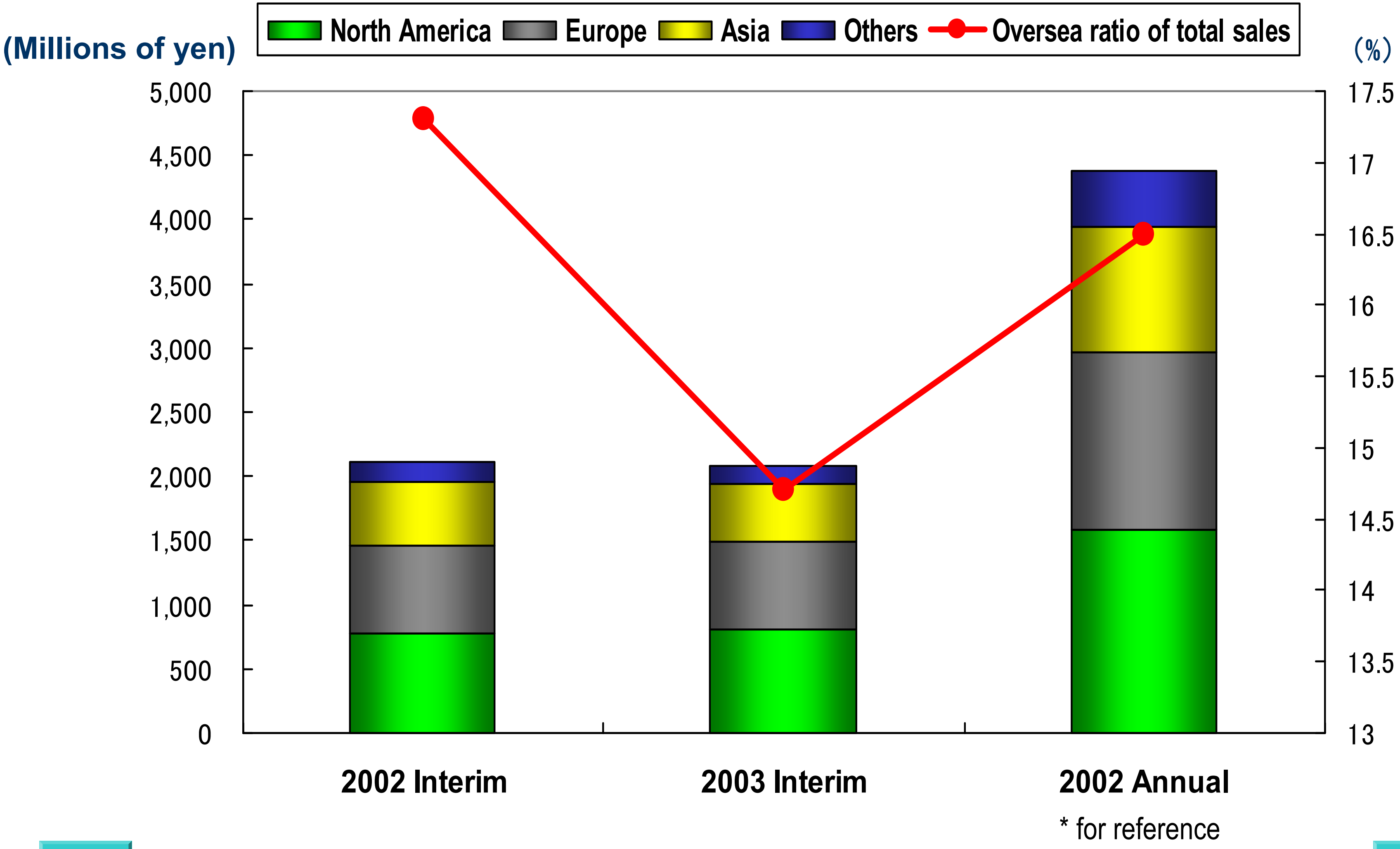
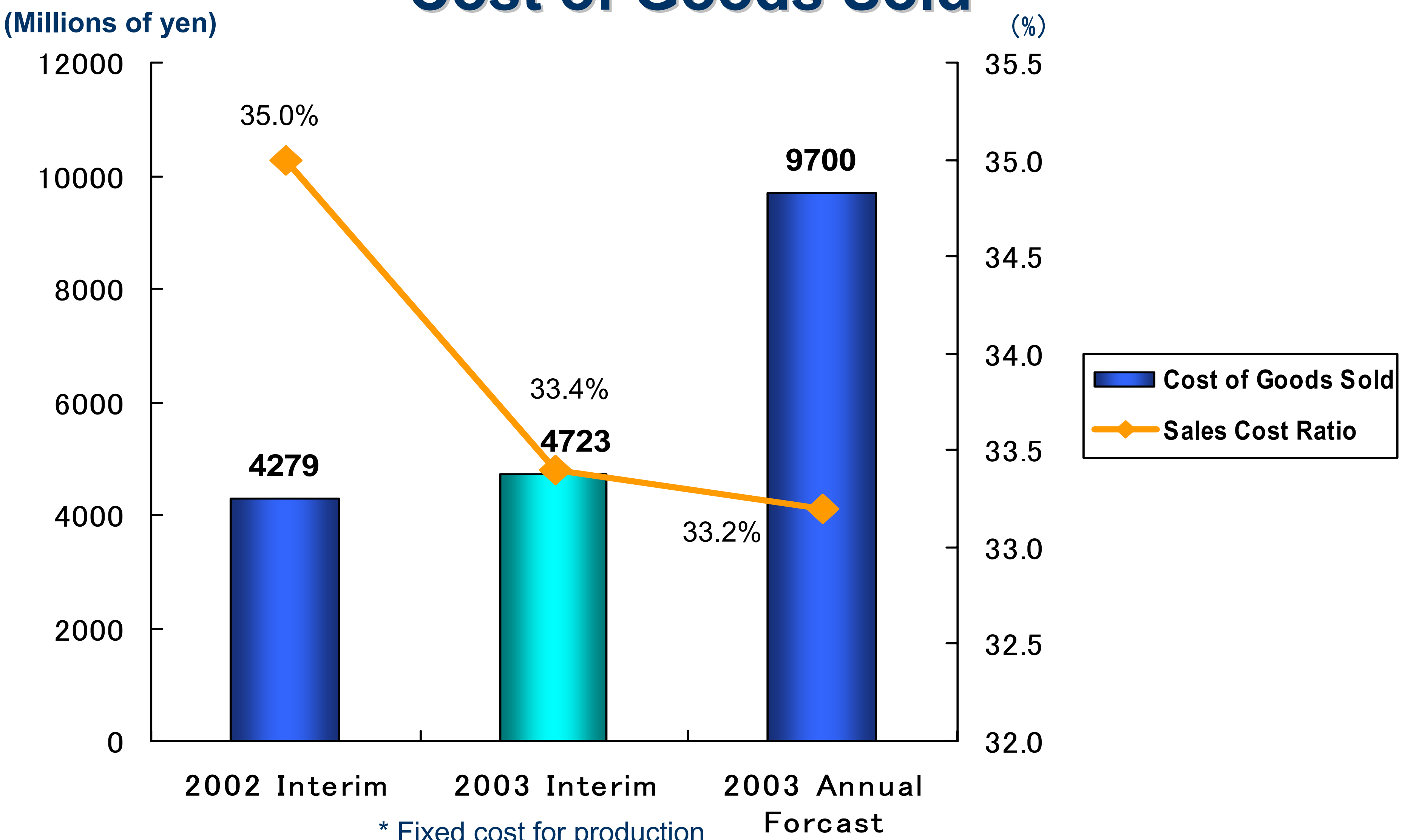
Sales by Oversea Areas



Cost of Goods Sold



* Fixed cost for production successfully reduced.

