

FUJIREBIO INC.

August 27, 2004

***Fiscal Year 2004
Interim Report***



 **FUJIREBIO INC.**

Fiscal 2004

Interim Results and Annual Forecast



Consolidated Results of Profit Performance

(million, JPY)

	2003 Interim	2004 Interim	Y/Y	2003 Annual (Reference)
Net Sales	14,153	13,259	93.7%	30,418
Operating income	3,114	2,227	71.5%	7,353
Ordinary income (Income from continuing operations before income taxes)	3,453	2,529	73.2%	8,280
Net income	2,047	1,651	80.7%	5,055
Net income per common share (JPY)	47.53	38.29		
R&D Expense	1,421	1,873	131.8%	3,071
Equity in earnings of associated companies	307	271	88.2%	1,061

Consolidated subsidiaries: (Japan) TFB, Inc.; Rebio Gen, Inc.

(Overseas) Fujirebio America, Inc. (USA); Fujirebio Diagnostics, Inc. (USA); and Fujirebio Taiwan, Inc. (Taiwan)

Equity-method affiliates: SRL, Inc.; and JGS, Inc.



2004 Interim Results of Consolidated Companies

(million, JPY)

Company	Fujirebio	Y/Y(%)	TFB	Y/Y(%)	FAI(FDI)	Y/Y(%)	Rebio Gen	Y/Y(%)	Fujirebio Taiwan	Y/Y(%)
Sales	10,463	93.3	2,105	105.1	1,770	95.0	644	132.2	100	98.4
Operating income	1,525	56.9	147	447.6	506	155.1	166	227.3	10	411.7
Ordinary income	2,089	70.7	149	442.6	459	181.9	169	253.7	11	712.0
Net income	1,398	93.0	94	885.9	301	180.5	110	290.3	9	—

Equity-method affiliates	Equity ratio	Equity in earnings of affiliate companies	Y/Y(%)
SRL	33.4%	JPY 322 million	97.3%
JGS	17.92%	(JPY 50 million)	220.3%



Sales by Product Segments (Consolidated)

(million, JPY)

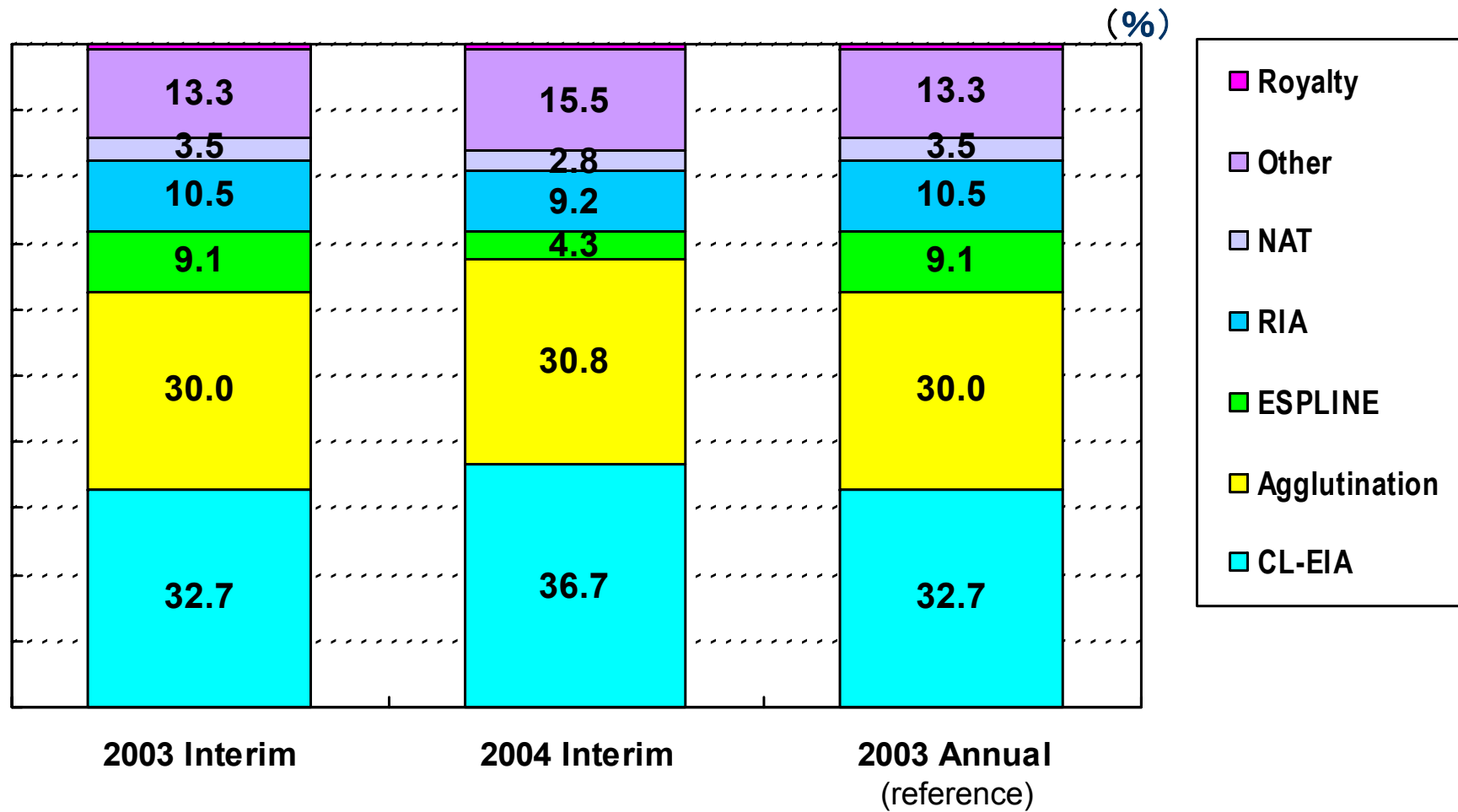
Product segments	2003 Interim	2004 Interim	Y/Y	2003 Annual (Reference)
CL-EIA	4,632	4,861	104.9%	9,969
Agglutination	4,242	4,084	96.3%	8,872
ESPLINE	1,286	573	44.5%	3,934
RIA	1,486	1,225	82.5%	2,771
NAT	495	377	76.2%	932
Other	1,886	2,057	109.0%	3,702
Royalty	123	79	64.6%	235
TOTAL	14,153	13,259	93.7%	30,418

(billion, JPY)

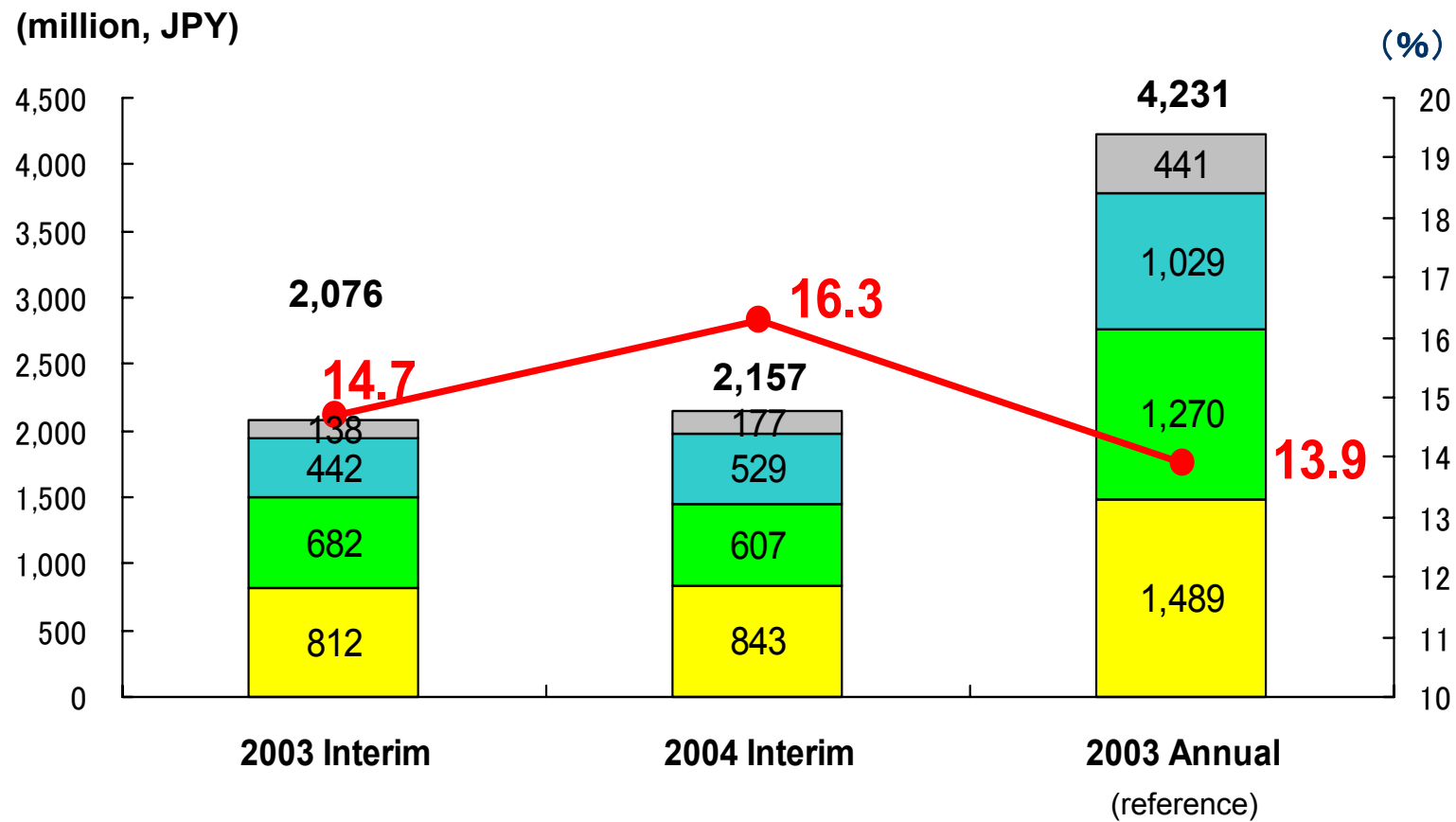
※Approx. sales of ESPLINE influenza kit	1.06	0.38	34.0%	3.48
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※Product segments are categorized by assay method. (See attached reference page for more information about each segment.)

