

# 1. CONSOLIDATED ANNUAL FINANCIAL RESULTS (APRIL 1, 2000 - MARCH 31, 2001)

## (1) RESULTS OF ANNUAL OPERATIONS

Period	Net Sales	Percent Change	Operating Income	Percent Change	Ordinary Income	Percent Change
April 1, 2000- March 31, 2001	¥361,712 mil.	19.6%	¥58,967 mil.	58.8%	¥63,241 mil.	71.6%
April 1, 1999- March 31, 2000	¥302,470 mil.	6.2%	¥37,132 mil.	(3.8%)	¥36,858 mil.	(7.3%)

Period	Net Income	Percent Change	Earnings per Share (EPS)	Fully Diluted EPS	Return on Equity	Ordinary Income/ Total Assets	Ordinary Income/ Sales
April 1, 2000- March 31, 2001	¥23,322 mil.	106.9%	¥78.68	¥77.91	6.9%	12.2%	17.5%
April 1, 1999- March 31, 2000	¥11,275 mil.	(29.0%)	¥38.04	¥37.70	3.5%	7.8%	12.2%

- Notes: 1. Equity in earnings (losses) of unconsolidated subsidiaries and associated companies accounted for using the equity method was (¥62 mil.) and ¥248 mil. for the fiscal year 2000 (ended March 2001) and 1999 (ended March 31, 2000), respectively.
2. Average Common Stock Outstanding was 296,433,302 and 296,422,817 for fiscal year 2000 (ended March 31, 2001) and fiscal year 1999 (ended March 31, 2000), respectively.
3. There has been one accounting method change.
4. The numbers in parenthesis represent a decrease in Percent Change.

## (2) FINANCIAL POSITION

Year End	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
March 31, 2001	¥549,444 mil.	¥345,895 mil.	63.0%	¥1,166.80
March 31, 2000	¥485,673 mil.	¥329,385 mil.	67.8%	¥1,111.15

## (3) CASH FLOW CONDITION

Year End	Operating Cash Flow	Investing Cash Flow	Financial Cash Flow	Cash & Cash Equivalents
March 31, 2001	¥84,996 mil.	(¥19,552 mil.)	(¥17,712 mil.)	¥106,338 mil.
March 31, 2000	¥27,174 mil.	(¥4,043 mil.)	(¥15,357 mil.)	¥52,555 mil.

## (4) NUMBER OF CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

Consolidated subsidiaries:	34
Associated companies:	5

All figures less than 1,000,000 yen have been omitted.

#### **(4) CHANGES IN NUMBER OF CONSOLIDATED SUBSIDIARIES AND EQUITY METHOD ASSOCIATED COMPANIES**

- Number of newly consolidated subsidiaries: 0
- Number of companies omitted from consolidation: 1
- Number of companies to which equity method is newly applied: 0
- Number of companies omitted from application of equity method: 1

#### **2. FORECASTED CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2002**

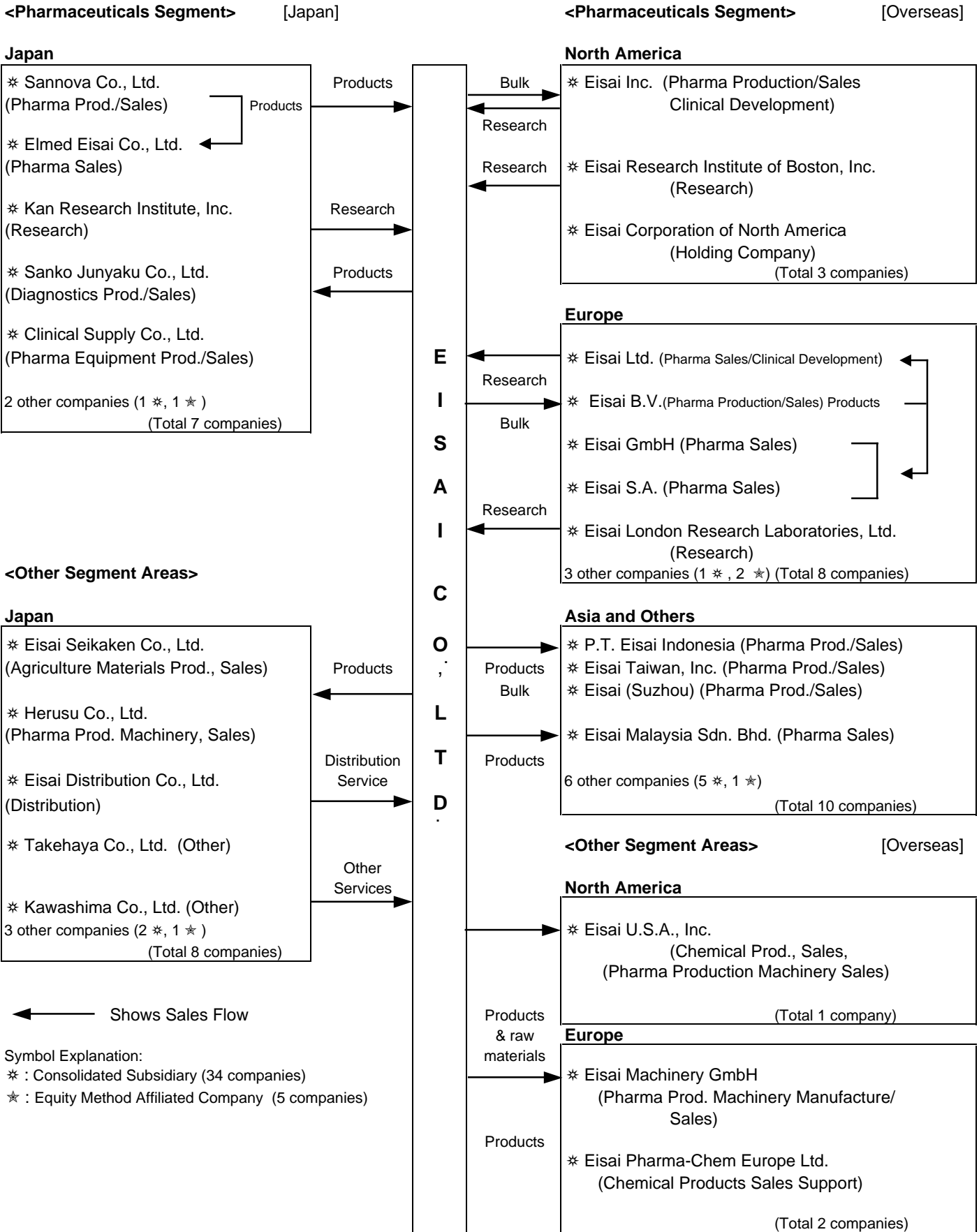
Period	Net Sales	Ordinary Income	Net Income
April 1, 2001- September 30, 2001	¥ 190,000 mil.	¥ 32,500 mil.	¥ 17,000 mil.
April 1, 2001- March 31, 2002	¥ 400,000 mil.	¥ 64,000 mil.	¥ 35,000 mil.

Note: Forecasted Annual Earnings per Share (EPS): ¥118.06

# I. Business Flows Within the Group

The Company consists of 34 consolidated subsidiaries and 5 associated companies.

The diagram below shows the principal operations and flows within the Group.



## Affiliated Companies

(Consolidated Subsidiaries)

Company Name	Location	Common Stock	Equity(%) Ownership	Description of Operations	Relationship/Operations	Com.
Sanko Junyaku Co., Ltd.	Tokyo	¥5,262 million	50.88%	Diagnostic product prod./sales	(E) Diagnostic product production/sales	❄
Sannova Co., Ltd.	Gunma Pref.	¥926 million	79.28%	Pharmaceutical prod./sales	(E) pharmaceutical production/purchase	❄
Elmed Eisai Co., Ltd.	Tokyo	¥450 million	100.00%	Pharmaceutical sales	(E) pharmaceutical production/purchase	
Eland Co., Ltd.	Tokyo	¥400 million	100.00%	Real estate management	Management of (E) real estate	
Kan Research Institute, Inc.	Kyoto	¥70 million	100.00%	Basic research	(E) contract basic research	
Eisai Distribution Co., Ltd.	Kanagawa Pref.	¥60 million	100.00%	Pharmaceutical distribution	(E) pharmaceutical product distributon	
Clinical Supply Co., Ltd.	Gifu Pref.	¥80 million	84.80%	Medical instruments sales/production		
Takehaya Co., Ltd.	Tokyo	¥67 million	82.17%	Printing/admin. services, insurance agency services	(E) purchase of printing/admin. serv., insurance agency services	
Herusu Co., Ltd.	Tokyo	¥64 million	75.00%	Pharmaceutical machinery, etc. sales	(E) Pharmaceutical machinery, etc. sales	
Eisai Seikaken Co., Ltd.	Tokyo	¥50 million	70.00%	Agro-chemical prod./sales		
Kawashima Co., Ltd.	Gifu Pref.	¥50 million	63.16%	Catering /administrative services	(E) purchase of catering /administrative services	
Seiansha Co., Ltd.	Tokyo	¥30 million	50.00%	Promotion/sales production	(E) purchase of promotion/sales product materials	
Dymec Co., Ltd.	Chiba Pref.	¥30 million	84.80% (84.80%)	Medical instruments production/sales		
Unit=thousand						
Eisai Corporation of North America	New Jersey, USA	179,100 US\$	100.00%	U.S. subsidiaries holding company		❄
Eisai Inc.	New Jersey, USA	83,600 US\$	100.00% (100.00%)	Pharmaceutical production/ sales/clinical research	(E) Pharmaceutical production/ sales/clinical research	❄
Eisai Research Institute of Boston, Inc.	Massachusetts, USA	65,300 US\$	100.00% (100.00%)	Basic research/clinical trial process research	(E) Basic research/ clinical trial process research	❄
Eisai U.S.A., Inc.	Texas, USA	29,500 US\$	100.00% (100.00%)	Bulk chemical production/ sales & machinery sales	(E) Bulk chemical production/ sales & machinery sales	
Eisai Ltd.	London, U.K.	15,548 UK£	100.00%	Pharmaceutical sales/clinical research	(E) Pharmaceutical sales/clinical research	
Eisai London Research Laboratories. Ltd.	London, U.K.	12,000 UK£	100.00%	Basic research	(E) Basic research	
Eisai Pharma-Chem Europe Ltd.	London, U.K.	100 UK£	100.00%	Bulk chemical sales support	(E) Bulk chemical sales support	
Eisai Europe Ltd.	London, U.K.	3,825 UK£	100.00% (100.00%)	Prescription pharmaceuticals		
Eisai GmbH	Frankfurt, FRG	15,000 DM	100.00%	Pharmaceutical sales	(E) Pharmaceutical sales	
Eisai Machinery GmbH	Cologne, FRG	2,500 DM	100.00% (100.00%)	Pharmaceutical machinery prod./sales	(E) Pharmaceutical machinery production/sales	
Eisai S.A.	Paris, France	130,000 Fr	100.00%	Pharmaceutical sales		
Eisai B.V.	Amsterdam, Neth.	1,200 GL	100.00%	Pharmaceutical production/sales	(E) Pharmaceutical bulk sales	
P.T. Eisai Indonesia	Jakarta, Indonesia	5,000 US\$	79.60%	Pharmaceutical prod./sales	(E) Pharmaceutical production/sales	
Eisai Asia Regional Services Pte. Ltd.	Singapore	26,400 S\$	100.00%	Pharmaceutical management/sales support	(E) Pharmaceutical management/sales support	
Eisai (Malaysia) Sdn. Bhd.	Petal. Jaya, Malay.	470 M\$	98.09% (5.74%)	Pharmaceutical sales	(E) Pharmaceutical sales	
Eisai (Thailand) Marketing Co., Ltd.	Bangkok, Thailand	11,000 Baht	49.90% (49.90%)	Pharmaceutical production/sales	(E) Pharmaceutical sales	
Eisai Hong Kong Co., Ltd.	Hong Kong	500 HK\$	100.00% (10.00%)	Pharmaceutical production/sales	(E) Pharmaceutical sales	
Eisai Taiwan, Inc.	Taipei, Taiwan	250,000 NT\$	100.00%	Pharmaceutical production/sales	(E) Pharmaceutical sales	
Weizai Co., Ltd.	Taipei, Taiwan	20,000 NT\$	100.00%	Pharmaceutical sales		
Eisai (Suzhou) Pharmaceutical Co., Ltd.	Suzhou, China	139,274 RMB	100.00% (100.00%)	Pharmaceutical production/ sales	(E) Pharmaceutical sales	
Eisai Korea Inc.	Seoul, Korea	3,512,000 Won	100.00%	Pharmaceutical sales		

## (Equity in Earnings in Associated Companies)

Company Name	Location	Common Stock (Unit: millions)		Equity(%) Ownership	Description of Operations	Relationship/Operations	Com.
Bracco-Eisai Co., Ltd.	Tokyo	340	Yen	49.00%	Contrast media import production/sales	(E) Contrast media import production/sales	
Gakuen Shoji Co., Ltd.	Ibaraki Pref.	20	Yen	37.81%	Catering & administrative services	(E) Catering & administrative services	
Eisai-Novartis GmbH & Co. KG	Nuremberg, FRG	2.5	DM	50.00% (50.00%)	Prescription pharmaceuticals		
Eisai-Novartis Verwaltungs GmbH	Nuremberg, FRG	0.05	DM	50.00% (50.00%)	Prescription pharmaceuticals		
Hi-Eisai Pharmaceutical Inc.	Manila, Philippines	25	Peso	49.90% (1.45%)	Pharmaceutical sales	(E) Pharmaceutical sales	

Notes: 1. \* indicates specially designated subsidiary according to the stock exchange law. (E) indicates Eisai Co., Ltd.