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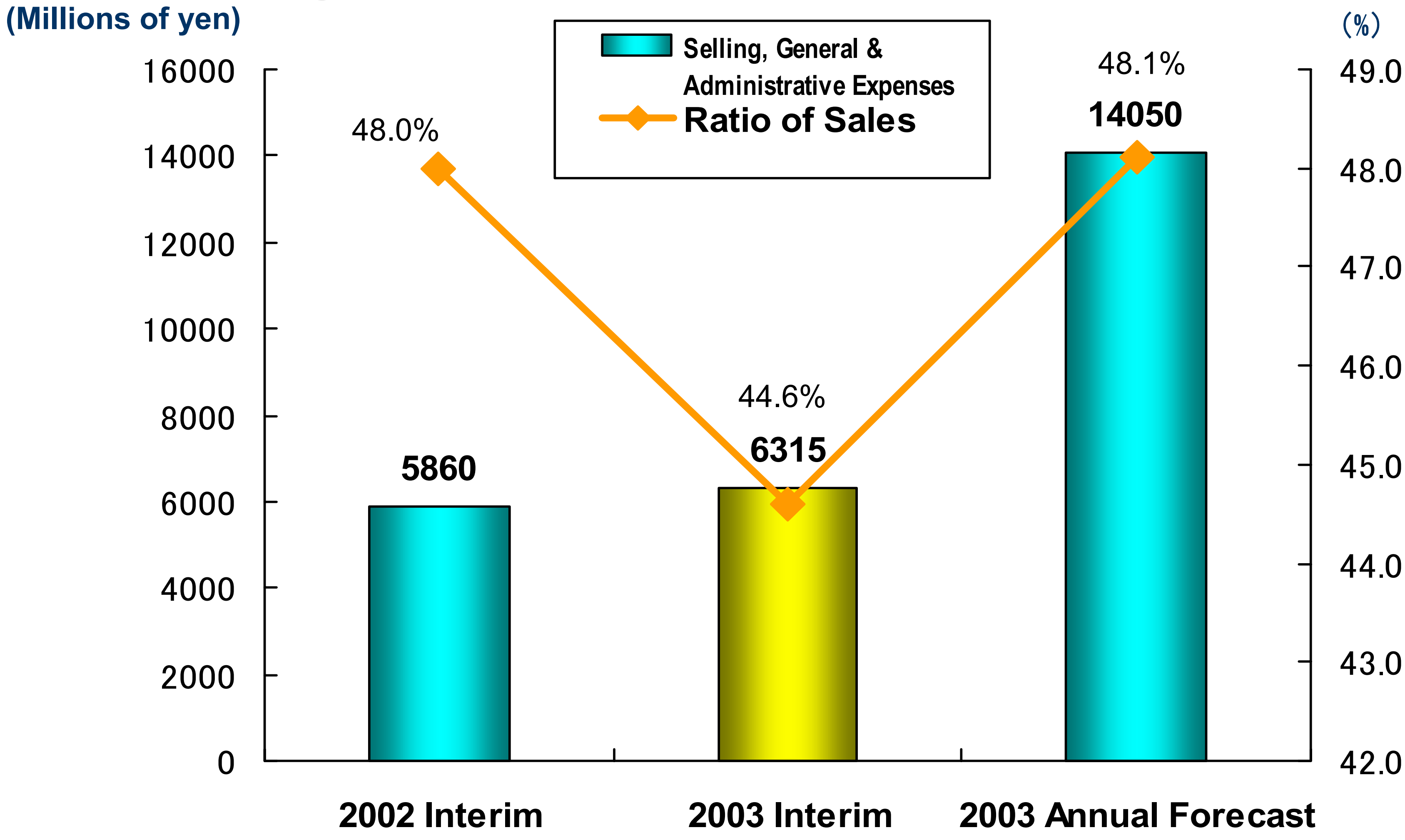
Selling, General and Administrative Expenses



* Sales royality: 207 million yen

* Consolidation adjustments account: 115 million yen

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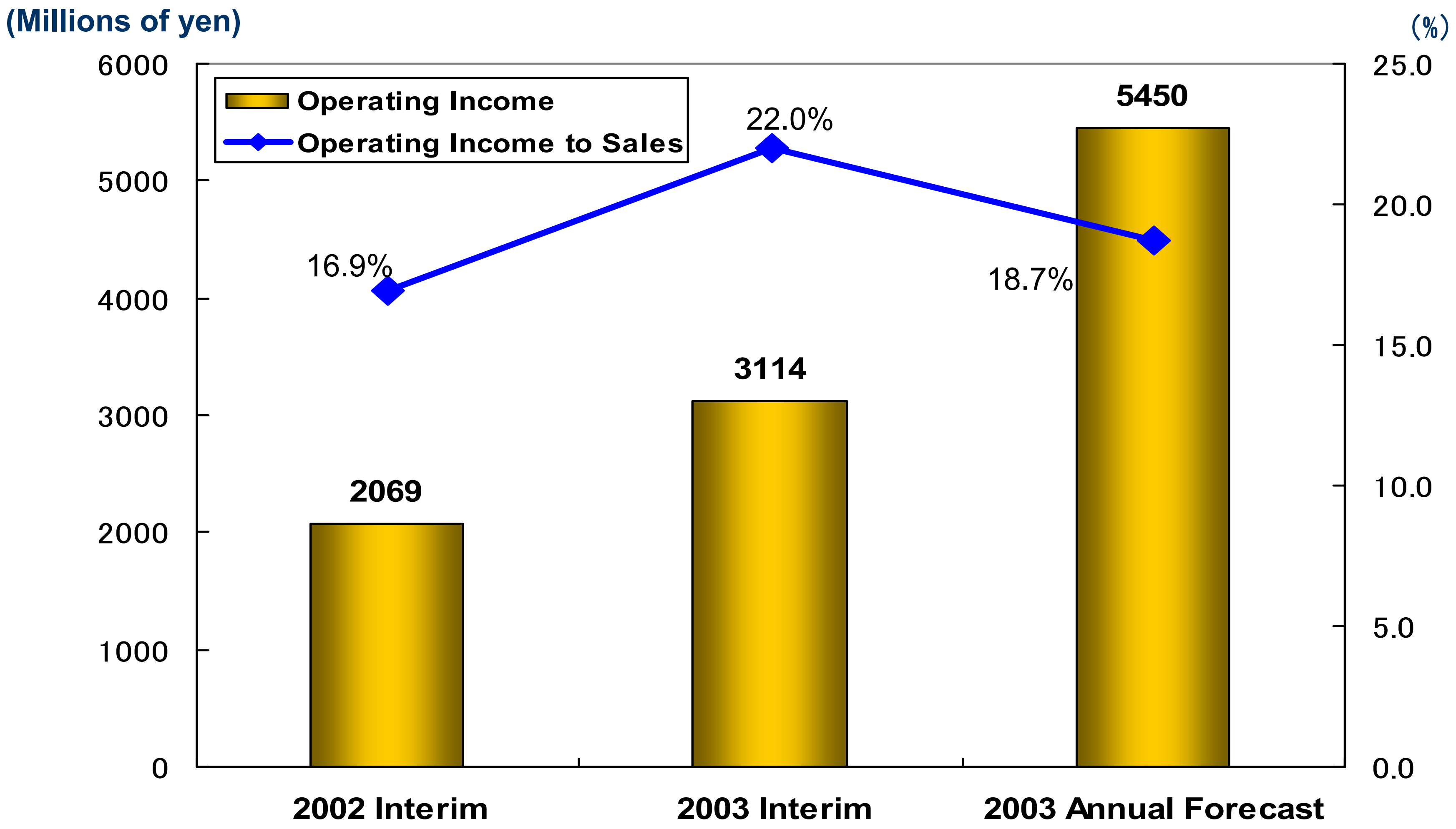
Operating Income