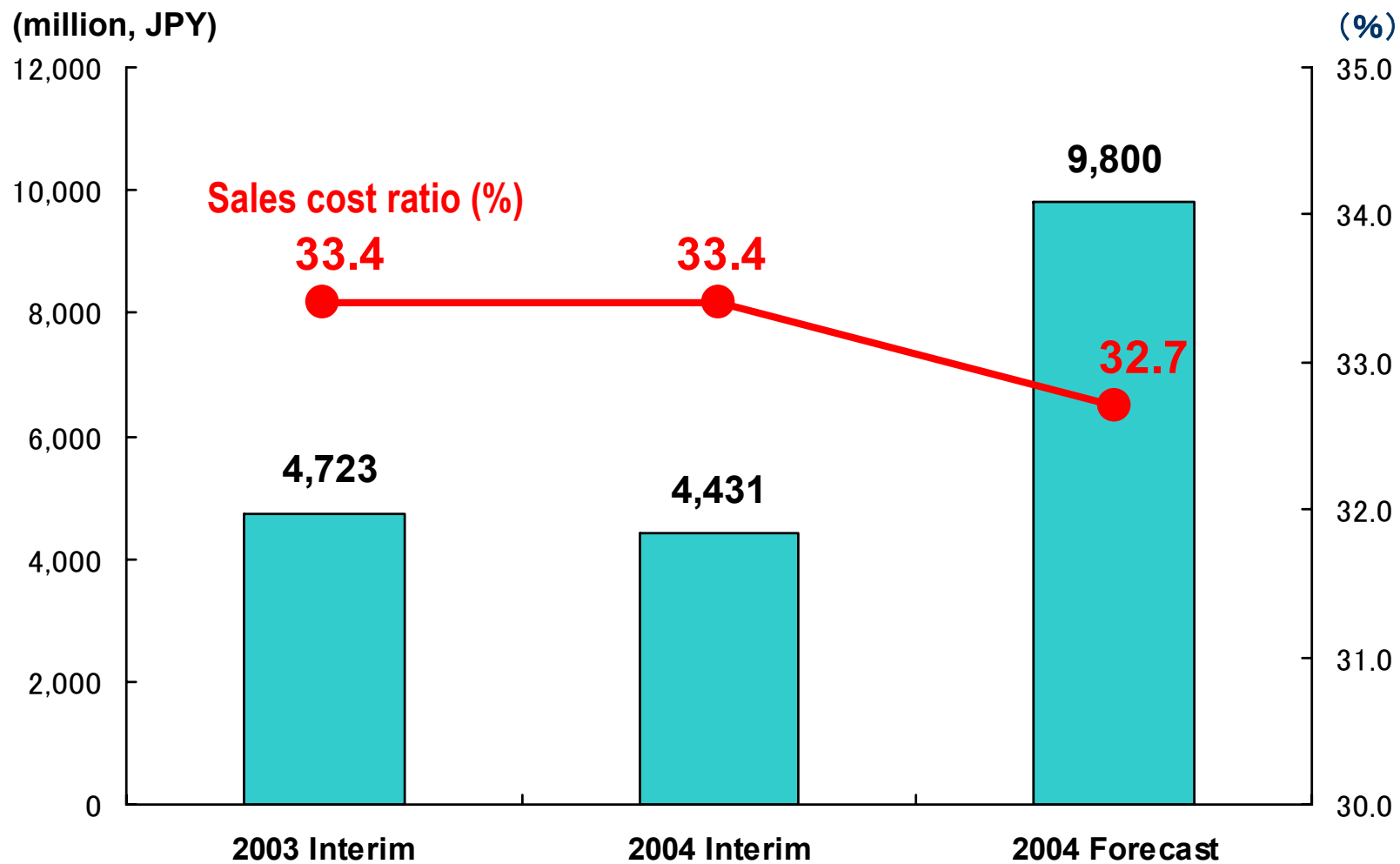
Sales by Product Segments (Consolidated)



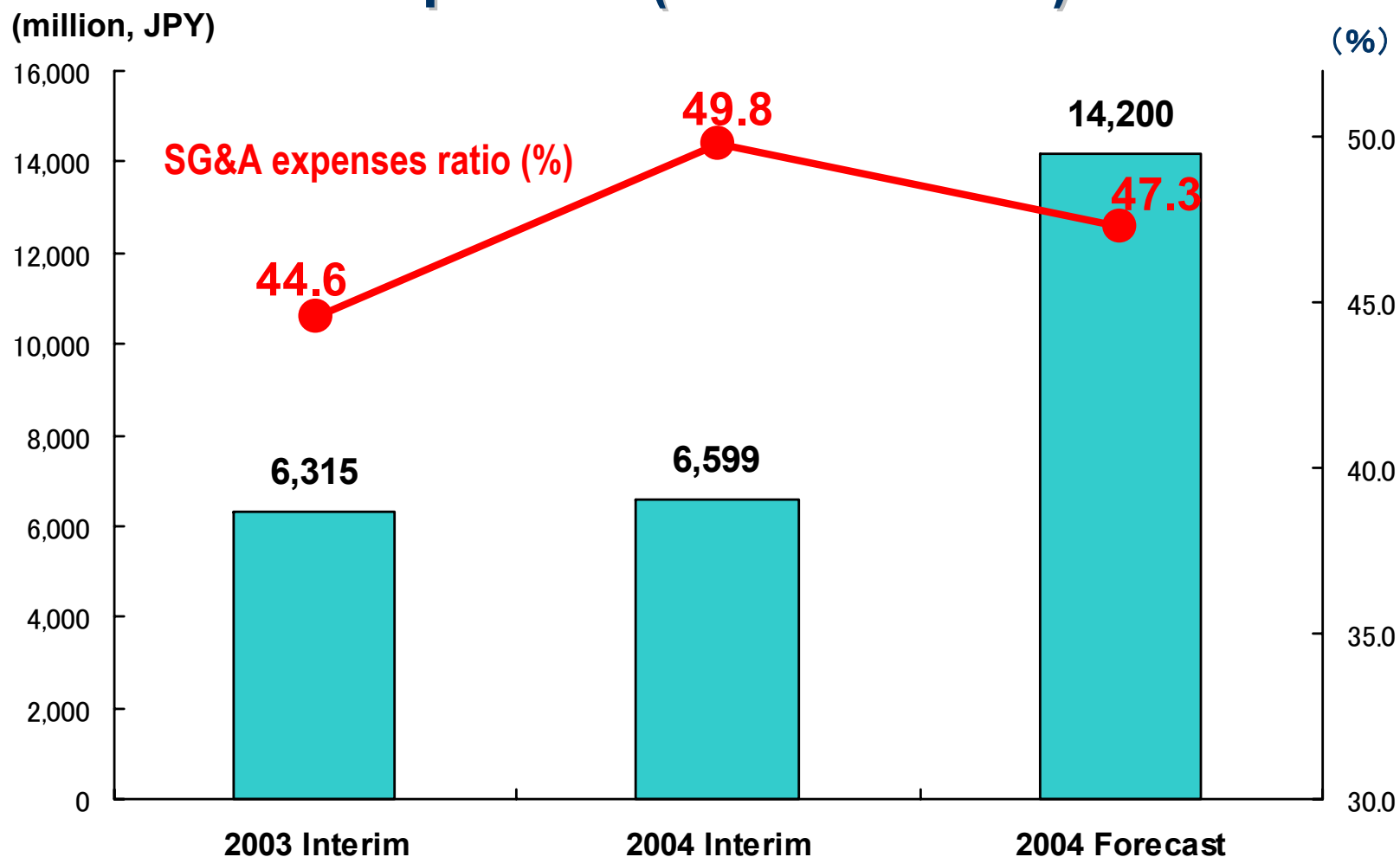
Sales by Global Segments (Consolidated)



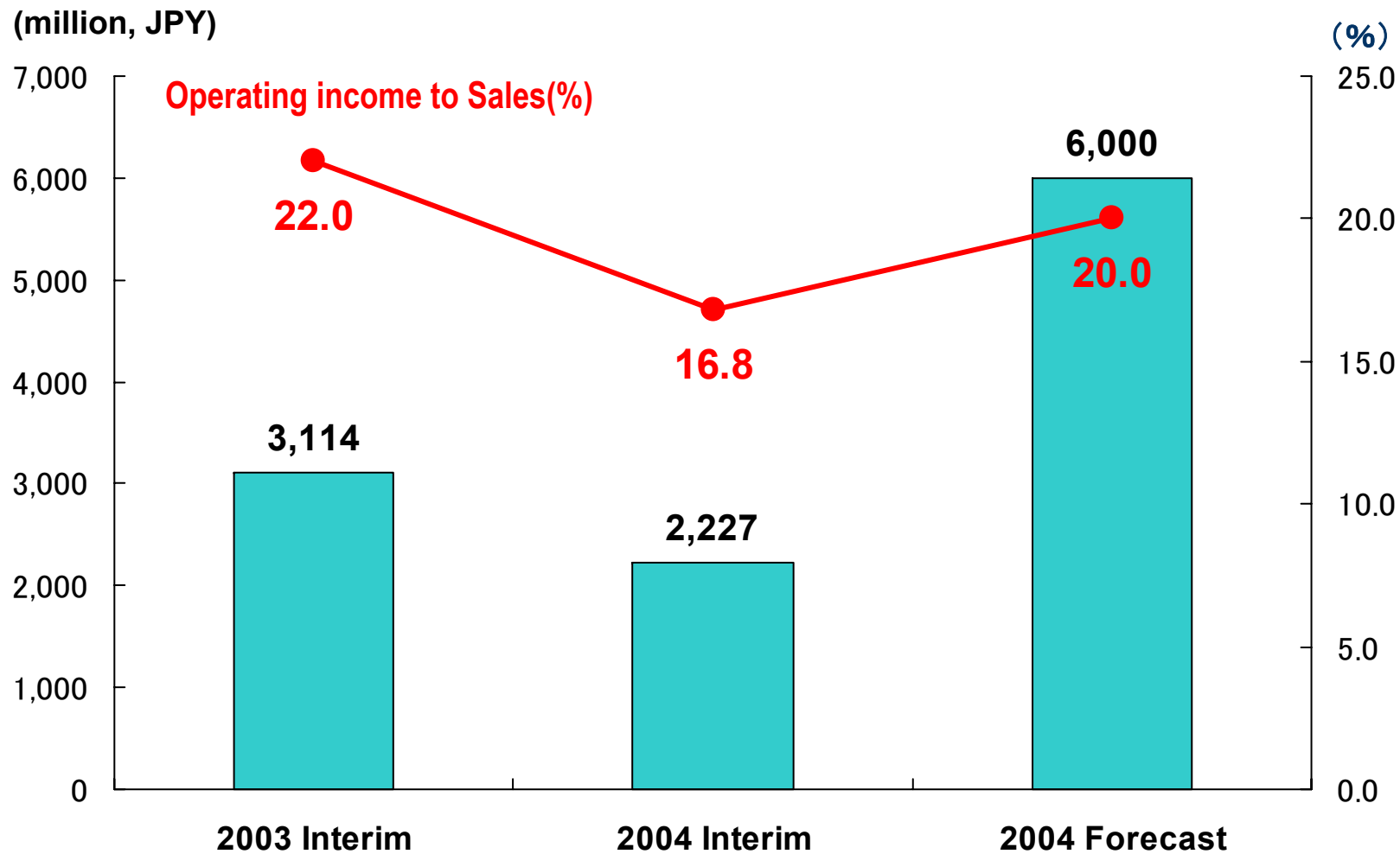
Cost of Goods Sold (Consolidated)