2. *Description of Operations* denotes the type of industry segments.

3. The stock of Sanko Junyaku Co., Ltd. is traded in the Over-the-Counter market.

4. Seiansha Co., Ltd. as well as Eisai (Thailand) Marketing Co., Ltd. have 50 percent or less equity ownership, but are considered as consolidated subsidiaries under the application of the "controlling entity" standard.

5. *Equity (%) ownership* : Figures in parenthesis represent percentage indirectly owned by Eisai.

6. Takehaya Co., Ltd. absorbed Hisakata Co., Ltd. in October 2000.

7. Shenyang Eisai Pharmaceutical Co., Ltd. was liquidated in March 2001.

8. Eisai Europe Ltd., Eisai-Novartis GmbH & Co. KG, Eisai-Novartis Verwaltungs GmbH are in the process of liquidation, but remain in existence as registered companies.

9. Seiansha Co., Ltd., Takehaya Co., Ltd., Kawashima Co., Ltd., Eland Co., Ltd., and Gakuen Shoji Co., Ltd. came under the auspices of the holding company, Sunplanet Co., Ltd., in April 2001.

10. In the consolidated financial results for the fiscal year under review, sales of subsidiaries representing greater than ten (10) percent of consolidated sales include one subsidiary, Eisai Inc. and the principal financial results are noted below.

Sales	¥102,948 mil.
Ordinary income	¥5,055 mil.
Net income	¥2,853 mil.
Shareholders' equity	¥12,953 mil.
Total assets	¥86,149 mil.

## **SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2001**

### **(2) MANAGERIAL POLICY**

#### **1. Fundamental Managerial Policy**

Eisai's fundamental managerial policy is to be a global human health care (*hhc*) company capable of operating under diverse health care systems by providing products after careful consideration of the health care needs of patients and their families while observing high legal and ethical standards.

In consideration of the above corporate mission, the Company will pursue corporate activities based on the following three policies noted below:

1. **Making a Meaningful Difference**

In a rapidly changing environment, Eisai strives to accurately indentify the medical needs of patients and consumers as well as to make a meaningful difference by providing products that exceed expectations.

2. **Managing with Focus and Agility**

By concentrating management resources on fields in which we excel and increasing the speed with which we conduct our operations, we are building a highly successful structure that is internationally competitive

3. **Enhancing Corporate Value**

By vigilantly watching for changes in the business environment, then working to turn those changes into opportunities, we continually seek to increase corporate value.

#### **2. Mid & Long-term Managerial Strategy**

Eisai is actively seeking to address unmet medical needs in order to meet the quality of life requirements of patients on a global basis. Our mid and long-term managerial strategy is to be a respected international pharmaceutical company.

Through the development of innovative pharmaceuticals, producing products with the highest quality, exceeding the expectations of patients through advanced marketing activities, and effectively dealing with environmental issues, the Company desires to make meaningful contributions to shareholders, stakeholders and society.

#### **3. Corporate Governance**

In order to promote the transparency and speed of managerial and executive decision-making, the Company took steps in June of last year to strengthen the functions of the Board of Directors, establish a corporate governance committee, and implement a corporate officer system as part of measures to reform the managerial system. In addition, a stock option system was introduced. In the coming fiscal year, the Company will continue to take measures to deal with corporate governance issues.

## **4. Topics/Issues Facing the Company**

### **Compliance**

With respect to the issues associated with the sales of synthetic vitamin E, the Company deeply regrets the occurrences and has implemented a new compliance system. Training and various measures are continuously planned and implemented to prevent occurrences and ensure that employees observe high legal and ethical standards in the conduct of business.

### **Research and Development**

The Company is strengthening its multi-polar research network composed of research facilities at Tsukuba, London and Boston to maximize new drug discovery capacity and is substantially increasing resource allocation for genomic drug discovery technology platforms. The Company will take various measures to increase the success rate of new drug development which is the primary source of our growth.

### **Pharmaceutical Operations**

In pharmaceutical sales operations, the Company will take measures to improve the efficiency of employees through information provision, strengthening training, as well as taking aggressive efforts in information technology. The Company will also take various health related activities inside and outside Japan to ensure the trust and satisfaction of patients and the medical community.

### **Production • Environmental Preservation**

In order to provide the highest quality products, the Company has a unified production system and will strengthen its quality management system.

In consideration of the environment, the Company will take improvement efforts in the areas of production technology, recycling, and waste disposal in terms of product packaging for patient and consumer ease of usage.

Other environmental measures include in Japan the achievement of ISO 14001 certification of all production facilities. In addition, on a corporate-wide basis, the Company will promote energy conservation, resource efficiency, reduction of waste, and recycling in order to make contributions to global environmental preservation.

Moreover, each subsidiary in the Company will revise operations and reduce expenses to improve efficiency and managerial structure.

## **5. Dividend Policy**

The Company maintains a fundamental policy of rewarding shareholders with stable dividends while simultaneously retaining sufficient funds for new product development and strengthening corporate competitiveness.

### **(3) MANAGERIAL RESULTS**

#### **1. Overview**

During the period under review, conditions similar to the previous year prevailed in Japan; and although favourable conditions existed in the U.S. and Europe, the overall competitive conditions of the industry remained severe.

#### **Operational Results**

The Company posted consolidated net sales of ¥361,712 million, a 19.6% increase from the previous year's period; operating income of ¥58,967 million (a 58.8% increase); ordinary income of ¥63,241 million (a 71.6% increase); and net income of ¥23,322 million (a 106.9% increase).

With respect to sales, the Alzheimer's disease treatment, *ARICEPT*, recorded sales of ¥71,129 million (a 23.3% increase) and the gastrointestinal disorder treatment, *ACIPHEX/PARIET*, ¥54,738 million (a 197.2% increase), which contributed to significant increases over the previous period.

In addition, amortization of transitional obligation for employees' retirement benefits and a loss on valuation of fixed assets and others, led to a special loss of ¥22,809 million.

#### **Cash Flows**

Net cash provided by operating activities for the period was ¥84,996 million. Sales growth of pharmaceuticals in Japan and outside Japan led to increases in income before income taxes and minority interests. In addition, accounts payable, etc., increased with the expansion of the pharmaceutical business in the U.S. and led to a non-cash loss adjustment yielding an increase of ¥57,822 million over the previous period. Cash used in investing activities amounted to ¥19,552 million. Bond purchases and others increased to ¥15,508 million over the prior period. Financing activities totalled ¥17,712 million which was similar to the prior period.

The above resulted in an increase in cash and cash equivalents with a balance of ¥106,338 million which was an increase of ¥53,782 million over the previous period.

#### **Sales by Segment**

The breakdown of sales by business segment is noted as follows.

##### Pharmaceutical

Within the prescription pharmaceutical area, sales of *ARICEPT* and *ACIPHEX/PARIET* continued to make contributions and in Japan the peripheral neuropathy treatment *METHYCOBAL*, and the osteoporosis vitamin K<sub>2</sub> treatment, *GLAKAY*, all continued sales growth. In the over-the-counter area, contributions were also recorded from the vitamin B<sub>2</sub> product line from additions to the *CHOCOLA BB* family of products, and the new product introduction of the nasal strip, *BreatheRight*<sup>®</sup>. As a result Pharmaceutical sales were ¥334,250 million (a 23.4% increase). Operating income was ¥68,756 million (a 49.7% increase).



## Others

The impact of poor market conditions for food additives and fine chemicals and animal health care products led to sales of ¥27,461 million (a 13.1% decrease) and an operating loss of ¥2,749 million in this segment.

## Sales by Area

### Japan

Reflecting favourable market conditions, sales amounted to ¥241,012 million (a 7.8% increase) with operating income of ¥65,952 million which was a 40.1% increase over the previous period.

### North America

Sales in North America were ¥101,783 million (a 57.5% increase) reflecting a 10.7% increase in the sales of *ARICEPT* and strong prescription growth of *ACIPHEX* for total sales growth of ¥34.2 billion. With respect to operating income, difficult market conditions for Food Additives and Chemicals had a negative impact whereas operating income of the pharmaceutical sales subsidiary significantly increased leading to a operating income for the area of ¥2,558 million (a ¥3,021 million increase).

### Europe

Sales in Europe were ¥14,294 million (a 23.9% increase) reflecting sales increases of *ARICEPT*, 13.3%; and *PARIET*, 53.7%. Operating income was ¥622 million which was an increase of ¥1,621 million over the prior year making Europe in total profitable.

### Asia & Others

Sales in Asia and other areas were ¥4,623 million (a 65.9% increase). Operating income was ¥442 million (a 387.2% increase). Subsidiaries in each country in Asia performed favourably and a consolidated subsidiary in China, which assumed marketing functions of a liquidated equity in earnings subsidiary, led to increases in sales and operating income.

(Note: Sales in the segments above include eliminations from internal sales.)

## Overseas Sales

Sales increases in the pharmaceutical segments in the U.S., Europe and Asia led to overseas sales of ¥132,080 million which was an increase of 46.2% over the previous fiscal year. The overseas ratio of sales expanded significantly from 29.9% to 36.5%.

## **Progress in R&D**

In the U.S. *ARICEPT* is in Phase III clinical trials for the additional indications of dementia with cerebral vascular disease, and the treatment of severe Alzheimer's disease and in Phase II clinical trials for the treatment of attention deficit hyperactivity disorder. In Japan approval was received for a fine granule form which is easy to take for elderly patients.

With respect to *ACIPHEX/PARIET*, *H. pylori* eradication treatment received approval in the EU and the same indication is in Phase III clinical trials in the U.S. The indication for symptomatic GERD has been filed in the EU (U.K. reference member state) and the U.S. In Japan *PARIET* is in Phase III clinical trials for GERD maintenance.

The anti-cancer compound E7070 is in Phase II clinical trials in Europe and the U.S.

Licensed products include a compound for cervical dystonia and a compound for *H. pylori* eradication and development has commenced.

## **Production**

The Company is taking action to strengthen its quality assurance system, production operating procedures, and packaging integrity in order to ensure the stable supply of safe, efficacious and high quality products at all production sites in the world. In addition, following the successful production of *ARICEPT* at the U.S. production plant in North Carolina, preparations are underway for the production of *ACIPHEX*.

## **Environmental Issues**

The three production facilities in Japan achieved ISO14001 certification for environmental management systems. In addition, in order to reduce CO<sub>2</sub> emissions and to prevent global warming, the Company has joined a fund for promoting wind power generation. At the Kawashima Plant, an energy cogeneration system has been implemented to generate efficiently clean energy and an air handling system with thermal storage using night-time power has also been installed.

## **Investment and Financing**

The Company's capital expenditure in the period under review amounted to approximately ¥11,515 million. In April and May of 2001 the Company received from financial institutions a yen, dollar, and Euro commitment line of ¥30,000 million in order to fund future potential capital needs.

## **Dividend Policy**

The Company has decided to increase the year end dividend by ¥1.50 for a total year end dividend of ¥13.00 per share. Together with the interim dividend of ¥10.00 per share, this will result in a total annual dividend of ¥23.00 per share. As a result the Company's payout ratio will be 29.2%; the Return on Equity will be 6.9%; and the ratio of dividends to equity will be 2.0%.

## **2. OUTLOOK FOR FISCAL YEAR 2001**

The Company projects consolidated net sales of ¥400,000 million, a 10.6% increase from the prior year; operating income of ¥63,000 million, a 6.8% increase; ordinary income of ¥64,000 million, a 1.2% increase; and net income of ¥35,000 million, a 50.1% increase, for the fiscal period ending March 31, 2002. Principal foreign currency exchange rates utilized in the projection above are: 1 U.S. \$=¥115, 1 Euro=¥105, and 1 U.K. Pound Sterling=¥165.

With respect to dividends, it is the fundamental policy of the Company to pursue profit distribution to shareholders, and the year dividend will be increased by 3 yen yielding an expected total annual dividend of ¥26.00 per share.

Note: The Company's performance and financial results could differ materially from those reflected in these forward-looking statements due to general, financial, economic, regulatory and political conditions affecting the pharmaceutical industry.