* Goal of operating income to sales: 20%.

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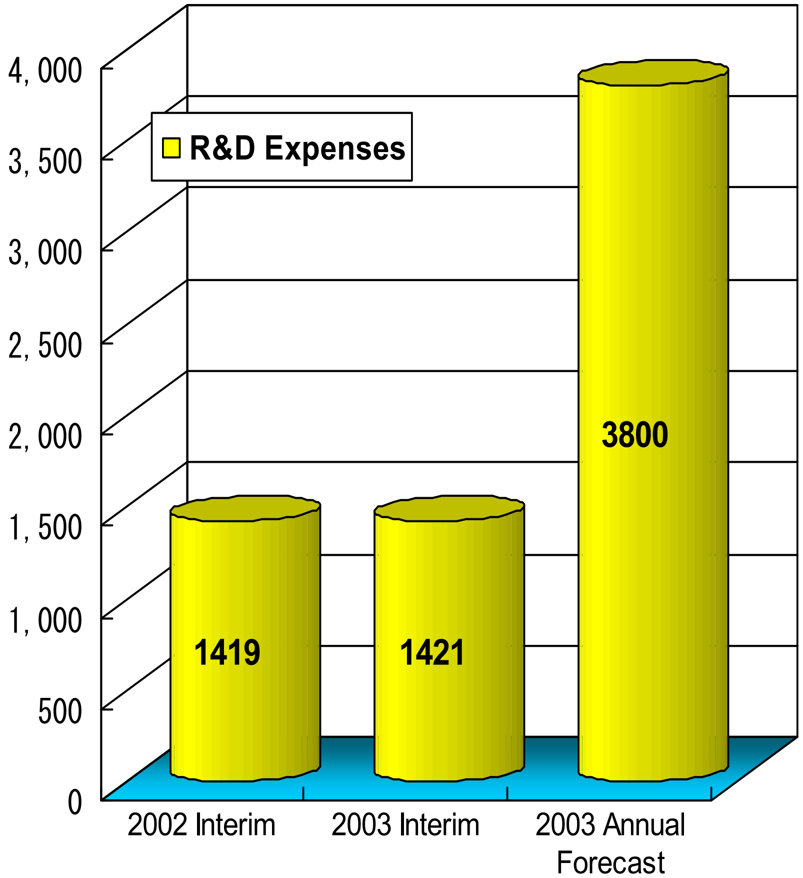
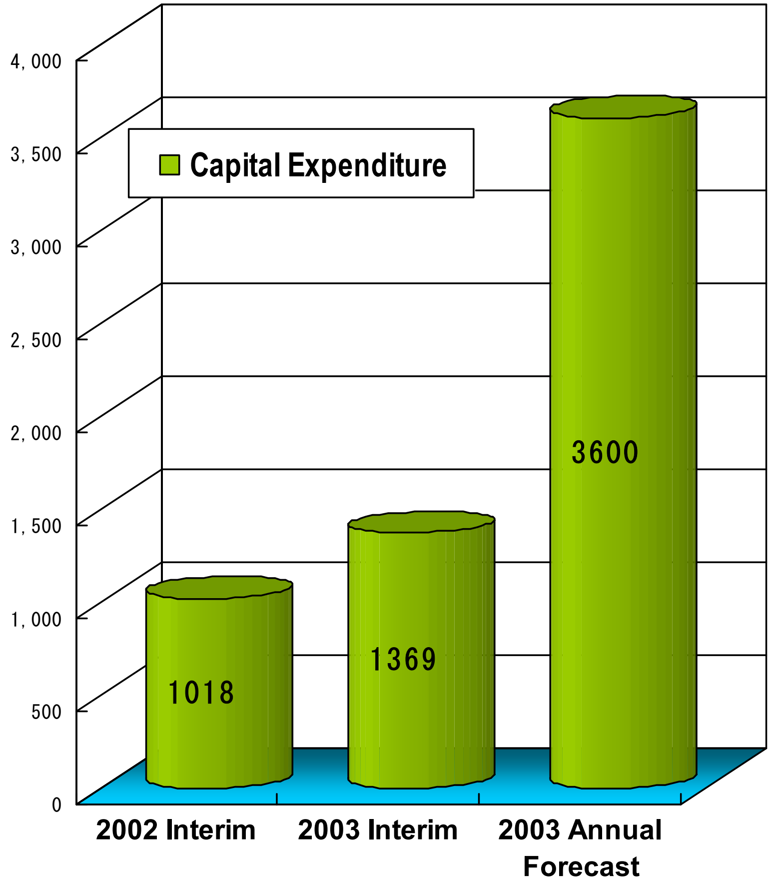
Research and Development Expenses & Capital Expenditure

(Millions of yen)





* Increase in R&D expenses for LUMIPULSE *Presto* for the second half of FY2003

* Increase in Capital Expenditure for increase in productivity of ESPLINE Influenza A&B for the second half of FY 2003

Consolidated Statement of Operations

(Millions of yen)

	2002 Interim	Ratio of net sales (%)	2003 Interim	Ratio of net sales (%)	2002 Annual	Ratio of net sales (%)
Net sales	12,209	100.0	14,153	100.0	26,529	100.0
Cost of goods sold	4,279	35.0	4,723	33.4	9,176	34.6
Gross profit	7,930	65.0	9,430	66.6	17,352	65.4
Selling, general and administrative expenses	5,860	48.0	6,315	44.6	12,906	48.6
Operating income	2,069	16.9	3,114	22.0	4,445	16.8
Other incom	473	3.9	422	3.0	718	2.7
Other expense	264	2.2	83	0.6	436	1.7
Ordinary Profit	2,278	18.7	3,453	24.4	4,727	17.8
Extraordinary gain	485	4.0	168	1.2	481	1.9
Extraordinary loss	309	2.5	273	1.9	420	1.6
Income before income tax and minority interests	2,454	20.1	3,348	23.7	4,788	18.1
Income tax	944	7.7	1,213	8.6	1,882	7.1
Deferred tax	(72)	(0.6)	86	0.6	14	0.1
Minority interest	(2)	(0.0)	1	0.0	(2)	(0.0)
Net income	1,585	13.0	2,047	14.5	2,894	10.9