Selling, General and Administrative (SG&A) Expenses (Consolidated)

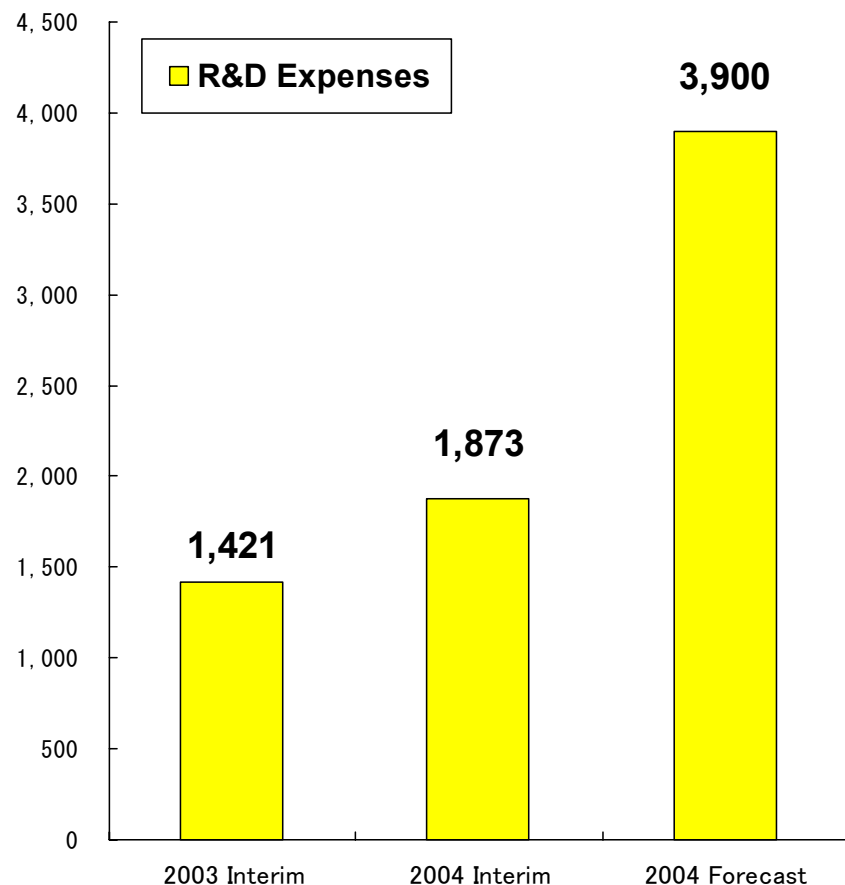


Operating Income (Consolidated)



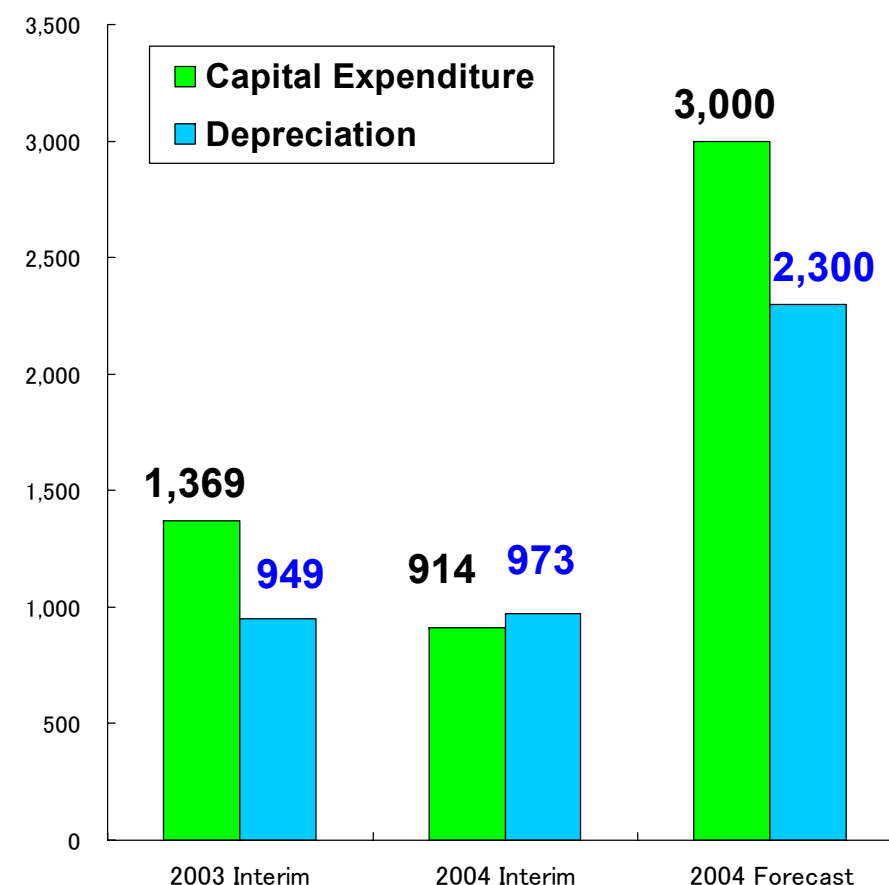
R&D Expenses / Capital Expenditure (Consolidated)

(million, JPY)



* Increase in R&D expenses for LUMIPULSE Presto

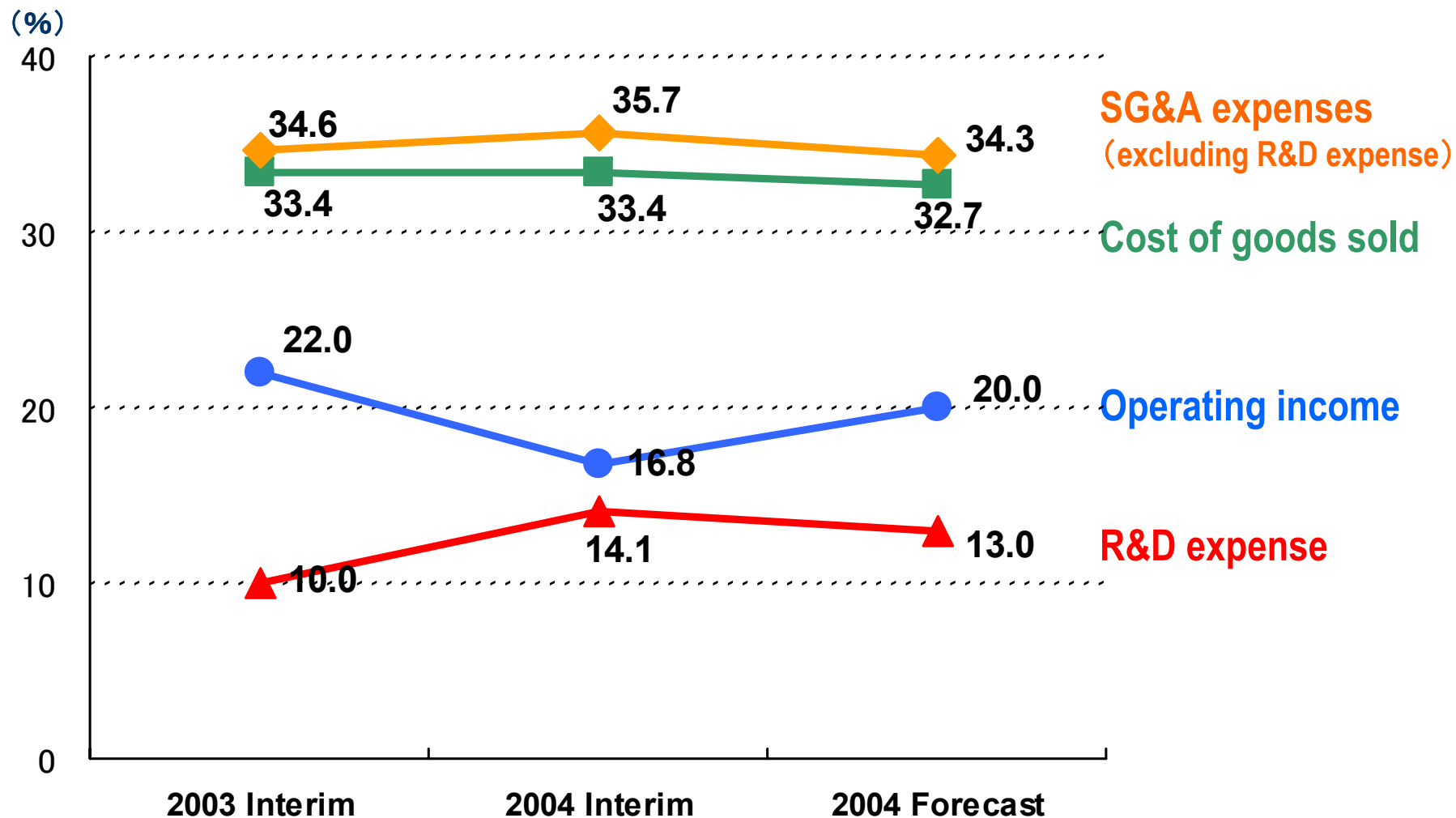
(million, JPY)