**EISAI CO., LTD.**  
**IV. CONSOLIDATED STATEMENTS OF INCOME**  
**Years ended March 31, 2001 and 2000**

(Millions of yen)

	<b>2001</b>	<b>2000</b>	Increase (Decrease)
<b>Net sales</b>	<b>¥ 361,712</b>	¥302,470	¥ 59,242
Cost of sales	<b>98,601</b>	91,681	6,919
Reversal of reserve for sales returns	<b>132</b>	97	34
<b>Gross profit</b>	<b>263,243</b>	210,886	52,356
Research and development expenses	<b>49,613</b>	46,703	2,909
Selling, general and administrative expenses	<b>154,661</b>	127,050	27,611
<b>Operating income</b>	<b>58,967</b>	37,132	21,835
Non-operating income:	<b>6,181</b>	4,116	2,064
Interest and dividend income	<b>3,187</b>	2,388	798
Equity in earnings of unconsolidated subsidiaries and associated companies	-	248	(248)
Other non-operating income	<b>2,993</b>	1,478	1,515
Non-operating expenses:	<b>1,907</b>	4,390	(2,482)
Interest expense	<b>687</b>	1,134	(447)
Equity in losses in associated companies	<b>62</b>	-	62
Deferred assets amortization	<b>497</b>	198	299
Other non-operating expenses	<b>660</b>	3,057	(2,397)
<b>Ordinary income</b>	<b>63,241</b>	36,858	26,382
Special profit	<b>2,406</b>	1,107	1,298
Gain on sales of property, plant & equipment	<b>767</b>	873	(106)
Retirement allowance trust income	<b>1,382</b>	-	1,382
Other special profit	<b>256</b>	233	23
Special loss	<b>22,809</b>	12,429	10,380
Loss on disposal of fixed assets	<b>984</b>	1,127	(142)
Loss on valuation of fixed assets	<b>3,364</b>	-	3,364
Amortization of transitional obligation for employees' retirement benefits	<b>15,128</b>	-	15,128
Losses on vitamin E cases	<b>2,687</b>	9,971	(7,283)
Other special losses	<b>645</b>	1,330	(685)
<b>Income before income taxes &amp; minority interests</b>	<b>42,837</b>	25,536	17,301
Income taxes-current	<b>33,131</b>	17,413	15,717
Income taxes-deferred	<b>(13,498)</b>	(3,213)	(10,285)
Minority interests	<b>(117)</b>	61	(178)
<b>Net income</b>	<b>¥ 23,322</b>	¥11,275	¥ 12,047

**EISAI CO., LTD.**  
**V-1. CONSOLIDATED BALANCE SHEET**  
**March 31, 2001 and 2000**

(Millions of yen)

ASSETS	2001	2000	Increase (Decrease)
<b>Current assets:</b>			
Cash and time deposits	¥98,203	¥49,122	¥ 49,081
Trade receivables	116,419	107,483	8,935
Short-term investments	28,331	99,276	(70,944)
Inventories	33,722	33,988	(266)
Deferred tax assets	15,873	9,703	6,169
Other current assets	14,175	13,449	725
Allowance for doubtful receivables	(533)	(600)	66
<b>Total current assets</b>	<b>306,192</b>	<b>312,424</b>	<b>(6,232)</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment</b>	<b>106,725</b>	<b>109,536</b>	<b>(2,811)</b>
Buildings and structures	57,718	58,650	(932)
Machinery and vehicles	20,644	22,763	(2,119)
Land	18,929	19,071	(142)
Construction in progress	1,631	1,547	83
Others	7,801	7,502	298
<b>Intangible assets</b>	<b>8,946</b>	<b>8,037</b>	<b>909</b>
<b>Investments and other assets:</b>	<b>127,579</b>	<b>49,616</b>	<b>77,963</b>
Investments in securities	77,243	5,705	71,537
Long-term loans receivable	145	188	(43)
Deferred tax assets	18,528	11,780	6,748
Other investments	32,143	32,374	(230)
Allowance for doubtful receivables	(481)	(431)	(49)
<b>Total fixed assets</b>	<b>243,251</b>	<b>167,190</b>	<b>76,061</b>
<b>Deferred charges</b>	<b>-</b>	<b>517</b>	<b>(517)</b>
<b>Foreign currency translation adjustments</b>	<b>-</b>	<b>5,540</b>	<b>(5,540)</b>
<b>Total assets</b>	<b>¥549,444</b>	<b>¥485,673</b>	<b>¥ 63,770</b>

**EISAI CO., LTD.**  
**V-2. CONSOLIDATED BALANCE SHEET**  
**March 31, 2001 and 2000**

(Millions of yen)

<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>2001</b>	<b>2000</b>	<b>Increase (Decrease)</b>
<b>Current liabilities:</b>			
Trade payables	¥13,923	¥14,188	(¥264)
Short-term borrowings	7,500	7,488	12
Current portion of long-term borrowing	155	1,550	(1,395)
Current portion of straight bonds	10,000	10,000	-
Accounts payable	49,646	21,355	28,291
Accrued income taxes	22,997	7,955	15,042
Accrued expenses	23,444	22,498	946
Reserve for rebates of sales	19,132	678	18,454
Other reserves	806	1,005	(199)
Other current liabilities	6,147	10,141	(3,993)
<b>Total current liabilities</b>	<b>153,754</b>	<b>96,861</b>	<b>56,893</b>
<b>Long-term liabilities:</b>			
Straight bonds	100	10,100	(10,000)
Convertible bonds	5,485	5,489	(4)
Long-term borrowings	262	117	144
Deferred tax liabilities	838	1,113	(275)
Retirement allowances	-	30,373	(30,373)
Liability for retirement benefits	31,403	-	31,403
Retirement allowances for Board of Directors	1,946	2,248	(302)
Other long-term debt	616	471	144
<b>Total long-term liabilities</b>	<b>40,651</b>	<b>49,913</b>	<b>(9,261)</b>
<b>Total liabilities</b>	<b>194,406</b>	<b>146,774</b>	<b>47,631</b>
<b>Minority interests</b>	<b>9,142</b>	<b>9,513</b>	<b>(370)</b>
<b>Shareholders' equity:</b>			
Common stock	44,887	44,885	2
Additional paid-in capital	55,124	55,122	1
Retained earnings	246,350	229,414	16,935
Net unrealized gains on available-for-sale securities	1,005	-	1,005
Foreign currency translation adjustments	(1,456)	-	(1,456)
Treasury stock	(14)	(36)	21
<b>Total shareholders' equity</b>	<b>345,895</b>	<b>329,385</b>	<b>16,510</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥549,444</b>	<b>¥485,673</b>	<b>¥ 63,770</b>

## EISAI CO., LTD.

## VI. CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended March 31, 2001 and 2000

(Millions of yen)

	2001	2000
<b>Retained earnings, beginning balance</b>		
- Retained earnings brought forward from previous year	¥229,414	¥208,666
- Adjustment of retained earnings for adoption of deferred tax method	-	15,965
<b>Total</b>	<b>229,414</b>	<b>224,631</b>
<b>Decrease in retained earnings</b>		
- Dividends	6,373	6,372
- Bonus for Board of Directors	13	115
- Other	-	4
Total decrease	6,386	6,492
<b>Net income</b>	<b>23,322</b>	<b>11,275</b>
<b>Retained earnings, ending balance</b>	<b>¥246,350</b>	<b>¥229,414</b>

**EISAI CO., LTD.**  
**VII. CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended March 31, 2001 and 2000**

(Millions of yen)

Periods	2001	2000	Inc./Dec.
<b>I. Operating activities:</b>			
Income before income taxes and minority interests	¥42,837	¥25,536	¥17,301
Depreciation and amortization	15,004	15,135	(130)
Amortization of excess of net assets over cost	(22)	(19)	(3)
Increase (decrease) in allowance for doubtful accounts	(31)	225	(256)
Interest and dividend income	(3,187)	(2,388)	(798)
Interest expense	687	1,134	(447)
Equity in earnings (losses) of associated companies	62	(248)	311
Net loss on sales and disposal of fixed assets	217	253	(35)
Loss on valuation of fixed assets	3,364	-	3,364
Retirement allowance trust income	(1,382)	-	(1,382)
Amortization of transitional obligation for employees' retirement benefits	15,128	-	15,128
Provision for retirement allowances	-	4,530	(4,530)
Provision for liability for retirement benefits	5,513	-	5,513
Gain on sales of securities and investments	(158)	(216)	57
Loss on valuation of securities	231	685	(453)
Losses on vitamin E cases	2,687	9,971	(7,283)
(Increase) decrease in trade receivables	(5,996)	2,791	(8,788)
(Increase) decrease in inventories	1,721	(3,584)	5,305
Increase (decrease) in trade payables	(2,031)	1,537	(3,568)
Increase in reserve for rebates of sales	10,890	2,062	8,828
Others	16,740	2,599	14,140
Sub-total	102,275	60,004	42,271
Interest and dividends received	3,181	2,653	528
Interest paid	(768)	(944)	175
Payments on vitamin E cases	(1,546)	(9,748)	8,202
Cash paid for income taxes	(18,146)	(24,791)	6,644
Net cash provided by operating activities	84,996	27,174	57,822
<b>II. Investing activities:</b>			
Purchases of short-term investments	(11,733)	(25,074)	13,341
Proceeds from sales and maturities of short-term investments	20,671	31,607	(10,935)
Purchases of property, plant and equipment	(10,433)	(13,022)	2,588
Proceeds from sales of property, plant and equipment	1,009	1,091	(82)
Purchases of intangible assets	(3,484)	(3,280)	(204)
Purchases of investment securities	(29,148)	(533)	(28,615)
Proceeds from sales of investment securities	14,056	220	13,835
(Increase) decrease in time deposits (exceeding 3 months)	(1,743)	3,045	(4,788)
Others	1,254	1,901	(646)
Net cash used in investing activities	(19,552)	(4,043)	(15,508)
<b>III. Financing activities:</b>			
Increase (decrease) in short-term bank borrowings	(34)	1,112	(1,146)
Proceeds from long-term borrowings	345	100	245
Repayment of long-term debt	(1,595)	(58)	(1,537)
Issuance of corporate bond receipt	-	100	(100)
Repayment of straight bonds	(10,000)	(10,200)	200
Dividends paid	(6,373)	(6,372)	(0)
Others	(55)	(39)	(17)
Net cash used in financing activities	(17,712)	(15,357)	(2,355)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>6,051</b>	<b>(2,446)</b>	<b>8,497</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>53,782</b>	<b>5,326</b>	<b>48,456</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>52,555</b>	<b>46,918</b>	<b>5,637</b>
<b>Cash and cash equiv. of newly consolidated subsidiaries at beginning of year</b>	<b>-</b>	<b>310</b>	<b>(310)</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥106,338</b>	<b>¥52,555</b>	<b>¥53,782</b>



# **BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS**

## **I. Scope of consolidation**

(1) Consolidated subsidiaries: 34 Companies Major subsidiaries:  
Sanko Junyaku Co., Ltd.  
Sannova Co., Ltd.  
Eisai Inc.  
Eisai Research Institute of Boston, Inc.

In October 2000, Takehaya Co., Ltd. a consolidated subsidiary, merged with its consolidated subsidiary, Hisakata Co., Ltd.

(2) Unconsolidated subsidiaries: none (reduction of 1 company)

## **II. Application of Equity Method**

(1) Unconsolidated subsidiaries: none  
In March 2001 Shenyang Eisai Pharmaceutical Co, Ltd. was liquidated.

(2) Associated companies: 5 Companies

## **III. Treatment of Subsidiary in which the Fiscal Year End is other than that of the Parent Company**

The fiscal year end of Eisai (Suzhou) Pharmaceutical Co., Ltd is December 31. The financial statements of Eisai (Suzhou) Pharmaceutical Co., Ltd., are prepared based on business transactions as of December 31, 2000 with necessary adjustments for material transactions being made in the Parent company's financial statements subsequent to that date.

## **IV. Significant Accounting Policies**

### **1. Standards and Methods for Evaluating Major Assets**

#### **(1) Marketable and Investment Securities**

Held-to-maturity Securities:

Reported at amortized cost.

Available-for-sale Securities

Marketable securities:

Reported at fair value, with unrealised gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity. The cost of securities sold is determined based on the moving average method.

Non-marketable securities:

Reported at cost using a moving average cost method.

#### **(2) Inventories**

Inventories are stated at cost substantially determined by the average method for finished products, goods, work-in-process products, raw materials, supplies.

### **(3) Derivatives**

Derivatives are stated at fair value.

## **2. Depreciation of Fixed Assets**

### **(1) Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation is computed by the declining balance method, while the straight-line method is used in consolidated subsidiaries outside Japan. The range of useful lives for the assets are noted below.

Buildings	15 to 65 years
Machinery and equipment	6 to 7 years

### **(2) Intangible assets**

Intangible assets are carried at cost less accumulated amortization which is computed by the straight-line method in the Company and all consolidated subsidiaries.

Amortization for software utilized internally is computed by the straight-line method over useful lives of five (5) years.

## **3. Deferred charges**

Stock issuance costs are charged to income as incurred. Certain subsidiaries capitalized start-up costs as deferred charges, but in this fiscal year all the start-up costs were amortized as *Deferred assets amortization* in *Non-operating expenses* in order to unify accounting policies of the Company. As a result of the change, ordinary income and income before income taxes and minority interests have been reduced by an amount of ¥302 million.

## **4. Accounting Standards for Major Reserves**

### **(1) Allowance for doubtful receivables**

The allowance for doubtful receivables is stated at amounts considered to be appropriate based on the Company's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

### **(2) Reserve for rebates of sales**

It is stated at an amount produced by multiplying inventories of distributors at the end of the year end period by the average rebate ratio, in order to provide of sales rebates expected to be incurred after year end. In addition, a portion of the rebates of sales in consolidated subsidiaries is calculated using an estimated rebate percentage associated with sales amounts at the end of the year end period.