Consolidated Balance Sheet (Assets)

(Millions of yen)

	2002 December	Ratio of total assets (%)	2003 June	Ratio of total assets (%)	Increase /Decrease
Current assets	23,521	39.9	23,316	39.3	(205)
Cash and cash equivalents	7,835	13.3	9,235	15.6	1,400
Accounts and notes receivables	9,663	16.4	8,740	14.7	(923)
Marketable securities	1,020	1.7	754	1.3	(266)
Inventories	4,427	7.5	4,049	6.8	(378)
Deferred tax assets	276	0.5	322	0.5	46
Other assets	332	0.6	238	0.4	(94)
Allowance for doubtful receivables	(34)	(0.1)	(23)	(0.0)	11
Fixed assets	35,426	60.1	36,019	60.7	593
Property, plant and equipment	8,941	15.2	9,305	15.7	364
Intangible assets	3,776	6.4	3,658	6.2	(118)
Investment securities	20,198	34.3	20,765	35.0	567
Deferred tax assets	1,705	2.9	1,562	2.6	(143)
Other assets	846	1.4	756	1.3	(90)
Allowance for doubtful receivables	(41)	(0.1)	(29)	(0.0)	12
Total assets	58,947	100.0	59,335	100.0	388

Seasonal variation (influenza)

Compression of inventories

Capital expenditure: 1,186 million yen

Consolidated Balance Sheet (Liabilities)

(Millions of yen)

	2002 December	Ratio of total assets (%)	2003 June	Ratio of total assets (%)	Increase /Decrease
Current liabilities	8,311	14.1	7,453	12.6	(858)
Accounts and notes payables	2,051	3.5	1,892	3.2	(159)
Short-term debt	2,635	4.5	1,835	3.1	(800)
Income tax payable	1,007	1.7	1,074	1.8	67
Accrued bonus	307	0.5	264	0.4	(43)
Other current liabilities	2,310	3.9	2,386	4.0	76
Long-term liabilities	12,142	20.6	11,594	19.5	(548)
Convertible bonds	6,500	11.0	6,500	11.0	0
Long-term debt	1,769	3.0	1,201	2.0	(568)
Liabilities for employee's retirement benefits	3,248	5.5	3,286	5.5	38
Liability for directors' and corporate auditors' retirement benefits	139	0.2	143	0.2	4
Other long-term liabilities	485	0.8	462	0.8	(23)
Total liabilities	20,454	34.7	19,047	32.1	(1,407)
Minority interest	26	0.0	27	0.0	1

Repayment of debt:
1,368million yen
Remaining debt:
3,036million yen

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Consolidated Balance Sheet (Shareholders' Equity)

(Millions of yen)

	2002 December	Ratio of total asset (%)	2003 June	Ratio of total asset (%)	Increase /Decrease
Common stock	3962	6.7	3962	6.7	0
Additional paid-in capital	5365	9.1	5365	9.0	0
Retained earnings	29184	49.5	30950	52.2	1766
Unrealized gain (loss) on available-for-sale securities	23	0.0	80	0.1	57
Foreign currency translation adjustments	(4)	(0.0)	(28)	(0.0)	(24)
Treasury stock at cost	(65)	(0.1)	(69)	(0.1)	(4)
Total shareholders' equity	38466	65.3	40260	67.9	1794
Total asset	58947	100.0	59335	100.0	388

*Shareholders' equity per share in June, 2003: **934.53 yen**

(in December, 2002: **892.79 yen**)

FUJIREBIO INC

Consolidated Cash Flow

(Millions of yen)

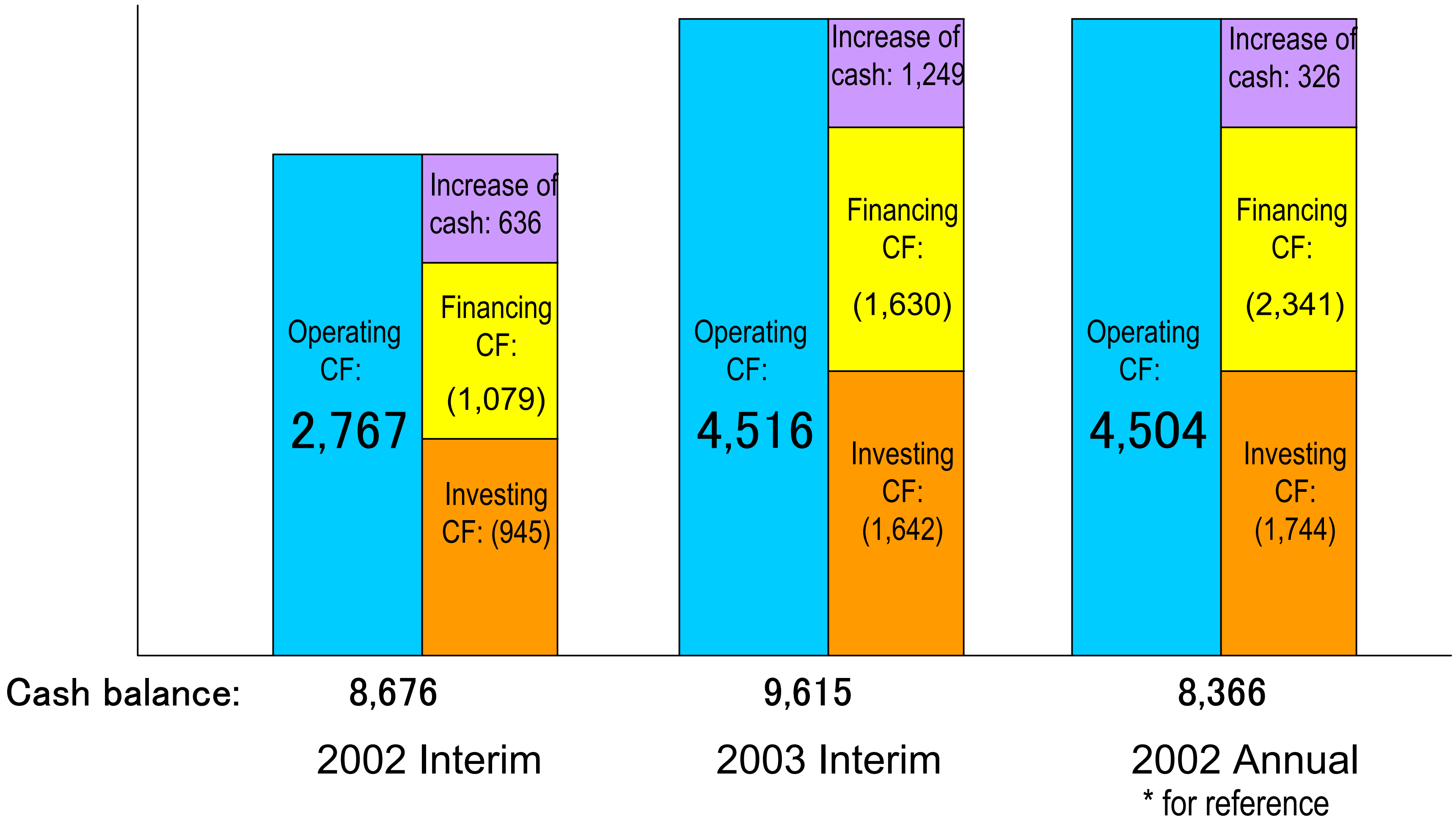
	2002 Interim	2003 Interim
Cash flow from operating activities	2,767	4,516
Cash flow from investing activities	(945)	(1,642)
Free cash flow	1,822	2,874
Repayments of debt	(837)	(1,367)
Cash dividends and others	(242)	(262)
Net increase (decrease) in cash and cash equivalents	636	1,249