* Capital investment in manufacturing facilities of LUMIPULSE f and ESPLINE influenza kit



Cost/Expenses/Profit to Sales (Ratio) (Consolidated)



P/L (Consolidated)

(million, JPY)

	2003 Interim	Ratio of net sales (%)	2004 Interim	Ratio of net sales (%)	2003 Annual	Ratio of net sales (%)
NET SALES	14,153	100.0	13,259	100.0	30,418	100.0
Cost of goods sold	4,723	33.4	4,431	33.4	9,850	32.4
GROSS PROFIT	9,430	66.6	8,827	66.6	20,568	67.6
Selling, general and administrative expenses	6,315	44.6	6,599	49.8	13,215	43.4
OPERATING INCOME	3,114	22.0	2,227	16.8	7,353	24.2
Other income	422	3.0	376	2.8	1,260	4.1
Other expense	83	0.6	74	0.5	332	1.1
ORDINARY INCOME	3,453	24.4	2,529	19.1	8,280	27.2
Extraordinary gain	168	1.2	36	0.3	160	0.5
Extraordinary loss	273	1.9	36	0.3	470	1.5
INCOME BEFORE INCOME TAX	3,348	23.7	2,529	19.1	7,971	26.2
INCOME TAX	1,213	8.6	765	5.8	2,919	9.6
DEFERRED TAX	86	0.6	111	0.8	(4)	(0.0)
MINORITY INTEREST	1	0.0	1	0.0	(0)	(0.0)
NET INCOME	2,047	14.5	1,651	12.5	5,055	16.6



B/S Assets (Consolidated)

(million, JPY)

	2003 Dec.31	Ratio of total assets (%)	2004 Jun.30	Ratio of total assets (%)	Increase (decrease)
CURRENT ASSET	27,415	43.4	25,405	40.9	(2,010)
Cash and cash equivalents	9,861		10,405		543
Accounts and notes receivables	11,769		8,450		(3,319)
Marketable securities	1,015		1,536		520
Inventories	4,143		4,352		209
Deferred tax assets	368		344		(24)
Other assets	280		325		44
Allowance for doubtful receivables	(23)		(8)		14
FIXED ASSETS	35,826	56.6	36,698	59.1	872
Property, plant and equipment	9,349	14.8	9,251	14.9	(97)
Intangible assets	3,418	5.4	3,355	5.4	(62)
Investment and other assets	23,058	36.4	24,091	38.8	1,032
TOTAL	63,242	100.0	62,104	100.0	(1,138)



B/S Liabilities and Equity (Consolidated)

(million, JPY)

	2003 Dec.31	Ratio of total assets(%)	2004 Jun.30	Ratio of total assets(%)	Increase (decrease)
CURRENT LIABILITIES	8,997	14.2	6,094	9.8	△ 2,902
Accounts and notes payables	2,305		2,281		△ 23
Short-term debt	1,503		899		△ 604
Income tax payable	1,865		457		△ 1,408
Accrued bonus	294		266		△ 27
Other current liabilities	3,028		2,189		△ 839
LONG-TERM LIABILITIES	11,376	18.0	10,910	17.6	△ 465
Convertible bonds	6,500		6,459		△ 41
Long-term debt	886		572		△ 314
Liability for employee's retirement benefits	3,338		3,333		△ 4
Liability for directors' and corporate auditors' severance payments	161		89		△ 71
Other long-term liabilities	490		456		△ 34
TOTAL LIABILITIES	20,373	32.2	17,005	27.4	△ 3,367
MINORITY INTEREST	23	0.0	25	0.0	1
Common stock	3,966	6.3	4,020	6.5	54
Additional paid-in capital	5,369	8.5	5,423	8.7	54
Retained earnings	33,700	53.3	35,631	57.4	1,931
Unrealized gain on available-for-sale securities	259	0.4	423	0.7	163
Foreign currency translation adjustments	△ 372	△ 0.6	△ 333	△ 0.5	38
Treasury stock at cost	△ 77	△ 0.1	△ 91	△ 0.2	△ 14
TOTAL SHAREHOLDERS' EQUITY	42,845	67.8	45,073	72.6	2,227
TOTAL	63,242	100.0	62,104	100.0	△ 1,138



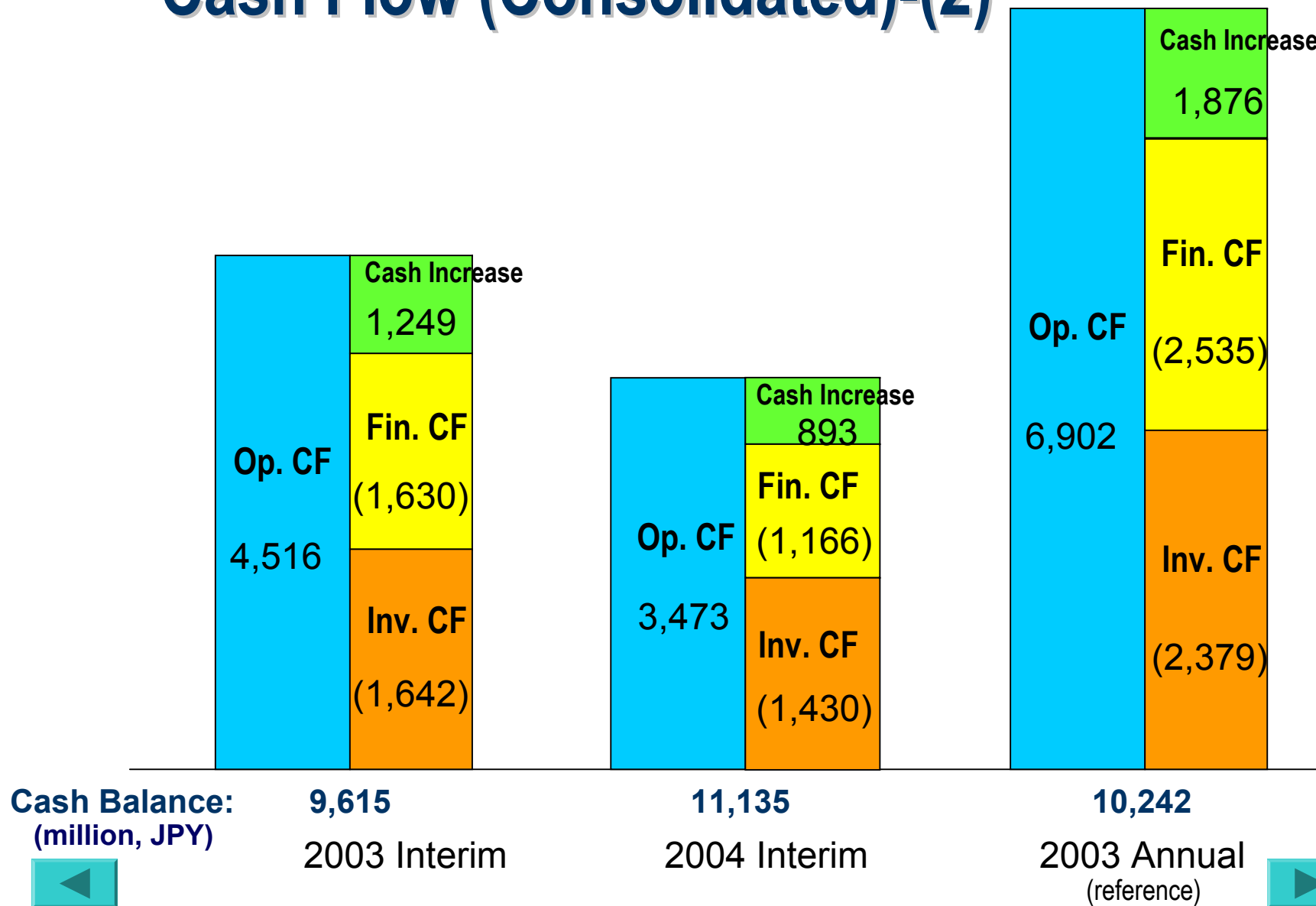
Cash Flow (Consolidated)-(1)

(million, JPY)

	2003 Interim	2004 Interim	Y/Y Increase (decrease)
Cash flow from operating activities	4,516	3,473	(1,042)
Cash flow from investing activities	(1,642)	(1,430)	212
Free cash flow	2,873	2,042	(830)
Repayments of debt	(1,367)	(918)	449
Cash dividends and others	(262)	(248)	14
Net increase (decrease) in cash and cash equivalents	1,249	893	(356)



Cash Flow (Consolidated)-(2)



2004 Consolidated Annual Forecast

(million, JPY)

	2003 Annual	2004 Annual Forecast	Y/Y
Net Sales	30,418	30,000	98.6%
Operating income	7,353	6,000	81.6%
Ordinary income (Income from continuing operations before income taxes)	8,280	6,500	78.5%
Net income	5,055	4,100	81.1%
Net income per common share (yen)	116.50	94.10	
ROE	12.4%	9.1%	
R&D Expense	3,071	3,900	127.0%
Equity in earnings of associated companies	1,061	500	56.6%

Consolidated subsidiaries: (Japan) TFB, Inc.; Rebio Gen, Inc.