However, if a portion of the consolidated subsidiaries reserve for rebates of sales for this year end period (¥18,582 million), is determined in the future not to be material it will be included in the category of Others in the current liabilities. From this year end the Reserve for rebates of sales is reported separately. In addition, the Reserve of Rebates of Sales for the year ended March 31, 2001 was ¥5,343 million and is included in current liabilities.

### **(3) Other reserves**

For the Company and certain consolidated subsidiaries in Japan, other reserves are stated in amounts noted below and are included in other current reserves.

**(a) Reserve for returns of goods sold**

A reserve for possible losses on sales returns is stated at the maximum amount permitted to be charged to income under the Japanese income tax law.

**(b) Reserve for write-off of goods returned**

The reserve for write-off of goods returned is provided at an amount sufficient to cover possible losses on write-off of goods returned. It is stated at an amount calculated by the average of returns of goods sold and the write-off ratio of goods returned over a two year period.

**(4) Amortization of transitional obligation for employees' retirement benefits**

Effective April 1, 2000, the Company and the consolidated subsidiaries in Japan accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥32,357 million at the beginning of the year recognized in the Company was offset by the contribution of certain marketable securities with a fair value of ¥15,128 million (book value of ¥13,745 million) to the employee retirement benefit trusts for the Company's non-contributory pension plans. The remaining unfunded balance of ¥17,229 million as well as ¥771 million of the transitional obligation recognized in the consolidated subsidiaries was being amortized over 5 years and charged to income and presented as operating expense in the Statements of income.

The Company also revised its non-contributory pension plans and recognized prior service cost amounting ¥15,427 million, which were being accumulated over 5 years and charged to income as reduction of operating expense in the Statements of income.

The actuarial losses recognized in this year will be amortized over 5 years from the preceeding fiscal year.

**(5) Retirement allowances for Board of Directors and Corporate Auditors**

The reserve for retirement allowance for Board of Directors and Corporate Auditors is provided in the amount required in accordance with internal regulations.

**5. Leases**

Finance leases that do not deem to transfer ownership of the leased property to the lessee are accounted for as an operating lease for the Company and subsidiaries in Japan. For subsidiaries outside Japan, finance leases are accounted for as substantially the sale of property.

**6. Other Important Balance Sheet Categories**

Consumption tax treatment

Income and expenses are recorded net of consumption taxes.

**V. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

The assets and liabilities of the consolidated subsidiaries are valued using the full mark-to-market method.

## **VI. Amortization of Excess of Net Assets over Cost**

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary is treated as either an asset or a liability and amortized over a period of five years on a straight-line basis.

## **VII. Profit Distribution Treatment**

In the consolidated statement of retained earnings, the profit distribution of consolidated companies is that which has been confirmed within the fiscal year period.

## **VIII. Consolidated Statements of Cash Flows**

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

## **ADDITIONAL INFORMATION TO THE BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Accounting standards applied to retirement benefits**

The accounting standard for retirement benefits ("Statement relating to the establishment of accounting standards applied to retirement allowances," June 16, 1998, the Business Accounting Council) has been applied to the period under review.

As a result, net periodic benefit costs as compared with the prior method, increased by ¥13,856 million. Ordinary income and income before taxes and minority interests decreased by ¥260 and by ¥14,005 million, respectively.

In addition, the amounts provided at the end of the previous fiscal year for retirement allowances and pension funds were transferred to amortization of transitional obligation for employees' retirement benefits at the beginning of the period.

### **2. Accounting standards applied to financial instruments**

The accounting standard for financial instruments ("Statement relating to the establishment of accounting standards applied to financial instruments", January 22, 1999, the Business Accounting Council) has been applied. Accordingly ordinary profit and income before income tax and minority interests increased by ¥2,604 million, respectively.

As a result of management's purpose of holding securities, the current portion of bonds, as well as fund trusts with maturities of less than one year and money management funds which were previously included in short-term investments is now presented as investments in securities in Investments and other assets. Consequently, short-term investments decreased by ¥76,091 million and investments in securities increased by a corresponding amount.

### **3. Accounting standards applied to foreign currency treatment policies**

The accounting standard for transactions in foreign currencies as amended, ("Statement relating to the amendment of accounting standards applied to transactions in foreign currencies," October 22, 1999, the Business Accounting Council) has been applied as of the beginning of the period. The effect of this change is negligible.

In the previous fiscal year, foreign currency translation adjustments were recorded in total assets and from this period it is recorded in Shareholders' equity or Minority interests.

## NOTES TO THE INCOME STATEMENT

### 1. Loss on valuation of Fixed Assets

Special losses amounted to ¥3,364 million and were associated with the "Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of" for a U.S. based subsidiary.

### 2. Losses on vitamin E cases

Special losses recorded in the period under review (Losses on vitamin E cases) amounted to ¥2,687 million and were associated with civil settlements reached with indirect purchasers of synthetic vitamin E in the United States. Additional information on this issue outside of that noted above regarding damage compensation is not available. The European Commission is continuing an investigation and future losses related to vitamin E litigation could not be estimated.

## NOTES TO BALANCE SHEETS

	March 31, 2001	March 31, 2000
1. Accumulated depreciation of property, plant, and equipment	¥149,551 mil.	¥141,103 mil.
2. Pledged assets and debts		
Pledged assets	1,261 mil.	1,323 mil.
Pledged debts	457 mil.	549 mil.
3. Contingent liabilities	1,684 mil.	26 mil.
4. Trade notes receivable discounted	446 mil.	618 mil.
5. Matured notes at closing date		
(1) Notes receivable	596 mil.	--
(2) Notes payable	92 mil.	--
6. Treasury stock	4,771 shares	14,984 shares

## NOTES TO THE STATEMENTS OF CASH FLOWS

1. Reconciliation between cash and cash equivalents and the related accounts shown in the consolidated balance sheet at period end.

	March-31-2001	March-31-2000
Cash and time deposits	¥98,203 mil.	¥49,122 mil.
Marketable securities	28,331 mil.	99,276 mil.
Total	¥126,535 mil.	¥148,398 mil.
Time deposits in which maturities are over three months	(¥8,066 mil.)	(¥6,318 mil.)
Over 3 month investments included in "Short-term investments"	(12,130 mil.)	(89,524 mil.)
Cash and cash equivalents	¥106,338 mil.	¥52,555 mil.

## 2. Important Non-market Transactions

### 1.) Convertible bonds

Years Ended	March-31-2001	March-31-2000
Convertible bonds converted into common stock	¥2 mil.	¥31 mil.
Convertible bonds converted into additional paid-in capital	1 mil.	31 mil.
Reduction in convertible bond amount	¥4 mil.	¥63 mil.

### 2.) Newly consolidated subsidiary's assets and liabilities (Unit: Millions of Yen)

Years Ended	March-31-2001	March-31-2000
Current assets	-	¥1,209 mil.
Fixed assets	-	262 mil.
Foreign currency translation adjustments	-	84 mil.
Total assets	-	1,556 mil.
Current liabilities	-	617 mil.
Long-term liabilities	-	105 mil.
Total liabilities	-	¥722 mil.

## VIII. SEGMENT INFORMATION

### 1. Industry Segment Information

#### 1) For the fiscal year ended March 31, 2001

( Millions of yen )

	Pharma- ceuticals	Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating income/loss					
(1) Sales to customers	¥334,250	¥27,461	¥361,712	-	¥361,712
(2) Intersegment sales	94	10,574	10,669	(¥10,669)	-
Total sales	334,345	38,036	372,381	(10,669)	361,712
Operating expenses	265,588	40,785	306,373	(3,629)	302,744
Operating income (loss)	¥68,756	(¥2,749)	¥66,007	(¥7,039)	¥58,967
II. Assets, depreciation, and capital expenditures					
-Assets	¥390,296	¥32,229	¥422,526	¥126,917	¥549,444
-Depreciation & amortization	13,358	1,090	14,449	555	15,004
-Capital expenditures	¥13,079	¥1,317	¥14,397	¥602	¥14,999

#### 2) For the fiscal year ended March 31, 2000

( Millions of yen )

	Pharma- ceuticals	Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating income/loss					
(1) Sales to customers	¥270,871	¥31,598	¥302,470	-	¥302,470
(2) Intersegment sales	61	9,411	9,472	(¥9,472)	-
Total sales	270,933	41,010	311,943	(9,472)	302,470
Operating expenses	224,999	42,129	267,128	(1,790)	265,337
Operating income (loss)	¥45,934	(¥1,119)	¥44,814	(¥7,681)	¥37,132
II. Assets, depreciation, and capital expenditures					
-Assets	¥332,184	¥36,396	¥368,581	¥117,092	¥485,673
-Depreciation & amortization	13,614	1,011	14,625	509	15,135
-Capital expenditures	¥14,380	¥853	¥15,233	¥1,069	¥16,302

Notes:

(1) The Company classifies its consolidated operations into two segments: Pharmaceuticals, including prescription pharmaceuticals, consumer health care products and diagnostics, and Others, which encompasses all operations other than pharmaceuticals.

(2) Major products in each segment are as follows:

Business segment	Major products
Pharmaceuticals	Prescription pharmaceuticals; Consumer health care products; Diagnostics, etc; Others
Others	Animal health care; Feed additives; Food additives; Chemicals; Machinery; Others

(3) Operating expenses, which are not allocated to each segment and are included in eliminations and corporate, consist mainly of expenses incurred at the central administrative office.

For the year ended March 31, 2001: ¥7,473 million  
 For the year ended March 31, 2000: ¥7,672 million

(4) Corporate assets included in eliminations and corporate, consist mainly of surplus operating capital (cash and marketable securities) and long-term investments (investment securities).

As of March 31, 2001: ¥129,436 million  
 As of March 31, 2000: ¥119,485 million

## 2. Geographical Segment Information

1) For the fiscal year ended March 31, 2001

( Millions of yen )

	Japan	North America	Europe	Asia and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating income							
(1) Sales to customers	¥241,012	¥101,783	¥14,294	¥4,623	¥361,712	-	¥361,712
(2) Intersegment sales	32,746	10,817	1,508	150	45,222	(¥45,222)	-
Total sales	273,758	112,600	15,802	4,773	406,935	(45,222)	361,712
Operating expenses	207,806	110,042	15,179	4,330	337,358	(34,614)	302,744
Operating income	¥65,952	¥2,558	¥622	¥442	¥69,576	(¥10,608)	¥58,967
II. Assets	¥364,938	¥99,672	¥14,607	¥6,437	¥485,656	¥63,788	¥549,444

2) For the fiscal year ended March 31, 2000

( Millions of yen )

	Japan	North America	Europe	Asia and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating income							
(1) Sales to customers	¥223,529	¥64,613	¥11,540	¥2,786	¥302,470	-	¥302,470
(2) Intersegment sales	23,297	9,394	1,521	207	34,421	(¥34,421)	-
Total sales	246,826	74,008	13,062	2,994	336,891	(34,421)	302,470
Operating expenses	199,736	74,471	14,061	2,903	291,172	(25,834)	265,337
Operating income (loss)	¥47,089	(¥463)	(¥998)	¥90	¥45,719	(¥8,586)	¥37,132
II. Assets	¥345,513	¥55,073	¥14,094	¥6,524	¥421,207	¥64,466	¥485,673

Notes:

(1) Segmentation of country or areas is based on geographical proximity.

(2) Major countries and areas included in each category:

- North America: The United States and Canada
- Europe: The United Kingdom, France, Germany, etc.
- Asia and Others: East Asia, South-Asia and South-Central America, etc.

(3) Intersegment sales in Japan principally represent product sales from the Parent company to overseas subsidiaries. Intersegment sales in North America, Europe and Asia and Others are principally sales from overseas subsidiaries, which manage research and development for the Parent company.

(4) Operating expenses that are not allocated to each segment, and are included in eliminations and corporate, consist mainly of expenses incurred at the central administrative office.

For the year ended March 31, 2001: ¥7,473 million

For the year ended March 31, 2000: ¥7,672 million

(5) Corporate assets included in eliminations and corporate, consist mainly of surplus operating capital (cash and marketable securities) and long-term investments (investment securities).

For the year ended March 31, 2001: ¥129,436 million

For the year ended March 31, 2000: ¥119,485 million

### 3. Overseas Sales

1) For the fiscal year ended March 31, 2001 (Millions of yen)

	North America	Europe	Asia and Others	Total
1. Overseas sales	¥105,703	¥19,073	¥7,304	¥132,080
2. Consolidated sales				¥361,712
3. Share of overseas sales	29.2%	5.3%	2.0%	36.5%

2) For the fiscal year ended March 31, 2000 (Millions of yen)

	North America	Europe	Asia and Others	Total
1. Overseas sales	¥67,362	¥16,360	¥6,621	¥90,344
2. Consolidated sales				¥302,470
3. Share of overseas sales	22.3%	5.4%	2.2%	29.9%

Note:

(1) Segmentation of the country or other areas is based on geographical proximity.

(2) Major countries and areas included in this category:

- North America: The United States and Canada.
- Europe: The United Kingdom, France, Germany, etc.
- Asia and Other: East Asia, South-East Asia, and South-Central America, etc.