*Decrease in accounts receivable: **922 million yen**
Decrease in inventories: **379 million yen**
Capital expenditure for tangible asset: **1,186 million yen**
Capital expenditure for intangible asset: **253 million yen**
Repayment of debt: **1,368 million yen**

FUJIREBIO INC

Consolidated Cash Flow

(Millions of yen)

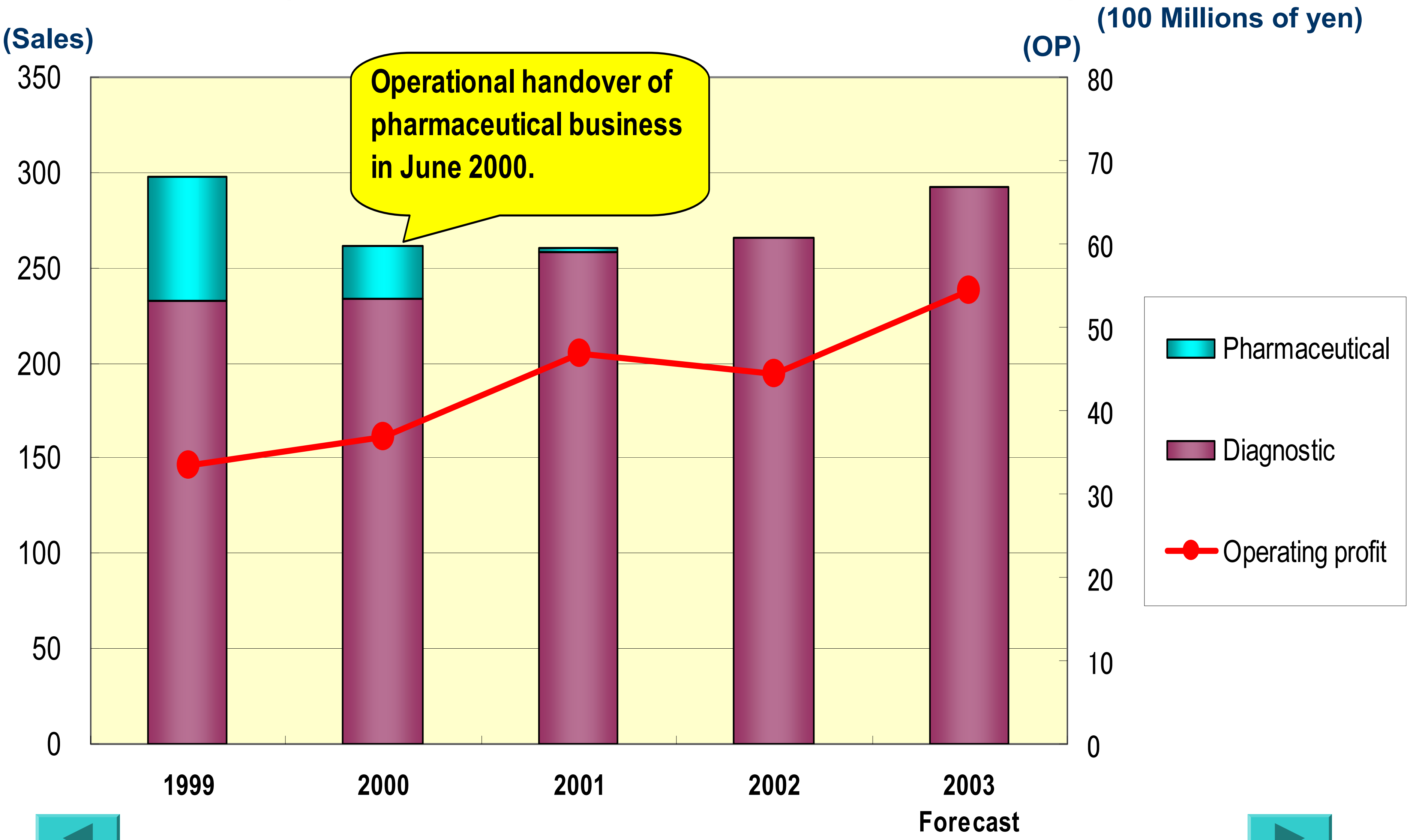


Consolidated Annual Forecast

(Millions of yen)

	2002 Annual	2003 Anuual (Forecast)	Y/Y (%)
Sales	26,529	29,200	10.1
Operating profit	4,445	5,450	22.6
Ordinary profit	4,727	5,850	23.8
Net income	2,894	3,400	17.5

Changes in Sales and Operating Profit



Management Policies

Self-evolving "Value-creating Company"

Enhance our value for the society

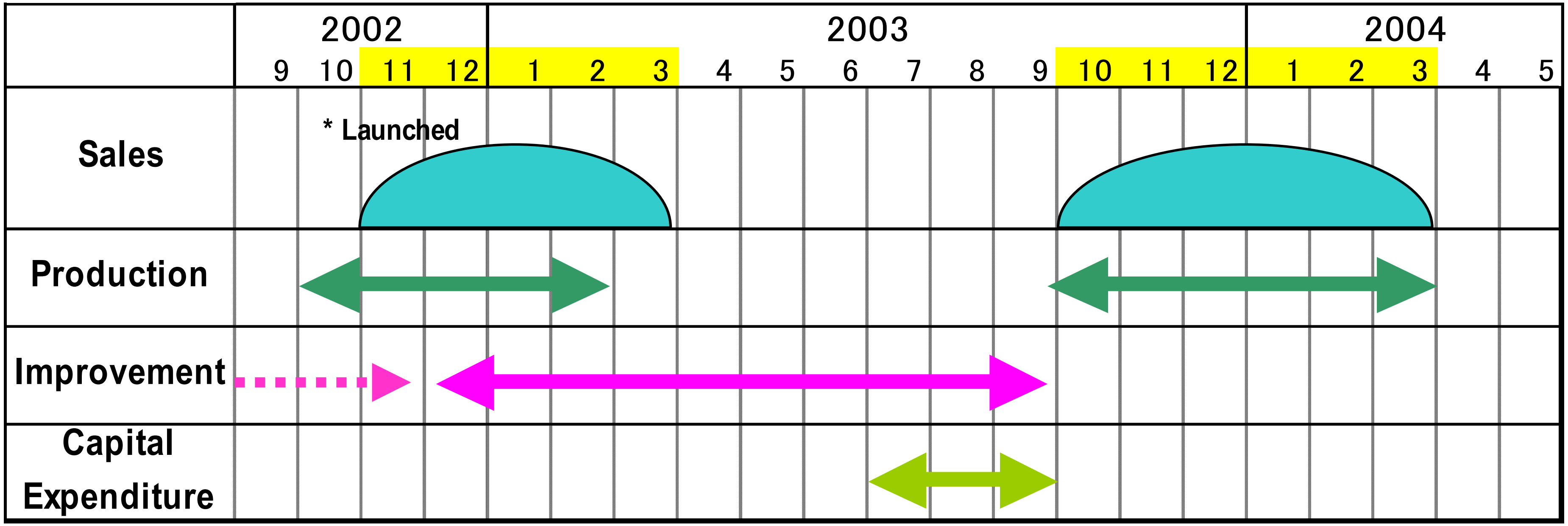
(shareholders, customers, business partners, employees)