(Overseas) Fujirebio America, Inc. (USA); Fujirebio Diagnostics, Inc. (USA); and Fujirebio Taiwan, Inc. (Taiwan)

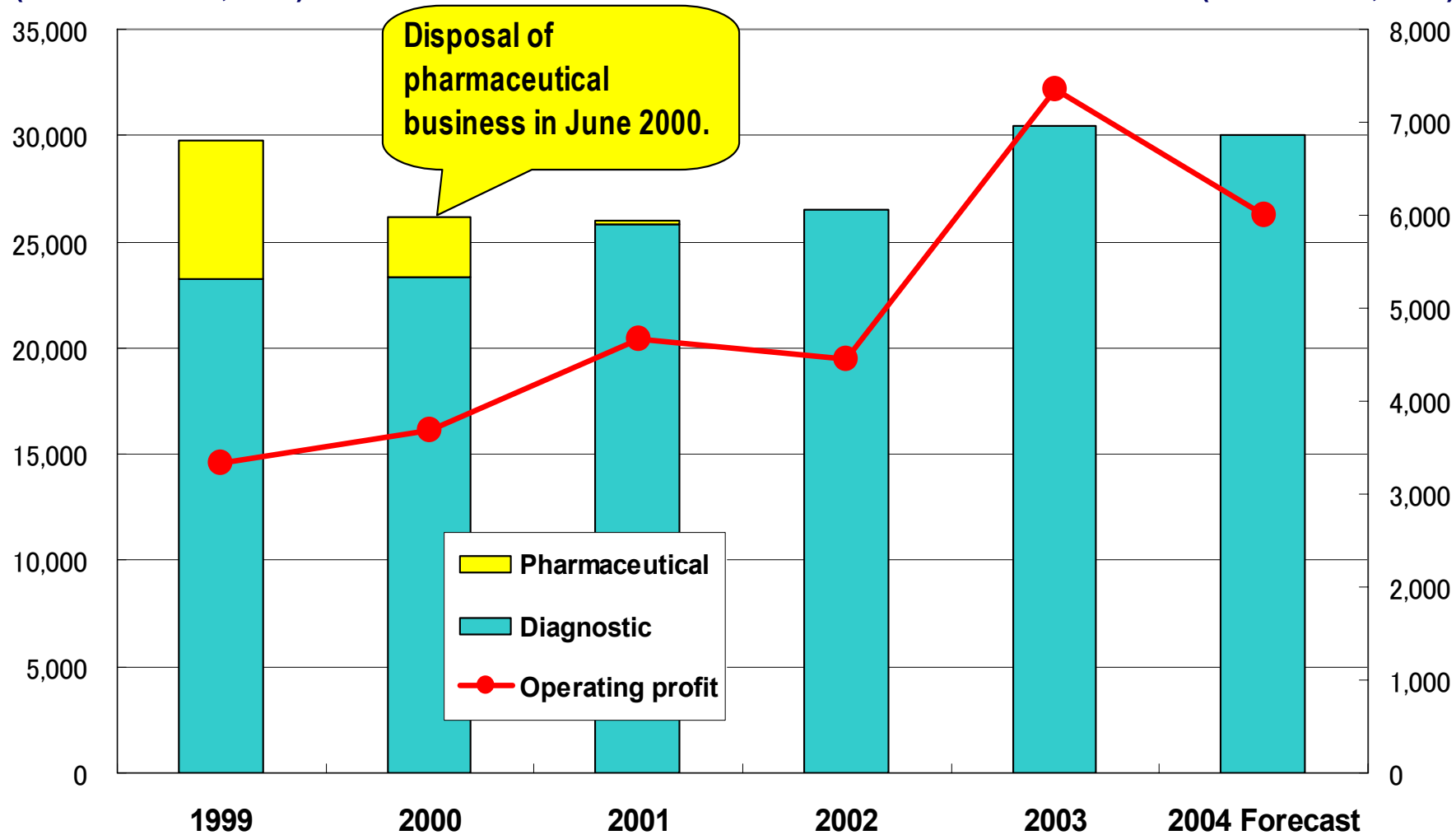
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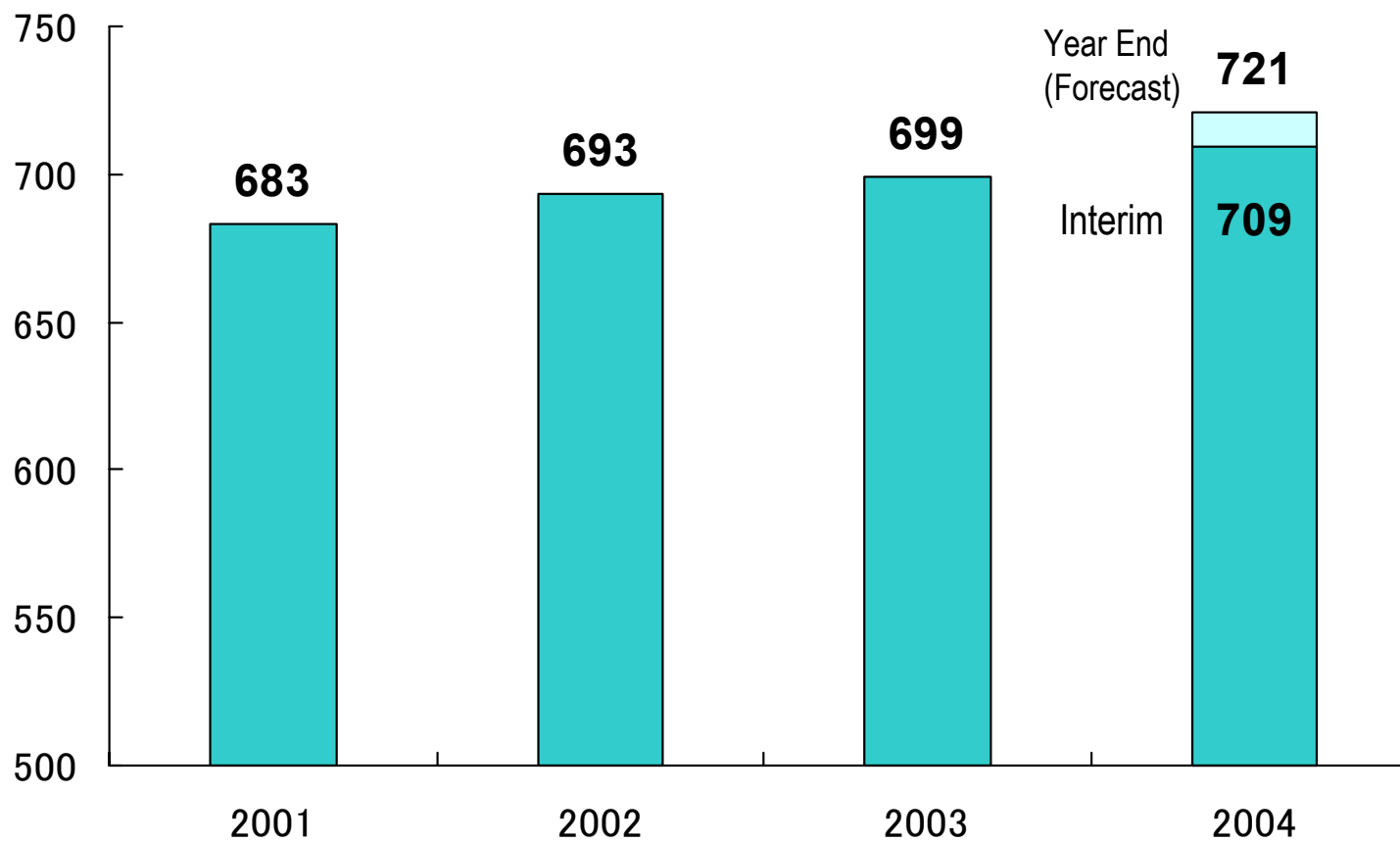
Changes in Sales/Operating Profit (Consolidated)

(Sales: million, JPY)

(OP: million, JPY)



Change in Number of Employees (Consolidated)



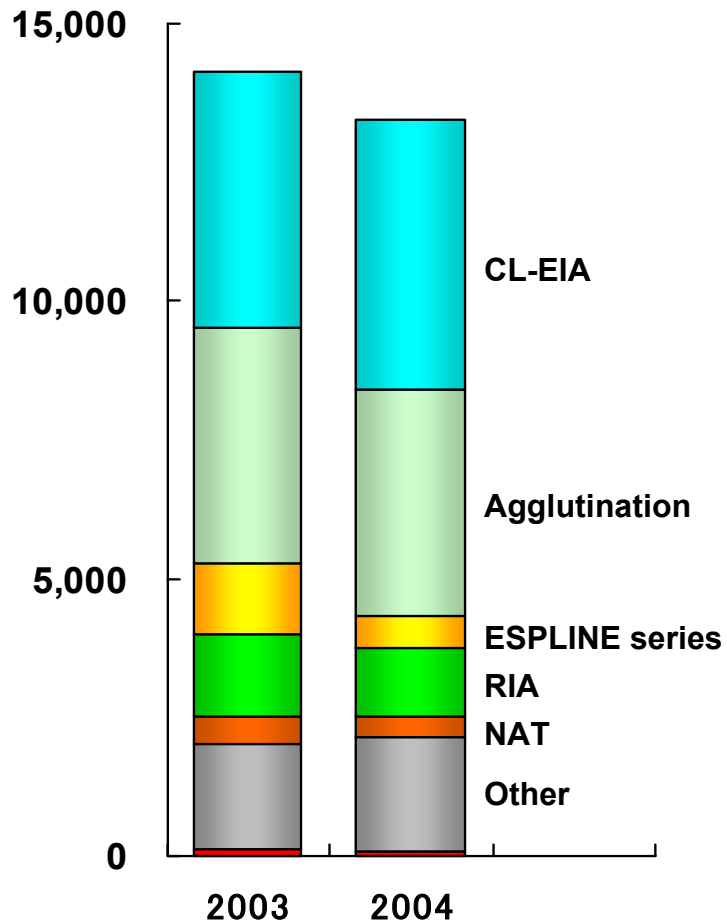
Current Status and Future Outlooks



2004 Interim Results and Annual Forecast

< Interim sales for 2004 (consolidated) >

(million, JPY)



Interim results

[1] Sales: ¥13.2 billion (- 6.3% year-on-year)

< Main factors >

- ESPLINE-influenza: - ¥700 million (minor epidemics)
- Market shift from RIA to Non-RIA and competition in NAT market → Decrease in sales
- CL-EIA, Non-RIA (TFB), antibodies (FDI): Increase in sales

[2] Ordinary income:

- ¥2.5 billion (-26.8% year-on-year), sales ratio: 19%

< Main factors >

- Decrease in sales and increase in R&D expenditures

Annual Forecast

[1] ESPLINE-influenza :