## IX. LEASE TRANSACTIONS

1. Finance leases other than those that deem to transfer ownership of the leased property to the lessee

(1) Acquisition cost, Accumulated depreciation, Net balance (Millions of yen)

	Mar-31-2001	Mar-31-2000
<b>Buildings and structures:</b>		
Acquisition cost	¥2	¥2
Accumulated depreciation	1	0
Net balance	¥1	¥2

<b>Machinery and vehicles:</b>		
Acquisition cost	¥824	¥803
Accumulated depreciation	309	180
Net balance	¥514	¥623

<b>Others:</b>		
Acquisition cost	¥3,821	¥4,902
Accumulated depreciation	2,499	2,829
Net balance	¥1,322	¥2,072

<b>Total:</b>		
Acquisition cost	¥4,649	¥5,709
Accumulated depreciation	2,809	3,011
Net balance	¥1,839	¥2,698

(2) Future minimum lease payments (Millions of yen)

Years Ended	Mar-31-2001	Mar-31-2000
Due within one year	¥841	¥1,207
Due over one year	1,021	1,540
Total	¥1,863	¥2,747

(3) Actual lease payments, Depreciation expense, Interest expense (Millions of yen)

Years Ended	Mar-31-2001	Mar-31-2000
Actual lease payments	¥1,342	¥1,565
Depreciation expense	1,230	1,505
Interest expense	83	109

- (4) Depreciation expense for leased assets is computed using the straight-line method over the estimated useful life of the leased assets.

- (5) Interest expense for leased assets is computed using the interest method based on the differences between the lease fees and the respective acquisition cost of the assets which are considered to be interest-bearing.

2. Operating Leases (Millions of yen)

Years Ended	Mar-31-2001	Mar-31-2000
Due within one year	¥748	¥641
Due over one year	2,178	1,919
Total	¥2,926	¥2,561

## X. Transactions with Related Parties

There were no significant transactions with related parties.

## XI. INCOME TAXES

1. Deferred tax assets (liabilities) are comprised of the following:

	(As of March 31, 2001) Unit: Millions of yen
Deferred tax assets	
Retirement benefits	¥9,298
Amortization of transitional obligation for employees' retirement benefits	¥5,731
Clinical research expense	¥4,503
Operating loss carried forward	¥4,165
Unrealized gain on intercompany sales of inventory	¥3,174
Depreciation	¥2,190
Unpaid enterprise taxes	¥2,036
Accrued bonuses	¥1,895
Loss on valuation of fixed assets	¥1,507
Tax credits	¥1,457
Other	¥6,815
Sub-Total	¥42,776
Less valuation allowance	(¥4,183)
Total deferred tax assets	¥38,592
Deferred tax liabilities	
Depreciation	(¥2,714)
Land	(¥895)
Net unrealized gains on securities	(¥707)
Retained earnings for reduction of fixed assets costs	(¥668)
Other	(¥41)
Total deferred tax liabilities	(¥5,028)
Net deferred tax assets	<u>¥33,564</u>

2. The effective income tax rates of the Company differed from the statutory tax rate for the following reasons:

Normal effective statutory tax rate	41.7%
Expenses not deductible for income tax purposes	3.1%
Increase in valuation allowance	1.6%
Others	(0.6%)
Actual effective tax rate	45.8%

## XII. SECURITIES

### 1. MARKET VALUE OF HELD-TO-MATURITY MARKETABLE BONDS

(Millions of yen)

Carrying amounts lower than aggregated fair value	March 31-2001		
	Carrying amount	Aggregated fair value	Unrealized Gain (Loss)
1. National bonds	¥-	¥-	¥-
2. Corporate bonds	17,728	17,928	200
3. Other	3,605	3,619	14
Sub-total	¥21,333	¥21,548	¥214
Carrying amounts higher than aggregated fair value	Carrying amount	Aggregated fair value	Unrealized Gain (Loss)
1. National bonds	¥10	¥10	¥--
2. Corporate bonds	27,582	26,980	(601)
3. Other	999	999	(0)
Sub-total	¥28,592	¥27,990	(¥601)
TOTAL	¥49,926	¥49,538	(¥387)

### 2. MARKET VALUE OF AVAILABLE-FOR-SALE SECURITIES

(Millions of yen)

Cost lower than carrying amount	March 31-2001		
	Cost	Carrying amount	Unrealized Gain (Loss)
1. Stocks	¥9,363	¥14,037	¥4,673
2. Bonds	259	266	6
3. Other	9,128	9,195	66
Sub-total	¥18,751	¥23,498	¥4,746
Cost exceeding carrying amount	Cost	Carrying amount	Unrealized Gain (Loss)
1. Stocks	¥13,772	¥10,806	(¥2,966)
2. Bonds	10	10	(0)
3. Other	3,386	3,304	(82)
Sub-total	¥17,170	¥14,121	(¥3,048)
TOTAL	¥35,921	¥37,619	¥1,697

### 3. OTHER MARKETABLE SECURITIES SOLD WITHIN THE FISCAL YEAR PERIOD

(April 1, 2000 – March 31, 2001)

(Millions of yen)

Sales amount	Gain on sales	Loss on sales
¥958	¥158	¥0

**4. HELD-TO-MATURITY SECURITIES AND AVAILABLE-FOR-SALE SECURITIES WHOSE FAIR VALUE IS NOT READILY DETERMINABLE**

(Millions of yen)

1. Held-to-Maturity Securities

	<b>March-31-2001</b>
Unlisted foreign bonds	<u>¥ -</u>

2. Available-for-sale securities

	<b>March-31-2001</b>
Unlisted stocks, except OTC traded stocks	<u>¥1,489</u>
Money management fund	14,908
Mid-term domestic bond fund	1,091
Free financial funds	¥201

**5. THE CARRYING VALUES OF AVAILABLE-FOR-SALE AND HELD-TO-MATURITY SECURITIES AT CONTRACTUAL MATURITIES AS OF MARCH 31, 2001**

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
I. Bonds				
National bonds	-	¥20	-	-
Corporate bonds	8,126	18,297	19,152	-
Other	3,404	1,200	-	-
II. Other	598	4,170	1,245	10
<b>Total</b>	<b>¥12,129</b>	<b>¥23,688</b>	<b>¥20,398</b>	<b>¥10</b>

(Previous Fiscal Year Reference)

(Millions of yen)

	<b>March-31-2000</b>		
	Carrying amount	Aggregated fair value	Unrealized Gain (Loss)
<b>(1) Current assets</b>			
Stocks	¥33,063	¥39,556	¥6,493
Bonds	9,103	9,016	(86)
Other	9,152	9,052	(100)
Subtotal	51,318	57,625	6,306
<b>(2) Fixed assets</b>			
Stocks	4,064	5,178	1,114
Bonds	8	8	0
Other	-	-	-
Subtotal	4,072	5,186	1,114
<b>Total</b>	<b>¥55,391</b>	<b>¥62,812</b>	<b>¥7,420</b>

Notes:

1. Fair value calculation methods:

- (a) Listed stocks: closing prices on the Tokyo Stock Exchange.
- (b) OTC stocks: closing prices announced by the Japan Securities Dealers Association.
- (c) Quotations, etc. of securities: standard quoted prices announced by the Japan Securities Dealers Association (excluding listed securities and OTC stocks).
- (d) Unlisted fund trusts: standard price.

2. The following securities have been excluded from the above table:

(Millions of yen)

**March-31-2000**

**(Current assets)**

Unlisted foreign bonds	¥ 30,148
Reserve funds	1,894
Unlisted bonds with maturity within one year	1,201
Unlisted domestic bonds	500
Money management fund (MMF)	8,765
Mid-term domestic bond fund	885
Free financial funds	100
Closed funds entrusted to securities companies	4,462

**(Fixed assets)**

Unlisted stocks, except OTC traded stocks	¥1,632
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### XIII. DERIVATIVE FINANCIAL INSTRUMENTS

#### CURRENCY RELATED DERIVATIVES

(Unit: Millions of yen)

Type	Period Ended March-31-2001			
	Contracted amount		Fair value	Unrealized Gain(Loss)
		Over 1 Year		
Currency forward contracts:				
Receivables: U.S. dollars	¥7,199	-	¥7,700	(¥501)
Payables: Yen	¥7,514	-	¥6,313	(¥1,201)
Total				(¥1,702)

Notes:

1. Market value calculation methods:

The fair market values of these quotations were estimated based on market quotations.

(Unit: Millions of yen)

Type	Period Ended March-31-2000			
	Contracted amount		Fair value	Unrealized Gain(Loss)
		Over 1 Year		
Currency forward contracts				
Payables: Yen	¥5,248	-	¥5,634	¥386
Total				¥386

Notes:

1. Market value calculation methods:  
The fair market values of these quotations were estimated based on market quotations.
2. Receivables/payables denominated in foreign currencies and converted into Japanese yen by the rates stated in forward exchange contracts are excluded in the above schedule.

#### **XIV. PENSION PLANS AND RETIREMENT BENEFIT COST**

##### **(1) Outline of pension plan system**

The Parent Company

The parent Company participates in a defined benefit Japanese government welfare pension plan composed of a substantial portion of Japanese pension insurance and a corporate portion of a defined benefit plan. In some cases the parent Company pays an augmented retirement allowance. The parent Company has also established a retirement allowance trust.

Consolidated subsidiaries

Certain subsidiaries in Japan participate in a contributory pension plan system. In some cases these companies pay an augmented retirement allowance.

##### **(2) Liability(asset) for employees' retirement benefits at March 31, 2001**

(Unit: Millions of Yen)

Projected benefit obligation	(¥131,936)
Fair value of plan asset	<u>82,052</u>
Net unfunded liability	(49,883)
Unrecognized transitional obligation	14,400
Unrecognized actuarial loss	17,963
Unrecognized prior service cost (Note 2)	<u>(13,884)</u>
Net liability	<u>(¥31,403)</u>

Notes:

1. Includes amounts specified by government regulations.
2. Reflects the change in retirement allowance guarantee period of the welfare retirement component.
3. Certain subsidiaries retirement allowance reserves are calculated according to a simple method.

##### **(3) Components of the net periodic benefit costs**

(Unit: Millions of Yen)

Service cost	¥5,669
Interest costs	4,735
Expected return on plan assets	(2,986)
Amortization of transitional obligation (Note 2)	18,728
Amortization of prior service cost (Note 3)	(1,542)
Contribution and others	<u>389</u>
Net periodic benefit costs	<u>¥ 24,993</u>

Notes:

1. Amounts reflected for employees covered by the Japanese Welfare Pension Law.
2. Includes the contribution of certain available-for-sale securities to retirement benefit trusts at a market value of ¥15,128 million for the unfounded liability resulting from the change in retirement benefit standards at the beginning of the fiscal year period.
3. Reflects the amortized costs of prior service benefit for this fiscal year referred to in “(2) Liability (asset) for employees retirement benefits at March 31, 2001.”
4. Consolidated subsidiaries utilizing the simple method for pension obligations are included in the category of “service costs”.

**(4) Pension benefit assumptions for the year ended March 31, 2001**

Method of calculation of projected benefit obligations	Straight-line method over the average years of service
Discount rate	3.5%
Expected rate of return on plan assets	4.0%
Amortization period of prior service cost	5 years straight-line method
Recognition period of actuarial gain/loss	5 years straight-line method
Amortization period of transitional obligation	5 years straight-line method

## XV. PRODUCTION, PRODUCTION BY ORDER AND SALES INFORMATION

### 1. Production Results

#### (1) Production results

(Unit: Millions of Yen)

Segment	April 1, 2000 to March 31, 2001 Amount	April 1, 1999 to March 31, 2000 Amount
Pharmaceuticals	¥348,882	¥245,235
Other	10,131	26,947
Total	¥359,013	¥272,182

Note: The amounts are evaluated by sales price and do not include consumption tax.

#### (2) Product purchases

(Unit: Millions of Yen)

Segment	April 1, 2000 to March 31, 2001 Amount	April 1, 1999 to March 31, 2000 Amount
Pharmaceuticals	¥17,561	¥20,424
Other	10,227	10,531
Total	¥27,788	¥30,955

Note: The amounts are evaluated by purchase price and do not include consumption tax.

### 2. Production by Order

The Company did not produce by order. Production was made based on sales forecasts.

### 3. Sales Results

(Unit: Millions of Yen, %)

Sales results by business segment	April-1-2000 to March-31-2001		April-1-1999 to March-31-2000	
	Amount	%	Amount	%
Pharmaceuticals	¥334,250	92.4	¥270,871	89.6
Japan	211,374	58.4	192,847	63.8
North America	100,895	27.9	61,247	20.2
Europe	16,454	4.6	13,220	4.4
Asia and Others	5,526	1.5	3,556	1.2
Others	27,461	7.6	31,598	10.4
Japan	18,256	5.1	19,278	6.4
North America	4,807	1.3	6,115	2.0
Europe	2,618	0.7	3,139	1.0
Asia and Others	1,778	0.5	3,065	1.0
Total	¥361,712	100.0	¥302,470	100.0

#### Notes

- In the above noted sales amounts consumption taxes are not included.
- From this fiscal year period, each area has been separated by country or geographic area. Previous years results have been reclassified for comparative purposes.