- Ultimate goal: **"Global Life Science Company"**
- The overwhelming NO.1 company (group) in the clinical diagnostics market in Japan
- Customer orientation (top quality, maximize **"Customers Delight"**)
- Performance-based evaluation system (principles of internal competition)
- Speedy management decision

- OUTLINE -

1. ESPLINE Influenza A&B - Diagnostic Products in New Category
2. Commitment to Quality Control & Quality Improvement
3. Strategy for Global Business Expansion
4. Sales Policy Change
5. Compliance and Company Operation System
6. R&D Progress
7. Midterm Prospect

1. EL-Influenza A&B - Diagnostic Products in New Category



<u>'02/03 season</u>: Launching as a next generation product

Back order volume of 2 million tests

→ filled orders for the product by running three-shift production

<u>'03/04 season</u>: Upgrade the product in two phases

("Improved" version and "New" version)

Improve in performance of the product and productivity

1. EL-Influenza A&B

- Product Improvement, Productivity, and Distribution Policy

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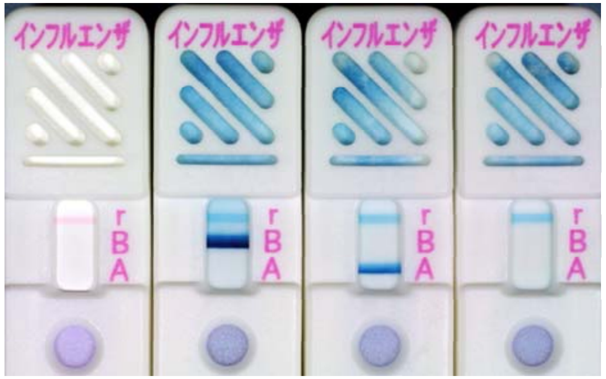
1) Product Improvement

"Improved" version: improve in the marking line, nasal cotton-tipped swab, and squeeze tube

"New" version: use the in-house made antibody



2) Productivity Enhancement

Last season: sold 2 million tests in 5months

→ **This season: estimate 3 million test in 4months**

- Design dispensing equipment for squeeze tube and improve in productivity of cassette assembly line

- Change of procurement route for raw materials: Imported antibody from oversea

  Produce antibody by FUJIREBIO (no limiting conditions for use of raw material)

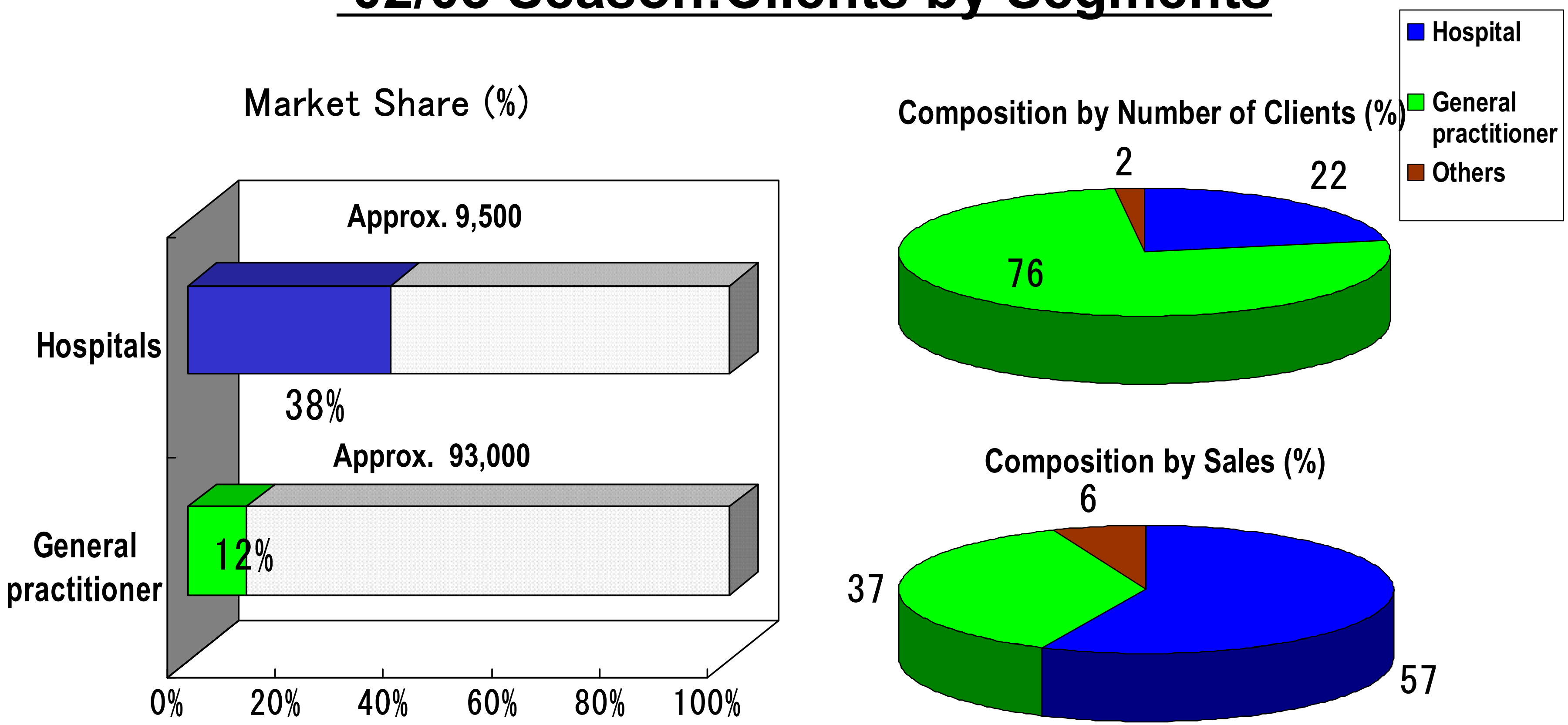
3) Distribution Policy

- Use national distributors covering wide market area to cultivate GP* market (Reagents MS* unable to cover)

- Market expansion with flexibility by MS

* GP: General practitioners   * MS: Medical marketing specialists

’02/03 Season:Clients by Segments



Market share in ’02/03season ：Hospital 38% General practitioner 12%

’03/04season → Many potential clients still exist in the market.