→ Affect in annual sales (sales decreased year-on-year)

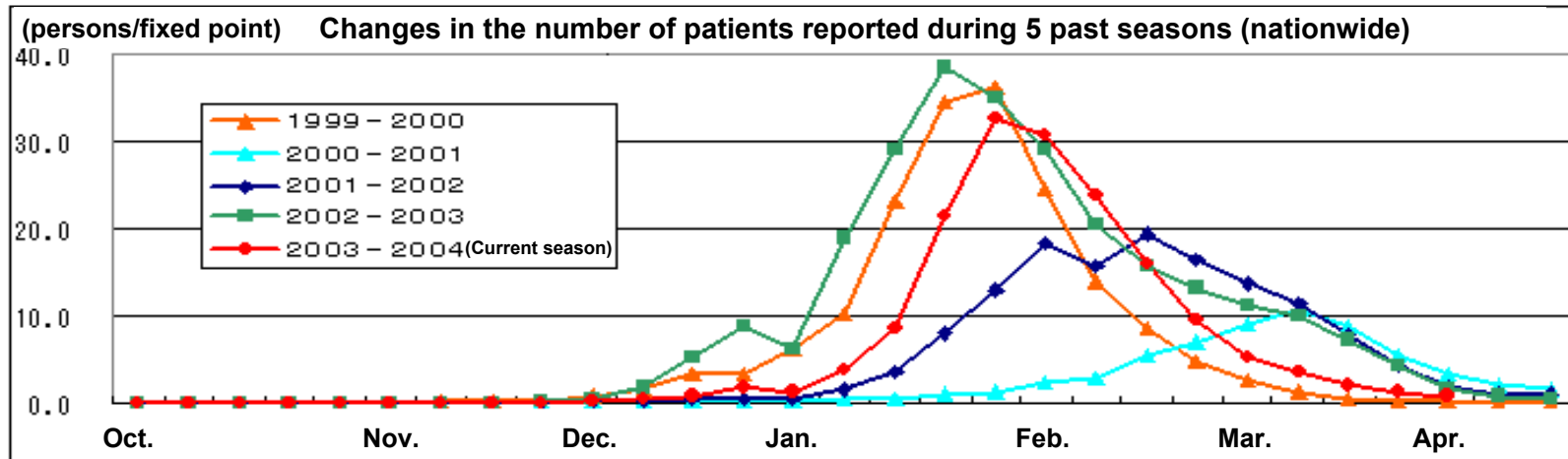
[2] CL-EIA continues to grow

→ Forecast: decrease in revenue and profit over FY03

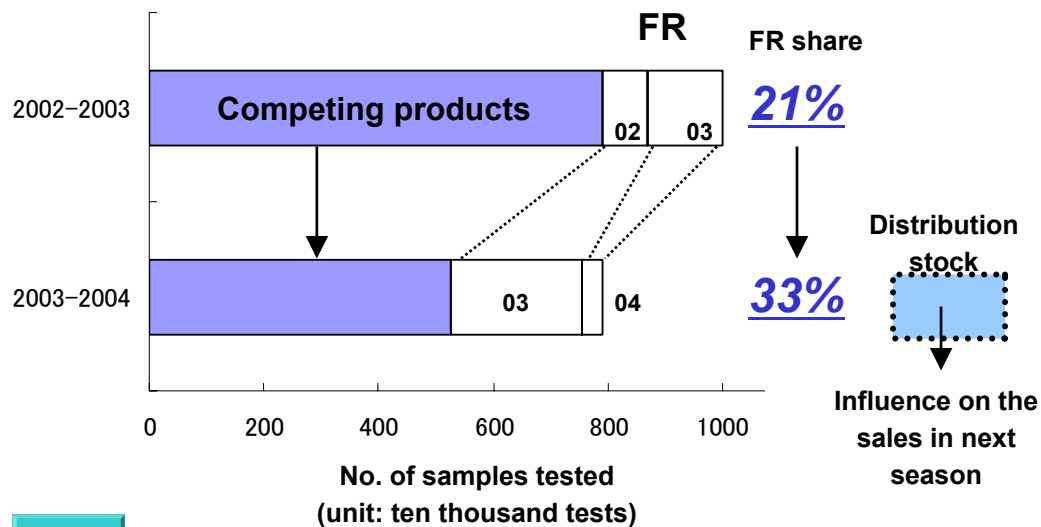
○ Rapid changes in products are reflected to sales breakdown by product segment



Factors of 2004 Annual Forecast: Influenza



< FR share in the influenza kit market >





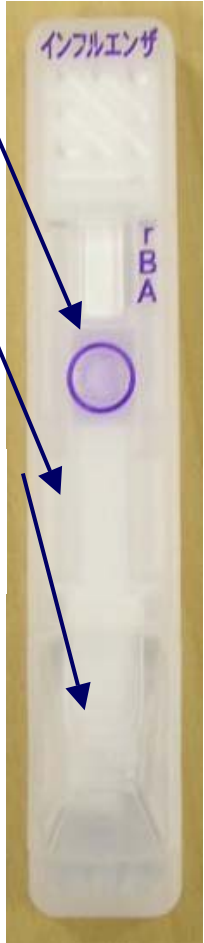

Forecast for the 2004-2005 flu season

- Change in Market size, depending on the scale and period of epidemics
- Previous season's distribution stock
→ Decrease in sales volume in next season
- Selection and competition by customers and distribution
→ Improve customer satisfaction by continual product improvements
- Revision of 2004 Annual Forecast
→ Main factor for negative sales of ¥1 billion



Development Status of Mainline Products

(LUMIPULSE and ESPLINE influenza)

ESPLINE Influenza (improved)		Lumipulse	
03-04	04-05		<p>LP-PRESTO</p> <ul style="list-style-type: none"> Planned to be launched this fall Upgrade model of LP-f (240 tests/hr) Data compatibility with LP-f
			<p>Product Pipeline for LP-f</p> <ul style="list-style-type: none"> New ... 9 analytes (endocrine function tests, alimentary disease tests, infectious disease tests, etc.) Improved ... 3 analytes (β2M-N, FEN-N, E2-N)
Marking the drip section		SCL (Development Code)	<ul style="list-style-type: none"> Planned to be launched in latter half of 2005 LP-f's small-size model ...(60 tests/hr)
Semi-transparent		Other new products	
Shape of button (easier to use)		<p>Lumipulse PIVKA II Eisai</p> <ul style="list-style-type: none"> Liver cancer marker (Distributor : Sanko Junyaku) 	<p>BSE test reagent (ELISA)</p> <ul style="list-style-type: none"> Approved (April 2004)... Planned to be launched this fall
		<p>Adeponectin test reagent (ELISA) (research use only)</p> <ul style="list-style-type: none"> Possible clinical target: Type II diabetes 	<p>Lumipulse Apo-B48 (research use only)</p> <ul style="list-style-type: none"> Possible clinical target: Postprandial hyperlipidemia; arteriosclerosis

Lumipulse PIVKA-II Eisai

- Aug. 2004 launch
- Liver cancer marker (abnormal prothrombin)
- Alliance with Sanko Junyaku Co., Ltd. and Eisai Co., Ltd.
- The first product developed for fully-automatic immunoassay analyzer
 - Increase in LP-f installation is also expected
- Market size: about ¥1.5-2 billion

FRELISA BSE

- Planned to be launched in Sept. 2004
- ELISA for screening of prions in beef cattle
- The first product developed by Japanese company (also evaluation is ongoing in EU countries)
- Screening began in 2002 by two preceding companies
- Market size is about ¥2 billion in 2004
- Japanese market to shrink due to review of blanket testing system and competition

High molecular weight adeponectin test kit

- Launched in July as research-use reagent (ELISA)
- A physiologically active substance released by adipose cells; insulin resistance properties drawing attention because of possible relation with diabetes
- Low molecular weight test kit has already been launched by other company

Apo-B48 test reagent

- Planned to be launched by Dec. '04 or Jan. '05 as research-use reagent (CL-EIA)
- Detect chylomicron remnant protein (lipoprotein) in the blood
- Utilize Highly specific antibodies developed in FR research institute
- Expected to be useful as a test for hyperlipidemia



New businesses

- Seek for business opportunities focusing mainly on “Applications of FUJIREBIO’s core technology sectors”
(e.g, measurement technologies, antigen-antibodies and nucleic acid, protein chemistry, cultures, virus and microorganisms, biosciences, etc.)
- Target sectors:
 - Medical/research support solution sector
 - Regenerative medicine-related sector: **Collaboration with Stem Cell Sciences, K.K. in non-serum medium for use with stem cell cultures**
 - Other bioscience sectors
- (Future) Commercialize the fruits of advanced research projects