# 1. NON-CONSOLIDATED ANNUAL FINANCIAL RESULTS

(April 1, 2000 – March 31, 2001)

## (1) RESULTS OF ANNUAL OPERATIONS

Period	Net Sales	Percent Change	Operating Income	Percent Change	Ordinary Income	Percent Change
April 1, 2000- March 31, 2001	¥258,615 mil.	12.2%	¥58,395 mil.	50.7%	¥61,557 mil.	60.2%
April 1, 1999- March 31, 2000	¥230,597 mil.	0.1%	¥38,740 mil.	3.0%	¥38,431 mil.	(1.4%)

Period	Net Income	Percent Change	Earnings per Share (EPS)	Fully Diluted EPS	Return on Equity	Ordinary Income/ Total Assets	Ordinary Income/ Sales
April 1, 2000- March 31, 2001	¥18,187 mil.	51.0%	¥61.35	¥60.77	5.3%	13.7%	23.8%
April 1, 1999- March 31, 2000	¥12,045 mil.	(31.4%)	¥40.63	¥40.27	3.7%	8.9%	16.7%

Note 1: Average number of shares outstanding:

- Fiscal year ended March 31, 2001: 296,451,638
- Fiscal year ended March 31, 2000: 296,434,525

Note 2: There has been no accounting method change.

Note 3: Percentage increase (decrease) is in comparison to the periods ended March 31, 2000 and 1999.

## (2) DIVIDENDS

Period	Dividends per Share			Dividends Paid	Payout Ratio	Dividends on Equity
	Annual	Interim	Year End			
April 1, 2000- March 31, 2001	¥23.00	¥10.00	¥13.00	¥6,818 mil.	37.5%	2.0%
April 1, 1999- March 31, 2000	¥21.50	¥10.00	¥11.50	¥6,373 mil.	52.9%	1.9%

## (3) FINANCIAL POSITION

Year End	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
March 31, 2001	¥462,594 mil.	¥347,778 mil.	75.2%	¥1,173.13
March 31, 2000	¥438,281 mil.	¥334,962 mil.	76.4%	¥1,129.91

Note: Number of shares issued and outstanding:

- As of March 31, 2001: 296,452,988
- As of March 31, 2000: 296,450,675

## 2. FORECASTED NON-CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2002

Period	Net Sales	Ordinary Income	Net Income	Dividends per Share		
				Interim	Year End	Annual
April 1, 2001- September 30, 2001	¥133,000 mil.	¥33,000 mil.	¥17,000 mil.	¥13.00	--	--
April 1, 2001- March 31, 2002	¥270,000 mil.	¥62,000 mil.	¥33,000 mil.	--	¥13.00	¥26.00

Note: Forecasted Annual Earnings per Share (EPS): ¥111.32

All figures less than 1,000,000 yen have been omitted.

## EISAI CO., LTD.

## I. NON-CONSOLIDATED ANNUAL STATEMENTS OF INCOME

Years Ended March 31, 2001 and 2000

(Millions of Yen)

	2001	2000	Increase (Decrease)
<b>Net sales</b>	<b>¥258,615</b>	¥230,597	¥28,018
Cost of sales	83,380	78,808	4,572
Reversal of reserve for sales returns	119	87	32
<b>Gross profit</b>	<b>175,354</b>	151,876	23,477
Research and development expenses	46,489	45,003	1,486
Selling, general and administrative expenses	70,468	68,133	2,335
<b>Operating income</b>	<b>58,395</b>	38,740	19,655
<b>Non-operating income:</b>			
Interest and dividend income	1,520	1,589	(69)
Other non-operating income	3,062	1,634	1,427
Total non-operating income	4,582	3,223	1,358
<b>Non-operating expenses:</b>			
Interest expense	501	687	(186)
Other non-operating expenses	918	2,844	(1,925)
Total non-operating expenses	1,420	3,532	(2,112)
<b>Ordinary income</b>	<b>61,557</b>	38,431	23,126
<b>Special profit:</b>			
Gain on sales of property	589	55	534
Profit on sales of investments in securities	45	107	(61)
Retirement allowances trust income	1,382	-	1,382
Reversal of allowance for doubtful receivables	70	167	(96)
Total special profit	2,088	329	1,758
<b>Special loss:</b>			
Loss on disposal of fixed assets	749	754	(5)
Losses on investments in subsidiaries	4,949	449	4,499
Amortization of transitional obligation for employees' retirement benefits	15,128	-	15,128
Losses on vitamin E cases	2,687	9,971	(7,283)
Other special losses	870	2,626	(1,755)
Total special losses	24,385	13,801	10,583
<b>Income before income taxes</b>	<b>39,260</b>	24,959	14,301
<b>Income taxes-current</b>	<b>31,034</b>	16,683	14,351
<b>Income taxes-deferred</b>	<b>(9,961)</b>	(3,768)	(6,192)
<b>Net income</b>	<b>18,187</b>	12,045	6,142
Retained earnings brought forward	5,337	5,891	(554)
Adjustment of retained earnings for previously applied tax allocation	-	14,338	(14,338)
Adjustment of deferred tax regarding earnings for reduction of assets cost	-	90	(90)
Interim dividends paid	2,964	2,964	0
Transfer to legal reserve	296	296	0
<b>Unappropriated retained earnings for the period</b>	<b>¥20,264</b>	¥29,105	(¥8,840)

**EISAI CO., LTD.**  
**II-1. NON-CONSOLIDATED BALANCE SHEET**

**March 31, 2001 and 2000**

(Millions of Yen)

<b>ASSETS</b>	<b>2001</b>	<b>2000</b>	<b>Increase (Decrease)</b>
<b>Current assets:</b>			
Cash and time deposits	¥37,432	¥26,380	¥11,051
Notes receivable-trade	14,899	18,550	(3,651)
Accounts receivable-trade	96,196	82,307	13,889
Short-term investments	22,544	91,496	(68,951)
Treasury stock	14	36	(21)
Finished goods and merchandise	11,948	12,541	(592)
Semi-finished goods and work-in-process	7,203	8,409	(1,205)
Raw materials and supplies	5,167	4,250	917
Short-term deposits	4,809	4,809	-
Deferred tax assets	10,855	6,749	4,105
Other current assets	7,943	6,852	1,091
Allowance for doubtful receivables	(633)	(493)	(140)
<b>Total current assets</b>	<b>218,383</b>	<b>261,891</b>	<b>(43,507)</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings	36,935	37,679	(744)
Structures	2,015	2,058	(42)
Machinery and equipment	11,968	12,821	(853)
Vehicles	57	71	(13)
Tools, furniture, and fixtures	5,274	5,061	213
Land	10,019	10,496	(477)
Construction in progress	566	1,096	(529)
<b>Total property, plant and equipment</b>	<b>66,837</b>	<b>69,285</b>	<b>(2,447)</b>
<b>Intangible assets:</b>			
Software	7,575	6,477	1,098
Patents, telephone rights and others	500	449	51
<b>Total intangible assets</b>	<b>8,076</b>	<b>6,927</b>	<b>1,149</b>
<b>Investments and other assets:</b>			
Investments in securities	74,435	5,142	69,293
Investments in subsidiaries	42,015	46,868	(4,852)
Funds designated for severance payments	-	21,739	(21,739)
Insurance reserve	24,936	-	24,936
Deferred tax assets	16,500	11,357	5,142
Other investments	12,887	16,512	(3,624)
Allowance for doubtful receivables	(1,480)	(1,444)	(36)
<b>Total investments and other assets</b>	<b>169,296</b>	<b>100,176</b>	<b>69,119</b>
<b>Total fixed assets</b>	<b>244,210</b>	<b>176,389</b>	<b>67,821</b>
<b>Total assets</b>	<b>¥462,594</b>	<b>¥438,281</b>	<b>¥24,313</b>

**EISAI CO., LTD.**  
**II-2. NON-CONSOLIDATED BALANCE SHEET**

**March 31, 2001 and 2000**

(Millions of Yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	2001	2000	Increase (Decrease)
<b>Current liabilities:</b>			
Notes payable-trade	919	803	115
Accounts payable-trade	7,159	7,928	(769)
Current portion of straight bonds	10,000	10,000	-
Current portion of long-term borrowing	-	1,000	(1,000)
Other accounts payable	18,857	9,985	8,872
Accrued income taxes	21,758	7,615	14,143
Consumption tax payable	1,479	802	677
Accrued expenses	13,502	14,323	(820)
Reserve for rebates of sales	550	678	(128)
Other reserves	835	1,021	(186)
Other current liabilities	2,940	3,088	(148)
<b>Total current liabilities</b>	<b>78,002</b>	<b>57,245</b>	<b>20,756</b>
<b>Long-term liabilities:</b>			
Straight bonds	-	10,000	(10,000)
Convertible bonds	5,485	5,489	(4)
Retirement allowances	-	27,928	(27,928)
Liability for retirement benefits	28,673	-	28,673
Retirement allowances for Board of Directors	1,674	1,885	(210)
Provision for losses on investment in subsidiary	980	770	210
<b>Total long-term liabilities</b>	<b>36,813</b>	<b>46,072</b>	<b>(9,258)</b>
<b>Total liabilities</b>	<b>114,816</b>	<b>103,318</b>	<b>11,497</b>
<b>Shareholders' equity</b>			
Common stock	44,887	44,885	2
Additional paid-in capital	55,124	55,122	1
Legal reserve	7,499	6,843	656
Retained earnings:			
Retained earnings			
for the reduction of assets cost	125	126	(0)
General reserve	218,880	198,880	20,000
Unappropriated retained earnings			
for the period	20,264	29,105	(8,840)
Net unrealized gains on available-for-sale securities	996	-	996
<b>Total shareholders' equity</b>	<b>347,778</b>	<b>334,962</b>	<b>12,815</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥462,594</b>	<b>¥438,281</b>	<b>¥24,313</b>

## EISAI CO., LTD.

## III. NON-CONSOLIDATED APPROPRIATED RETAINED EARNINGS

(Millions of yen)

Years Ended March 31	2001	2000	Increase (Decrease)
<b>Unappropriated Retained Earnings</b>	<b>¥20,264</b>	¥29,105	(¥8,840)
<b>Restoration of Retained Earnings for the reduction of assets cost</b>	<b>1</b>	0	0
<b>Total Unappropriated Retained Earnings</b>	<b>¥20,265</b>	¥29,106	(¥8,840)
<b>Legal Reserve</b>	<b>400</b>	360	40
<b>Dividends</b>	<b>3,853</b>	3,409	444
(Dividend per Share)	<b>(13.00)</b>	(11.50)	
<b>Bonus for Board of Directors</b>	<b>87</b>	-	87
<b>Voluntary Appropriated Retained Earnings</b>			
General Reserve	<b>11,000</b>	20,000	(9000)
<b>Retained Earnings Carried Forward</b>	<b>¥4,924</b>	¥5,337	(¥412)

## Notes:

1. Dividends for treasury stock of 4,771 shares are excluded from dividends shown above.
2. On December 8, 2000, ¥2,964 million (¥10.00 per share) was paid as an interim dividend.

**BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS**

**1. Standards and Methods for Evaluating Short-term and Investment Securities**

**(1) Held-to-Maturity Securities**

Held-to-Maturity Securities are reported at amortized cost.

**(2) Common Stock of Subsidiaries and Associated Companies**

Common stock of subsidiaries and associated companies are evaluated on a moving average cost method.

**(3) Available-for-Sale Securities**

Marketable securities: Reported at fair value with unrealized gains/losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving average method.

Non-marketable securities: calculated based on a moving average cost method.

**2. Derivatives**

Derivatives are stated at fair value.

**3. Inventories**

Inventories are stated at cost determined by the average method.

**4. Depreciation of Fixed Assets**

**(1) Property, plant and equipment**

Property, plant and equipment are stated at cost. Depreciation is computed by the declining balance method. The range of useful life of assets are noted below.

Buildings	15 to 65 years
Machinery & Equipment	6 to 7 years

**(2) Intangible assets**

Intangible assets are carried at cost less accumulated amortization which is computed by the straight-line method. Amortization for software utilized internally is computed by the straight-line method over useful lives of five (5) years.

**(3) Long-term prepaid expenses**

Amortization for long-term prepaid expenses is computed according to the Japanese Income Tax Law.

## **5. Deferred Charges**

Stock issuance costs are charged to income as incurred.

## **6. Accounting Standards for Reserves**

### **(1) Allowance for doubtful receivables**

The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the company's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

### **(2) Reserve for rebates of sales**

It is stated at an amount produced by multiplying the inventories of distributors at the end of the year end period by the last rebate ratio, in order to provide for expenditure of sales rebate which is expected to be incurred after the end of the year end period.

### **(3) Other reserves**

#### **(a) Reserve for returns of goods sold**

A reserve is provided at an amount sufficient to cover possible losses on sales returns. It is stated at the maximum amount permitted to be charged to income under the Japanese income tax law.

#### **(b) Reserve for write-off of goods returned**

The reserve for write-off of goods returned is provided at an amount sufficient to cover possible losses on write-off of goods returned. It is stated at an amount calculated by the average of returns of goods sold and the write-off ratio of goods returned over the last two business year periods.

### **(4) Retirement benefits**

Effective April 1, 2000, the Company accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥32,357 million at the beginning of the year recognized in the Company was offset by the contribution of certain available-for-sale securities with a fair value of ¥15,128 million (book value of ¥13,745 million) to the employee retirement benefit trusts for the Company's non-contributory pension plans. The remaining unfunded balance of ¥17,229 million was being amortized over 5 years and charged to income and presented as operating expense in the Statements of income.