Improvement of GP market share is important. (market penetration of FUJIREBIO)

Proactive product recalls for the first half of FY2003 *(in Japanese market)*

- Repair of LUMIPULSE *f* 1/10/2003
- Recall of LUMIPULSE CEA-N 2/3/2003

(reference: Fujirebio web site)

Emphasis on quality → **·First priority on initial problem solving at customers' end**
·Enhance quality monitoring

- *Current situation:* **Heavy work load of sales force**
- *Action :* Drastic improvement of production and product-development process

Complaint handling process:

- Quality control system and complaint processing system based on ISO9001/13485 (After Service Group)
- Prompt investigation/response and establishment of improvement plan
- Coordination between Sales Division and New Product Planning & Development Division

Speedy directive of improvement:

- Directive of improvement from *KYFR meeting（reflect complaints from customers and set up foremost task)

Regular quality monitoring:

- Customer satisfaction survey（the 2nd survey in progress）

Study by working group

*** KYFR Meeting: the monthly meeting chaired by the President, the name stands for our slogan "how far Fujirebio can get for our customers!?"**

Quality Improvement Working Group

(Interdisciplinary organization among younger generation staff from production, quality control, product development, quality system and other departments)

1) Product planning:

Review of product planning process, enhancement of product data traceability, and increased use of risk analysis

2) Process flow control:

Planning of production process/quality, and renewal of process flow control and monitoring system

3) Quality control:

Thorough use of quality data from raw materials to products, and adaptation to multiproduct small-lot production

Quality is the key for competitive product differentiation.

Need for speedy response to quality problems
(concrete implementation plan is required.)

3. Strategy for Global Business Expansion

Current overseas sales:

decreasing Agglutination based diagnostic products

→ **Need for transition to LUMIPULSE system**

Planning of overseas sales of LUMIPULSE new generation system

・Completed a feasibility study for US market and concrete business planning in process

・Global Marketing Department (established on 8/1/'03)

・Exhibit LUMIPULSE *Presto* at AACC 2003 Clinical Lab Expo

→ **Start on overseas business expansion plan (utilization of FDI)**

3. Strategy for Global Business Expansion

AACC 2003 Clinical Lab Expo

July 20-24, 2003 Pennsylvania Convention Center, Philadelphia, PA

Exhibit: LUMIPULSE Presto

4. Sales Policy Change

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Sales policy

1) Distribution policy

Quotation price system: no major changes on incentive level to distributors

→ No significant negative impact on FUJIREBIO's sales

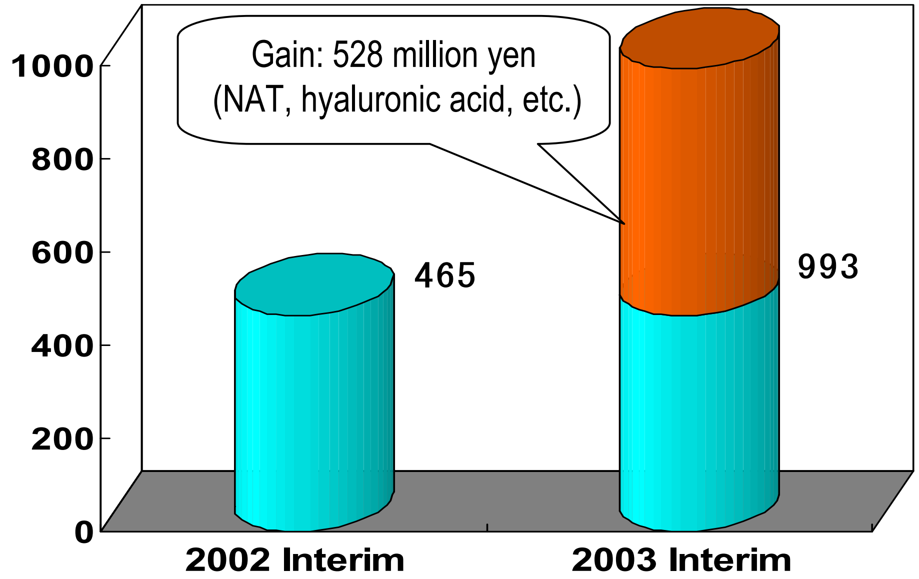
Improve distribution system for more aggressive promotion activities in future

2) Business with commercial laboratory

Sales amount with three major commercial lab. in 2003

- double of **2002**

Contribution by acquisition of Chugai Diagnostics Science Co., Ltd. (CDS)



→ Increase in the product lines for commercial lab. (specific analytes lines)
Further steps to increase such new analytes lines in future

5. Compliance and Company Operation System

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Compliance Structure

Ethical Guideline

Declaration to internal/external

ethical committee

- Chairperson(director in charge of ethics)
- Internal committee
- External committee (attorney etc.)

secretariat

○Formulation of the ethical guideline
○Establishment of compliance program

○Receive complaints
○Investigate concrete case

Internal hotline

External hotline

System of safeguards for those who disclose information in the public interest

Thoroughness to internal/external

Fact finding

Practice of immediate cessation of violation
Report to President & CEO

Start in fall 2003

5. Compliance and Company Operation System

FUJIREBIO INC

Operation system

・Version-upgrade: ISO 9001/13485

（ISO 9001 → 2000 version、ISO 13485 → 2003 version)

（Scheduled to obtain first-in-Japan CE marking on List A diagnostic product）

・Company operation system
（Total renewal of core and MIS computer system）

（New HR management system is already in operation, other systems in June, 2004)

・The 2nd Customer Satisfaction Survey

・Selective Educational System（Management Training Program)

（Regular internal selective education by executives and external educational program (10 staffs to be sent))

6. R&D Progress

FUJIREBIO INC

LUMIPULSE Presto

Fully automated analyzer and reagents

Scheduled to be launched in Nov. 2003

Top-class performance

- **High throughput: 240 Tests/h**
- **24 analytes available for full random access method**

Trust on LUMIPULSE brand name

Overwhelming numbers installed LUMIPULSE series

A wide selection of reagent menu

- **Tumor maker, infectious disease, hormone, etc.**

Lumipulse *Presto*

Economical efficiency

- **Adoption of master calibration**
- **Smaller loss of diluted solution**

Smaller and efficient test space

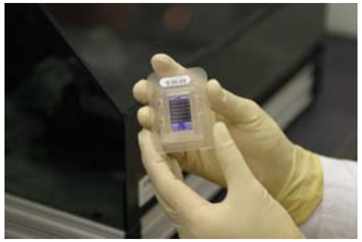
- **Switch over to bottle typed reagent**

Environmental consciouness

- **Decrease of waste for disposal**

6. R&D Progress

Protein Bio Chip (PBC):



- Completed introduction of production equipment
- Technological challenges for commercial production
- Sales start-up delay by half year expected
(not including business expansion for research purpose)