M&A and Alliances

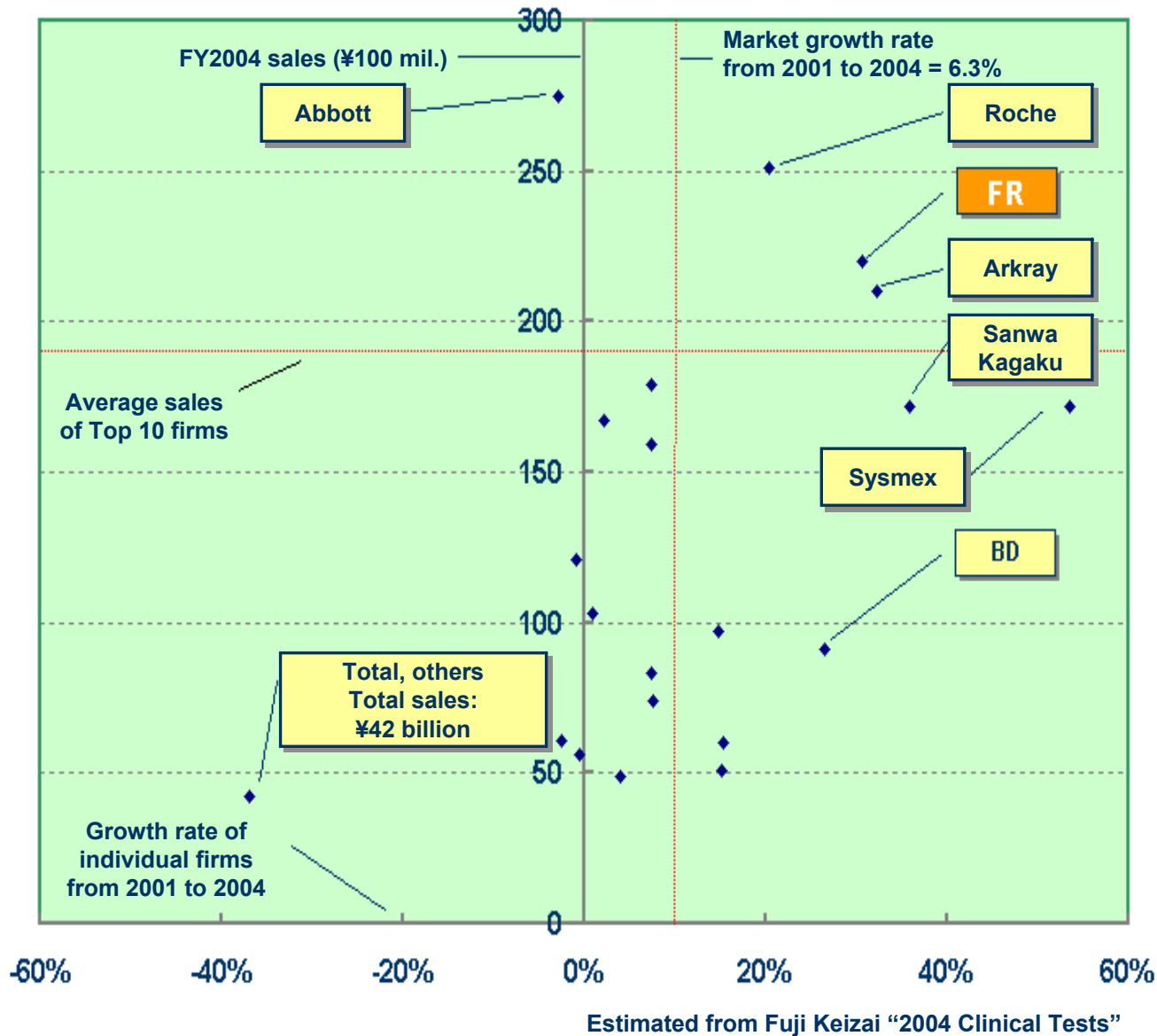
- The person in charge has been selected by April of this year and clarified the main activities (Four staff members including business strategy)
- Results of past activities (during the past 2-3 years):
 - **Expansion of business value will result in temporary (and sharp) profitability reduction. Structural reforms is inevitable: Risks**
 - **It is still difficult to form a consensus on the direction of business reorganization of diagnostic sector**
- We will always explore for favorable opportunities but will not haste to finalize the deal which may result in destruction of business value.



Overview of the New Mid-term Plan



Sales and Growth of Major Players In the Domestic Market



Factors for growth of high-growth companies

Roche

- Nucleic acid test
- SMBG (self-monitoring of blood glucose)

Arkray

- SMBG

Sanwa Kagaku

- SMBG

Sysmex

- M&A effects

BD

- Influenza test kits

FR

- Influenza test kits
- Immune serum testing



Limited number of players in the growth markets have grown



- "Value-creating Company" through continuous corporate innovation
- Increase existence value in the global society (for all stakeholders)

➤ **Ultimate goal:**

Become a "Global Life Science Company"

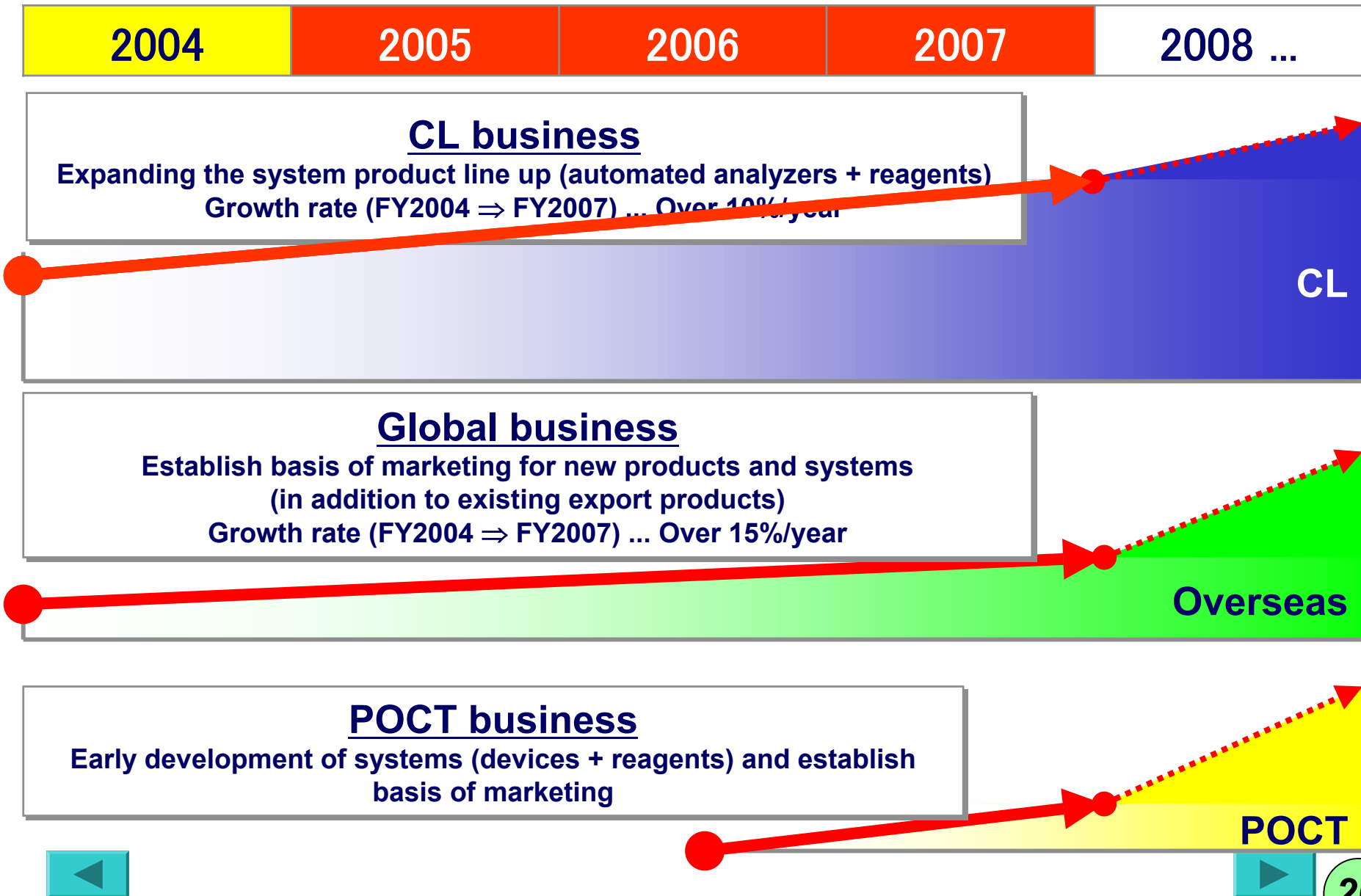
- Outstanding No.1 company (corporate group) in the clinical diagnostics market in Japan
- Customer orientated company (top quality, maximize "Customer Delight")
- Performance-based HR evaluation system (based on principles of competition)
- Agile management
- "Aiming continuous growth" (unchanged)



Necessary to keep balance between growth and profit.

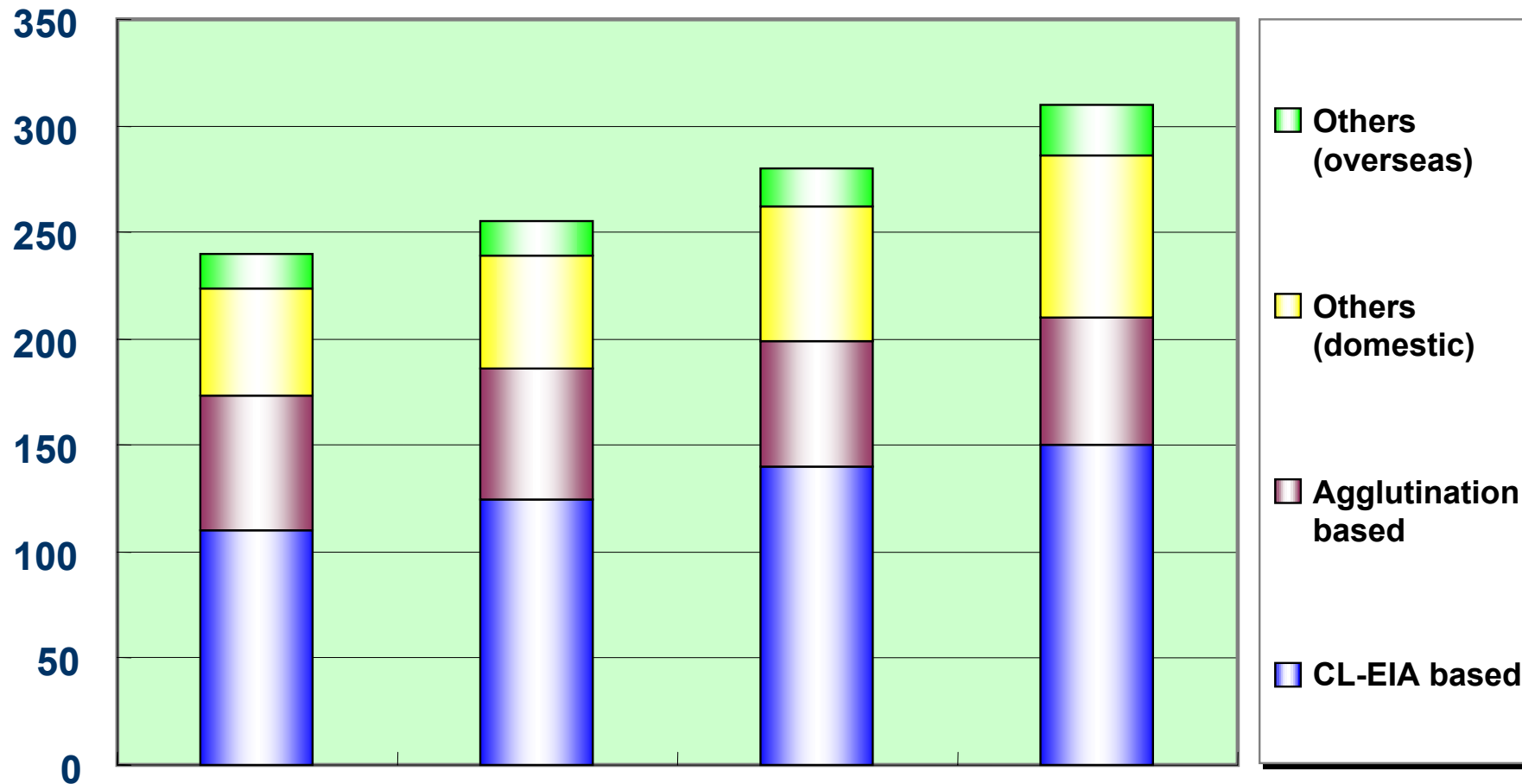


Med-term Outlooks: Growth Drivers



Mid-Term - Sales Forecast

(100 mil yen) (Non-consolidated)