The Company also revised its non-contributory pension plans and recognized prior service cost amounting ¥15,427 million, which were being accumulated over 5 years and charged to income as reduction of operating expense in the statements of income.

The actuarial losses recognized in this year will be amortized over 5 years from the preceding fiscal year.

### **(5) Retirement allowances for Board of Directors**

The reserve for severance benefits for Board of Directors and Corporate Auditors is provided in the amount required in accordance with internal regulations.

## **(6) Provision for losses on investments in subsidiary**

The reserve for losses on investments in subsidiary is provided at an estimated loss computed in accordance with financial conditions in the subsidiary.

## **7. Leases**

Finance leases other than those that deem to transfer ownership of the leased property to the lessee are accounted for as an operating lease.

## **8. Hedge Accounting**

### **(1) Methods of hedge accounting**

Gains or losses on or the changes in the measurement of the hedging instruments that are measured at fair value are deferred as an asset or liability until the gains and losses on the hedged items are recognized.

Receivables or payables denominated in foreign currency hedged by forward currency exchange contracts are translated at the contract rate. The gains or losses arising from the difference in the contract rate and the current rate at the contract date are amortized over the contract period.

### **(2) Hedge procedures & hedge targets**

- a. Hedge procedures                      currency forward contracts, etc.
- b. Hedge targets                            to manage the exposures to fluctuations in foreign exchange

### **(3) Hedge methods**

Currency forward contracts are executed in order to hedge foreign currency exchange risk (cash flow) associated with certain assets and liabilities denominated in foreign currencies within the ordinary course of business in accordance with internal policies.

### **(4) Method of evaluating effectiveness of hedges**

Currency forward contracts were made with the same currency, amount and duration which are assigned to associated assets or liabilities and are assured to hedge the currency fluctuation risks.

## **9. Consumption Taxes**

Income and expenses are recorded net of consumption taxes.

## **ADDITIONAL INFORMATION**

### **1. Accounting standards applied to retirement benefits**

The accounting standard for retirement benefits ("Statement relating to the establishment of accounting standards applied to retirement benefits," June 16, 1998, the Business Accounting Council) has been applied to the period under review.

As a result, net periodic benefit costs as compared with the prior method, increased by ¥13,693 million. Ordinary income and income before taxes and minority interests decreased by ¥97 and by ¥13,843 million, respectively.

In addition, the amounts provided at the end of the previous fiscal year for retirement



allowance and pension funds were transferred to the retirement allowance reserve at the beginning of the period under review.

## **2. Accounting standards applied to financial instruments**

The accounting standard for financial instruments ("Statement relating to the establishment of accounting standards applied to financial instruments", January 22, 1999, the Business Accounting Council) has been applied to the period under review. Accordingly ordinary profit was increased by ¥2,574 million and net profit was reduced by ¥2,375 million.

As a result of management's purpose of holding securities, a current portion of bonds, as well as fund trusts with maturities of less than one year and money management funds which were previously included in "Short-term investment" is now presented in "Investments in securities." Consequently, short-term investments decreased by ¥73,821 million and "investments in securities" increased by a corresponding amount.

## **3. Accounting standards applied to foreign currency treatment policies**

The accounting standard for transactions in foreign currencies as amended, ("Statement relating to the amendment of accounting standards applied to transactions in foreign currencies," October 22, 1999, the Business Accounting Council) has been applied as of the beginning of the period. The effect of this change is negligible.

### **Change in Presentation Method**

Funds designated for severance payments

Some funds associated with the insured pension plan were previously classified as funds designated for severance payments and from this fiscal year period will be classified as an insurance reserve to distinguish it from pension assets prescribed by the newly adopted accounting standards for retirement benefits.

## **NOTES TO THE FINANCIAL STATEMENTS**

<b>1. Transactions with Subsidiaries</b>	<b>(Unit: millions of yen)</b>	
	<b>Apr-1-2000 to Mar-31-2001</b>	<b>Apr-1-1999 to Mar-31-2000</b>
Sales	¥35,445 mil.	¥26,251 mil.
Purchases	¥30,542 mil.	¥26,011 mil.
Non-operating Transactions	¥1,262 mil.	¥1,327 mil.

## **2. Losses on Vitamin E Cases**

Special losses recorded in the period under review (Losses on vitamin E cases) amounted to ¥2,687 million and were associated with civil settlements reached with indirect purchasers of synthetic vitamin E in the United States. Additional information on this issue outside of that noted above regarding damage compensation is not available. The European Commission is continuing an investigation and future losses related to vitamin E litigation could not be estimated.

### 3. Other Special Losses

Write down on investment securities	¥227 million
Provision for losses on investments in subsidiaries	¥210 million
Provision for doubtful receivables	¥200 million
Losses on valuation of golf club membership	¥126 million
Losses for the liquidation of a subsidiary	¥105 million

### Notes to the Balance Sheets

	(Unit: millions of yen)		
	Mar-31-2001	Mar-31-2000	
1. Short-term receivables from subsidiaries	¥25,360 mil.	¥15,683 mil.	
2. Long-term receivables from subsidiaries	¥2,660 mil.	¥2,772 mil.	
3. Short-term payables to subsidiaries	¥2,789 mil.	¥2,267 mil.	
4. Accumulated depreciation of tangible fixed assets	¥126,619 mil.	¥122,595 mil.	
5. Contingent liabilities	¥1,792 mil.	¥49 mil.	
6. Treasury stock	4,771 shares	14,984 shares.	
7. Escrow account			
An escrow account was created for expenses associated with the settlement of direct users and other civil cases involving the sales of vitamin E in the United States.			
8. Fixed assets recorded in the balance sheet do not include lease contracts of fixed assets such as electronic computational devices (computers).			
9. Shares issued for the year ended March 31, 2001:			
	Number of Shares issued	Increase of Common Stock	Conversion Price
4 <sup>th</sup> unsecured convertible bond	2,313 shares	¥2 mil.	¥1,728.6
10. Stock option according to the Japanese Commercial Law 280-19-1.			
Date of the General Shareholders' Meeting		June 29, 2000	
Type of stock issued		Common stock	
Value of new stock		¥438 mil.	
Price of new stock (exercise price)		¥3,090	

## 11. Treatment of accounts at closing date

The standard for accounts maturity dates are those occurring at the exchange date. However, the end of this period occurred on a date whereby financial institutions were closed, thus the balance exchange date was that of the following business day. The amount noted below is included in "Current Assets."

Notes receivable-trade

¥279 million

## PENSION PLANS AND RETIREMENT BENEFIT COST

### (1) Outline of pension plan system

The Company participates in a defined benefit Japanese government welfare pension plan composed of a substantial portion of Japanese Pension Insurance and a corporate portion of a defined benefit plan. In some cases the Company pays an augmented retirement allowance. The Company has also established a retirement allowance trust.

### (2) Liability (asset) for employees' retirement benefits at March 31, 2001

	(Unit: Millions of Yen)
Projected benefit obligation	(¥126,422)
Fair value of plan asset	<u>79,886</u>
Net unfunded liability	(46,536)
Unrecognized transitional obligation	13,783
Unrecognized actuarial loss	17,963
Unrecognized prior service cost (Note 2)	<u>(13,884)</u>
Net liability	<u>(¥28,673)</u>

#### Notes:

1. Includes amounts specified by government regulations.
2. Reflects the change in retirement allowance guarantee period of the welfare retirement component.

### (3) Components of the net periodic benefit costs

	(Unit: Millions of Yen)
Service cost	¥5,059
Interest cost	4,735
Expected return on plan assets	(2,986)
Amortization of transitional obligation (note 2)	18,573
Amortization of prior service cost (note 3)	<u>(1,542)</u>
Net periodic benefit costs	<u>¥23,839</u>

#### Notes:

1. Amounts reflected for employees covered by the Japanese Welfare Pension Law.
2. Includes the placement of securities into a retirement trust at a market value of ¥15,128 million for the unfunded accrual resulting from the change in retirement benefit standards at the beginning of the fiscal year period.
3. Reflects the amortized costs of prior service benefit for this fiscal year referred to

in “(2) Liability(asset) for employees’ retirement benefits at March 31, 2001.”

**(4) Pension benefit assumptions for the Year ended March 31, 2001**

Method of calculation of projected benefit obligations	Straight-line method over the average years of service
Discount rate	3.5%
Expected rate of return on plan assets	4.0%
Amortization period of prior service cost	5 years straight-line method
Recognition period of actuarial gain/loss	5 years straight-line method
Amortization period of transitional obligation	5 years straight-line method

**IV. LEASE TRANSACTIONS**

1 Finance leases other than those that deem to transfer ownership of the leased property to the lessee

(1) Acquisition cost, Accumulated depreciation, Net balance (Millions of yen)

Year Ended	Mar-31-2001	Mar-31-2000
<b>Vehicles:</b>		
Acquisition cost	¥54	¥39
Accumulated depreciation	31	17
Net balance	¥23	¥21

<b>Tools, furniture and fixtures:</b>		
Acquisition cost	¥3,063	¥4,079
Accumulated depreciation	2,093	2,485
Net balance	¥970	¥1,594

<b>Software:</b>		
Acquisition cost	¥196	¥211
Accumulated depreciation	131	82
Net balance	¥64	¥129

<b>Total:</b>		
Acquisition cost	¥3,314	¥4,329
Accumulated depreciation	2,256	2,584
Net balance	¥1,058	¥1,744

(2) Future minimum lease payments (Millions of yen)

Year Ended	Mar-31-2001	Mar-31-2000
Due within one year	¥628	¥982
Due over one year	471	838
Total	¥1,100	¥1,820

(3) Actual lease payments, Depreciation expense, Interest expense (Millions of yen)

Year Ended	Mar-31-2001	Mar-31-2000
Actual lease payments	¥1,080	¥1,333
Depreciation expense	991	1,293
Interest expense	¥54	¥84

(4) Depreciation expense for leased assets is computed using the straight-line method over the useful life of the leased assets.

- (5) Interest expense for leased assets is computed using the interest method based on the differences between the lease fees and the respective acquisition cost of the assets which are considered to be interest bearing.

2. Operating Leases (Millions of yen)

	Mar-31-2001	Mar-31-2000
Due within one year	-	-
Due over one year	-	-
Total	-	-

## V. INVESTMENT SECURITIES

Market value of investment in subsidiaries (March 31, 2001) (Millions of yen)

Type	Balance sheet value	Market value	Difference
Subsidiary common stock	¥4,279	¥4,279	-

## VI. INCOME TAXES

1. Deferred tax assets (liabilities) are comprised of the following:

	As of March 31, 2001
	Unit: Millions of yen
Deferred tax assets	
Retirement allowances	¥8,732
Amortization of transitional obligation for employees' retirement benefits	¥5,731
Clinical research expenses	¥4,503
Losses on investments in subsidiaries	¥3,160
Unpaid enterprise taxes	¥1,991
Depreciation	¥1,733
Accrued bonuses	¥1,673
Other	¥4,202
Sub-Total	¥31,728
Less valuation allowance	(¥3,570)
Total deferred tax assets	¥28,157
Deferred tax liabilities	
Net unrealized gains on securities	(¥713)
Retained earnings for reduction of fixed assets costs	(¥88)
Total deferred tax liabilities	(¥801)
Net deferred tax assets	¥27,355

2. The effective income tax rates of the Company differed from the statutory tax rate for the following reasons:

Normal effective statutory tax rate	41.7%
Increase in valuation allowance	9.1%
Expenses not deductible for income tax purposes	2.9%
Dividends income (non-taxable)	(0.4%)
Others	0.4%
Actual effective tax rate	53.7%

## VII. PROPOSED CHANGES OF DIRECTORS & OFFICERS

### 1. Representative Directors

No change proposed.

### 2. Other Board of Directors

#### 1) New Director Candidates

Yasuhiro Mita          Director      (currently Corporate Officer, Misato Plant)

Shigehiko Yoshino      Director      (currently Special Advisor of Asahi Bank Ltd.)

#### 2) New Corporate Auditor Candidates

Yukio Akimoto      Corporate Auditor (full-time)      (currently Corporate Officer, General Affairs and Systems)

Teruo Osawa          Corporate Auditor (full-time)      (currently Director & Corporate Officer, Production, Logistics, Environment & Safety)

Mitsuo Minami      Corporate Auditor                      (Certified Public Accountant)

Katsuro Tanaka      Corporate Auditor                      (Attorney at law)

#### 3) Board of Director Resignations

Soichi Matsuno      currently Director & Sr. Vice President (to be engaged as Chairman of Eisai Inc., and Director of other U.S. affiliates)

Isao Okabayashi      currently Director & Corporate Officer (to be appointed President of Sunplanet Co., Ltd.)

Teruo Osawa          currently Director & Corporate Officer (to be appointed Corporate Auditor)

#### 4) Corporate Auditor Resignations

Masato Sasaki      currently Corporate Auditor (full-time)      (to be appointed Advisor)

Kimihiko Hiyama      currently Corporate Auditor (full-time)      (to be appointed Advisor)

Shin Okada          Corporate Auditor                      (to be appointed Advisor)

#### 5) Corporate Officer Resignations

Yoshito Kishi          currently Exec. V. President      (to be appointed Chairman of Eisai Research Institute of Boston, Inc.)