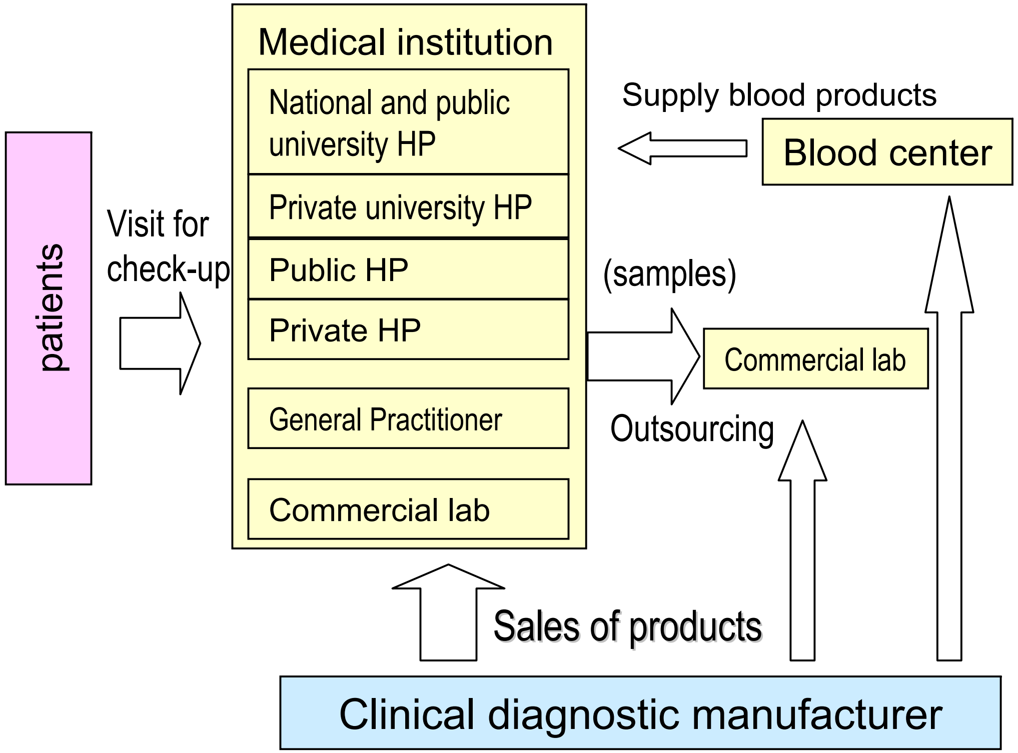
→ **focus on technical development (Simultaneous Multiple Immuno Assay), which takes time to develop for business**

Start from support of drug discovery and development for the present, ulitimately toward to diagnostic field

Advanced research:

- Create future key technology for bio-based components
- 3 special teams working on each project
  - "Bioarchitecture"
  - "Bionanosensors"
  - "Bioinformatics"

7. Midterm Prospect ~market situation~



Fluctuation factors of market

<Medical institution>
- Instruction of DPC
- Incorporation of national universities
- 30% burden of medical payment under the national insurance scheme
- Lower medical treatment fees (lower NHI point)
- Pursuit of profitability

<Commercial lab>
- Contract price decline by competition for order

<Blood center>
- Improvement of business operation under the new legislation for blood transfusion

Market situation

1) In-house clinical test → outsourcing, cost-conscious ↓

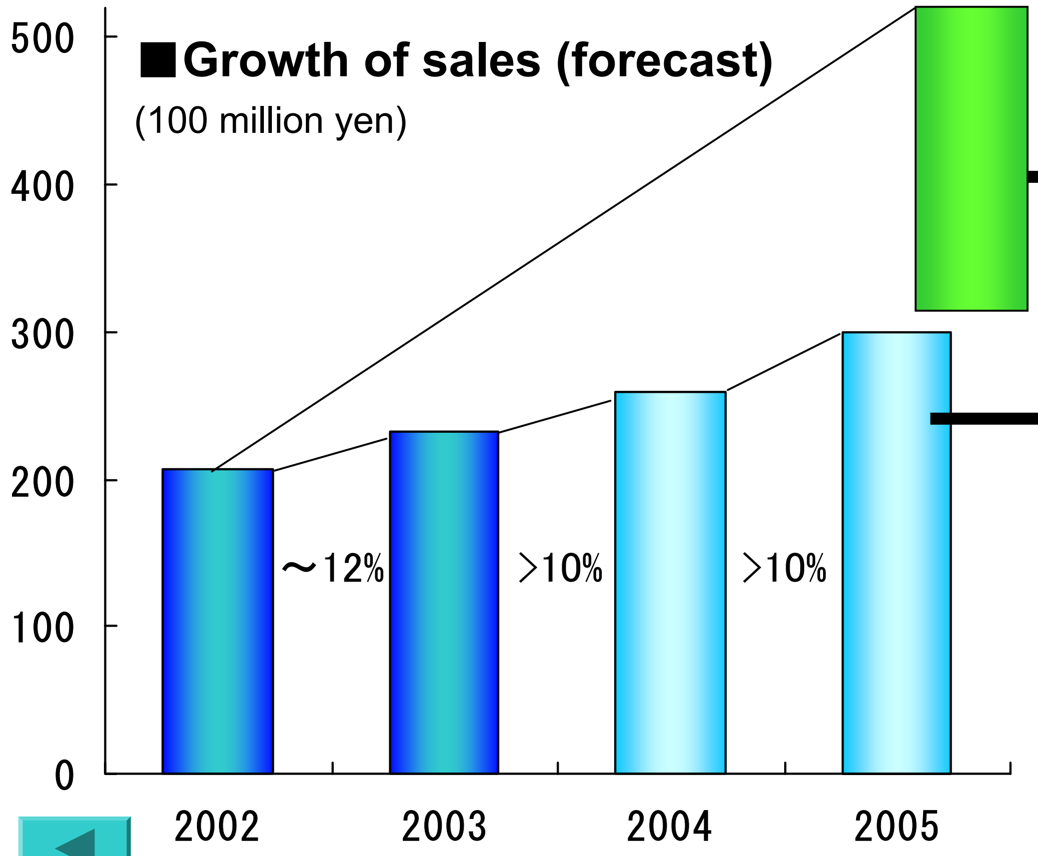
2) Price competition in commercial lab → cost down for medical procurement → slimmer profits margins ↓

3) Continuing demand for “high value and importance of laboratory test” (increasing)
Need of transformation for laboratory test operation for higher-value analytes (ex.POCT)

4) Conclusion: each company’s own business strategy/marketing management makes a difference.

Corporate entity with the single entity sales of 50 billion yen

- Overwhelming presence in the clinical diagnostics business in Japan
- Efficient operation (operating profit rate: 20%, ROE: 10%)



M&A strategies

Increased lines of original core products

- **-LUMIPULSE system products**
- **-ESPLINE Influenza A&B**
- **-Others**

※Delay of project schedule:

-Protein Bio Chip (PBC)

-Sales of LUMIPULSE system oversea

Contact: IR＆PUBLIC RELATIONS TEAM

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