2004

21%

2005

20%

2006

20%

2007

19%

Operating income to sales



Reorganization of manufacturing sites: For building a basis for growth (including product development for global market)

→ Approx. ¥1.2 billion - ¥2 billion

Investment in system development: For acceleration of growth drivers

→ Approx. ¥2 billion - ¥3 billion

Investment in leasing assets (installation of diagnostic systems to the market): For increasing sales

→ Up to approx. ¥5.2 billion (Maximum)

2005-2007: Aim at average sales growth rates of 6 - 8%

2008-2010: Aim at average sales growth rates of 12 - 14%

→ Amount of investment is expected to rise during the next Mid-term period to achieve high growth from 2008 to 2010.

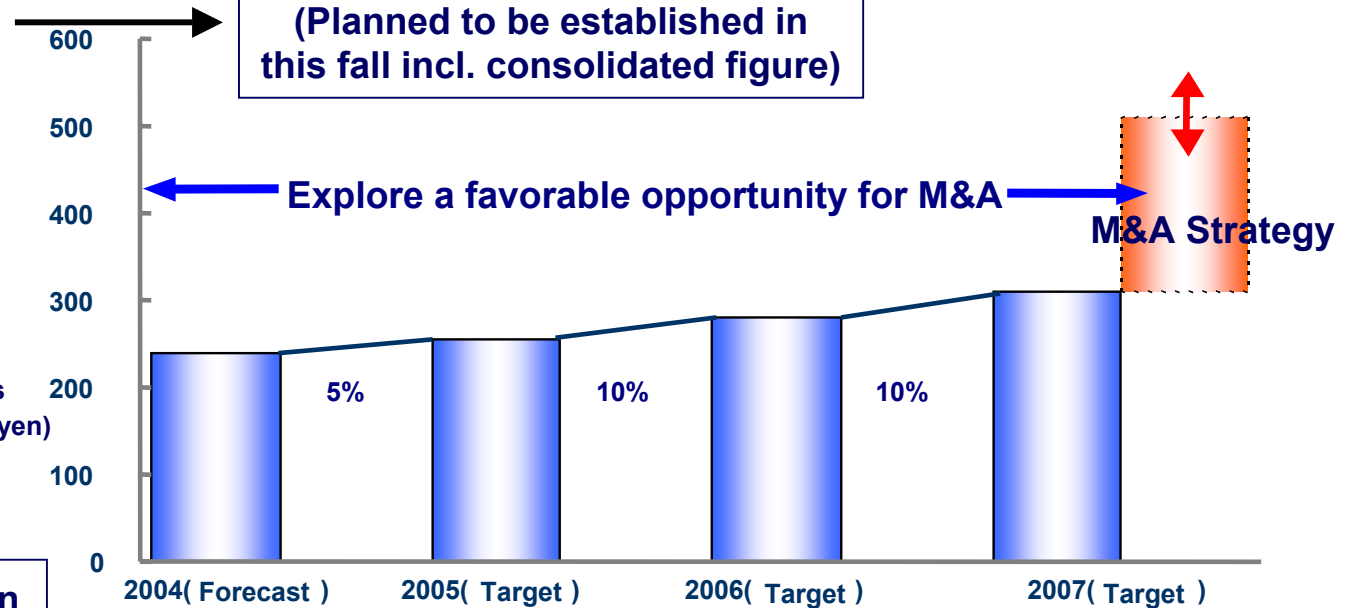


Revision of Mid-term Plan (Non-consolidated)

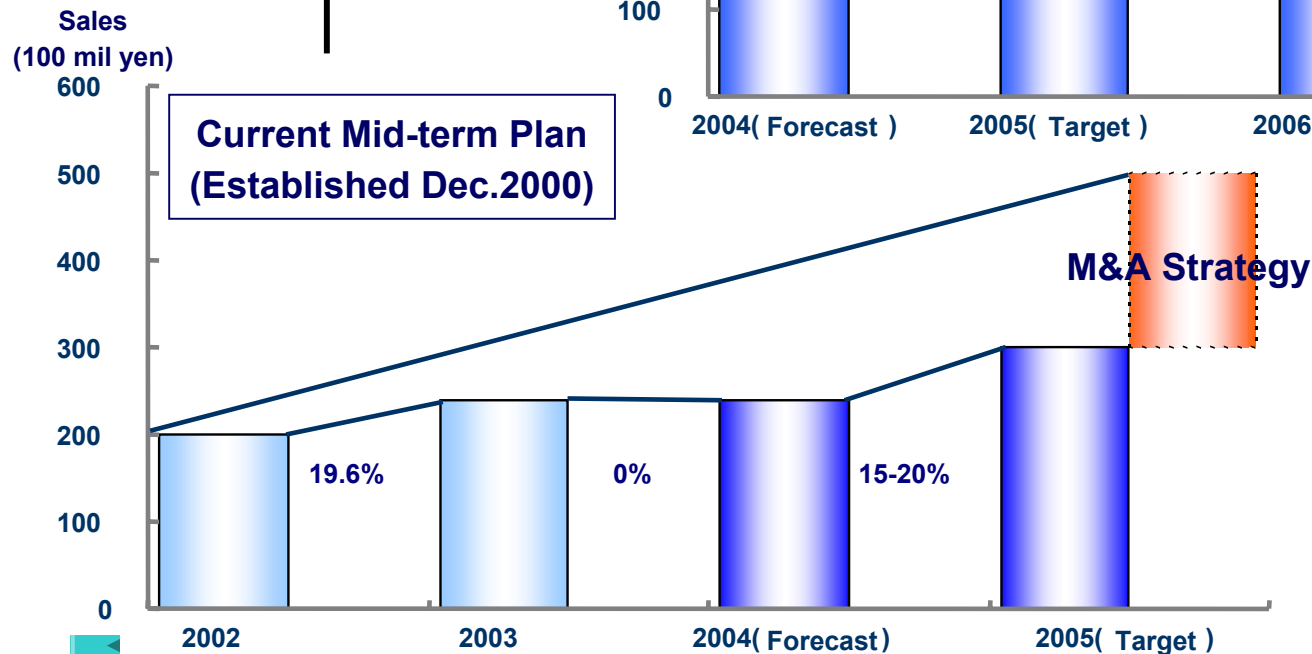
Key points in revision:

- Generate sales over JPY 30 billion in 2007 by Fujirebio Inc. alone
- Explore a favorable opportunity for M&A

Revised Mid-tem Plan
(Planned to be established in this fall incl. consolidated figure)



Current Mid-term Plan
(Established Dec.2000)



If you have any questions, please contact to:

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Note:

The performance forecast provided in the document has been established based on estimations of the management founded on currently available information and various hypotheses and ideas obtained from the information involving significant risks or uncertainties. Please be aware that the actual performance may turn out to be different from the forecast as a result of various contributing factors.

Factors affecting the performance include, among others, aggravation of the economic situation, fluctuation of the exchange rate, change of regulatory and statutory requirements/administrative system, delayed launch of new products, pressures resulting from product strategies of competitive companies, decline in the sales potential of existing company products and termination of sales.



Explanation of Product Segments

CL-EIA	<ul style="list-style-type: none"> ◆ Reagents exclusively for Lumipulse Forte (a fully automatic, highly sensitive and specific analyzer) ◆ Chemiluminescent enzyme immunoassay. ◆ 37 analytes are currently available (focused mainly on infections, cancer markers, and hormones). ◆ About 900 units of Lumipulse Forte system have been installed mainly in hospitals.
Agglutination	<ul style="list-style-type: none"> ◆ Reagents for agglutination test (manual tests) ◆ used at Red Cross Blood Centers, hospitals, and testing centers. ◆ About 20 analytes are available (focused on infections). ◆ Available in countries outside Japan.
ESPLINE	<ul style="list-style-type: none"> ◆ Easy- and simple-to-use test reagents ◆ Enzyme immunoassay method. ◆ Four analytes are available (including influenza test) ◆ Sold to general practitioners, hospitals and testing centers.
NAT	<ul style="list-style-type: none"> ◆ Reagents using Nucleic Acid Testing (NAT) method ◆ Using nucleic acid amplification technology of Gen-Probe Inc. (US). ◆ Five analytes are available (Infectious disease tests) ◆ Sold to major testing centers and large hospitals.
RIA	<ul style="list-style-type: none"> ◆ Reagents using Radio Immuno Assay (RIA) method ◆ Focused on cancer markers and infectious disease markers ◆ Sold by TFB (100% subsidiary) to major hospitals and testing centers. ◆ Due to market automation, labor-saving efforts, and similarity of reagent lineup to CL-EIA group, RIA products has been shifting to CL-EIA based products.
Others	<ul style="list-style-type: none"> ◆ Other reagents using other methods (products using biochemical, EIA, and ELISA methods, etc.). ◆ A variety of products for various testing are available (included, such as screening of infectious disease or cancer markers, liver function tests, allergy-related testings, etc.)