Tatsuo Komaki          currently Sr. Vice President      (to be appointed Advisor)

Koichi Ogawa          currently Sr. Corporate Officer (to be appointed Advisor)

Yukio Akimoto          currently Corporate Officer      (to be appointed Corporate Auditor)

Nobukatsu Hashimoto      currently Corporate Officer      (to be appointed President of Clinical Supply Co., Ltd.)

Mitsuhiro Ebata          currently Corporate Officer      (to be appointed President of Sannova Co., Ltd.)

Koichi Katayama	currently Corporate Officer	(to be appointed Riji-Director)
Jiro Hasegawa	currently Corporate Officer	(to be appointed Senior Vice President of Eisai Inc.)

## 6) Corporate Officer Promotions

Hideaki Matsui	Senior Corporate Officer	(currently Corporate Officer)
Yoji Takaoka	Senior Corporate Officer	(currently Corporate Officer)
Yasuhiro Mita	Senior Corporate Officer	(currently Corporate Officer)

## 7) New Corporate Officers

Kozaburo Inoue	Corporate Officer	(currently Tokyo Area Director, Ethical Drug Div.)
Hideaki Hayano	Corporate Officer	(currently Director of Business Planning, Consumer Health Product Division )
Shintaro Kataoka	Corporate Officer	(currently General Manager of Kawashima Industrial Park)
Nobuo Deguchi	Corporate Officer	(currently Director of Corporate Ethics Compliance Dept.)
Hiroyuki Mitsui	Corporate Officer	(currently Director of Executive Offices)

## 3. Board of Director Members

Representative Director & Chairman	Yuji Naito
Representative Director & President	Haruo Naito
Representative Director	Hiromasa Nakai (also to be appointed Executive Vice President)
Director	Aishin Shinoda (also to be appointed Senior Vice President)
Director	Hideaki Matsui (also to be appointed Senior Corporate Officer)
Director	Yoji Takaoka (also to be appointed Senior Corporate Officer)
Director	Yasuhiro Mita (also to be appointed Senior Corporate Officer)
Director	Ichiro Kataoka
Director	Shigehiko Yoshino

(Note) Ichiro Kataoka and Shigehiko Yoshino are Directors appointed from outside the Company.

## 4. New Corporate Auditors

Corporate Auditor (full-time)	Nobuo Eda	(currently full-time Corporate Auditor)
Corporate Auditor (full-time)	Yukio Akimoto	(currently Corporate Officer, General Affairs and Systems)
Corporate Auditor (full-time)	Teruo Osawa	(currently Director & Corporate Officer, Production, Logistics, Environment & Safety)
Corporate Auditor	Mitsuo Minami	
Corporate Auditor	Katsuro Tanaka	

(Note) Mitsuo Minami and Katsuro Tanaka fulfill the requirements for Corporate Auditors appointed from outside the Company. Nobuo Eda fulfills requirements for Corporate Auditor appointed from outside the Company on this new appointment.

## 5. New Corporate Officers

Senior Corporate Officer	Tadashi Nakai	(currently Sr. Corporate Officer, Japan Ethical Drug Business)
Corporate Officer	Hiroshi Yamauchi	(currently Corporate Officer, R&D Promotion)
Corporate Officer	Matsuo Ohara	(currently Corporate Officer & Kansai-Hokuriku Area Director, Ethical Drug Division.)
Corporate Officer	Kenji Toda	(currently Corporate Officer & Director of Product Quality & GMP Compliance Department)
Corporate Officer	Akiyoshi Uchiyama	(currently Corporate Officer, Medical, Regulatory Affairs and Pharmacovigilance)
Corporate Officer	Makoto Shiina	(currently Corporate Officer and Director of Corporate Management Planning)
Corporate Officer	Masao Jimbo	(currently Corporate Officer and Director of Finance & Accounting Division)
Corporate Officer	Kozaburo Inoue	(currently Tokyo Area Director, Ethical Drug Division)
Corporate Officer	Hideaki Hayano	(currently Director of Business Planning, Consumer Health Product Division)
Corporate Officer	Shintaro Kataoka	(currently General Manager of Kawashima Industrial Park)
Corporate Officer	Nobuo Deguchi	(currently Director of Corporate Ethics Compliance Department)
Corporate Officer	Hiroyuki Mitsui	(currently Director of Executive Offices)



## Outside Director and Corporate Auditor Candidates

### 1. Outside Director Candidate

Name: Shigehiko Yoshino  
Date of Birth: November 13, 1930  
Education: University of Tokyo, B.A., Department of Law, March 1954.  
Career: April 1954 Entered Saitama Bank Ltd.  
June 1984 Member, Board of Directors  
June 1985 Managing Director  
June 1988 Senior Managing Director  
June 1990 Deputy President  
May 1991 President of The Kyowa Saitama Bank Ltd.  
Sept. 1992 President of Asahi Bank Ltd.  
June 1997 Senior Advisor of Asahi Bank Ltd.  
April 1998 Counselor of Asahi Bank Ltd.

### 2. Non-Executive Corporate Auditor Candidates

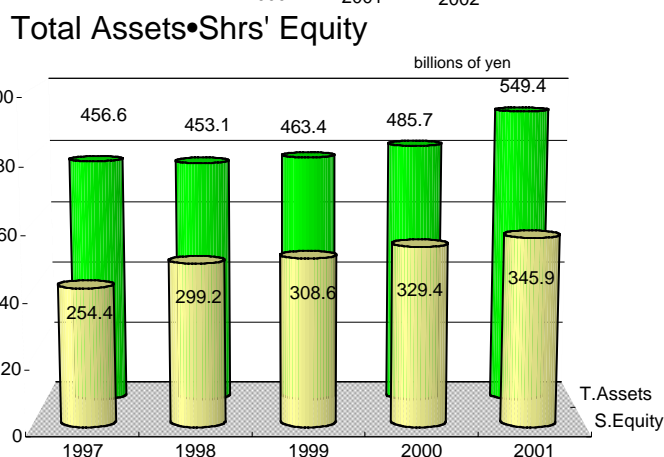
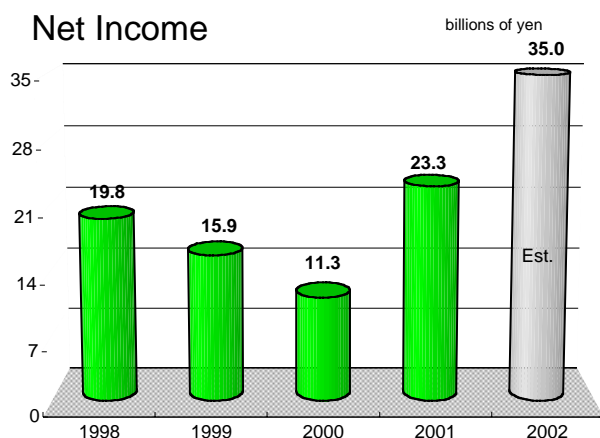
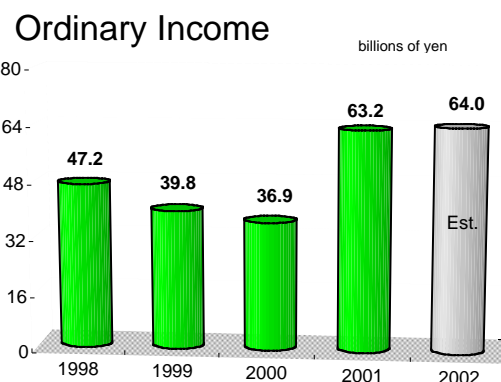
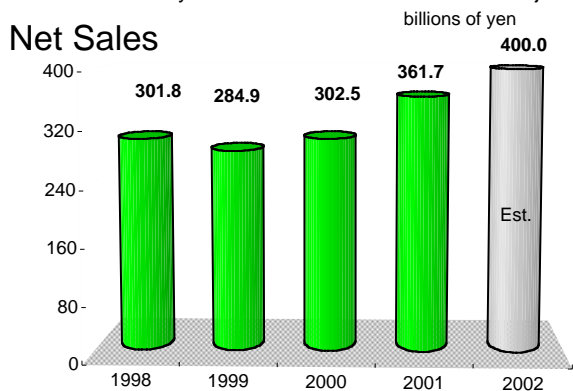
Name: Mitsuo Minami  
Date of Birth: November 5, 1933  
Education: Waseda University, B.A. in Law, March 1958  
Career: June 1966 Registered as Certified Public Accountant  
August 1969 Partner of Nishikata Accounting Corporation  
March 1974 Senior Partner of Nishikata Accounting Corporation  
October 1988 Senior Managing Director of Tohmatsu & Co.  
May 1993 Chairman of Tohmatsu & Co.  
May 1995 Chairman & Chief Executive Director of  
Tohmatsu & Co.  
May 1997 Senior Partner of Tohmatsu & Co.  
April 1999 Professor, Faculty of Business Administration, Bunkyo Women's  
University (current post)  
April 2001 Corporate Auditor, Mitsubishi Tokyo Financial Group (current post)

Name: Katsuro Tanaka  
Date of Birth: June 5, 1945  
Education: Chuo University, B.A. in Law, March 1968  
Career: April 1970 Registered as an attorney in the Tokyo Bar Association  
May 1979 Graduated Columbia University School of Law (L.L.M.)  
October 1990 Established TMI Associates  
Representative Partner of TMI Associates (current post)  
June 2000 Statutory Auditor, Nippon Dentsu Corporation (current post)

# I. Financial Highlights

Years Ended March 31	1998	1999	2000	2001	% Chg.	2002 (e)
<b>&lt; Statements of Income Data &gt;</b>						
Net Sales (billions of yen)	301.8	284.9	302.5	<b>361.7</b>	119.6	400.0
Operating Income (billions of yen)	47.5	38.6	37.1	<b>59.0</b>	158.8	63.0
Ordinary Income (billions of yen)	47.2	39.8	36.9	<b>63.2</b>	171.6	64.0
Net Income (billions of yen)	19.8	15.9	11.3	<b>23.3</b>	206.9	35.0
Earnings per Share (yen)	70.0	53.6	38.0	<b>78.7</b>	-	118.1
Fully Diluted Earnings per Share (yen)	67.1	53.1	37.7	<b>77.9</b>	-	-
<b>&lt; Balance Sheet Data &gt;</b>						
Total Assets (billions of yen)	453.1	463.4	485.7	<b>549.4</b>	113.1	-
Shareholders' Equity (billions of yen)	299.2	308.6	329.4	<b>345.9</b>	105.0	-
<b>&lt; Cash Flow Data &gt;</b>						
Free Cash Flow (billions of yen)	-	21.1	12.6	<b>71.8</b>	568.7	-
<b>&lt; Others &gt;</b>						
Return on Equity (ROE) (Period Begin-End Average) (%)	7.2	5.2	3.5	<b>6.9</b>	-	-
Return on Assets (ROA) (Period Begin-End Average) (%)	4.4	3.5	2.4	<b>4.5</b>	-	-
Turnover Ratio of Total Assets (Period Begin-End Average) (Times)	0.66	0.62	0.64	<b>0.70</b>	-	-
Shareholders' Equity to Total Assets (%)	66.0	66.6	67.8	<b>63.0</b>	-	-
Number of Consolidated Subsidiaries	35	34	35	<b>34</b>	-	-

\* Financial results for the year ended March 1998 have been adjusted to reflect the reclassification of enterprise taxes.



## II. Consolidated Statements of Income

### 1. Consolidated Statements of Income & Explanation

(billions of yen)

<Explanation>

Years Ended March 31	2000	Sales %	2001	Sales %	Chg. %	Change
<b>Net sales</b>	302.5	100.0	<b>361.7</b>	100.0	119.6	59.2
Cost of sales	91.7	30.3	98.6	27.2	107.5	6.9
Reversal of reserve for sales returns	0.1	0.0	<b>0.1</b>	0.0	135.6	0.0
<b>Gross profit</b>	210.9	69.7	<b>263.2</b>	72.8	124.8	52.4
Research and development expenses	46.7	15.4	<b>49.6</b>	13.7	106.2	2.9
Selling, general and administrative expenses	127.1	42.0	<b>154.7</b>	42.8	121.7	27.6
<b>Operating income</b>	37.1	12.3	<b>59.0</b>	16.3	158.8	21.8
Non-operating income:						
Interest and dividend income	2.4		<b>3.2</b>			0.8
Foreign exchange gain	-		<b>1.5</b>			1.5
Other non-operating income	1.7		<b>1.5</b>			(0.2)
<b>Non-operating income total</b>	4.1	1.4	<b>6.2</b>	1.7	150.2	2.1
Non-operating expenses:						
Interest expense	1.1		<b>0.7</b>			(0.4)
Foreign exchange loss	1.1		-			(1.1)
Deferred assets amortization	0.2		<b>0.5</b>			0.3
Other non-operating expenses	2.0		<b>0.7</b>			(1.3)
<b>Non-operating expenses total</b>	4.4	1.5	<b>1.9</b>	0.5	43.5	(2.5)
<b>Ordinary income</b>	36.9	12.2	<b>63.2</b>	17.5	171.6	26.4
Special profit:						
Gain on sales of property, plant & equipment	0.9		<b>0.8</b>			(0.1)
Retirement allowance trust income	-		<b>1.4</b>			1.4
Other special profit	0.2		<b>0.3</b>			0.0
<b>Special profit total</b>	1.1	0.3	<b>2.4</b>	0.6	217.3	1.3
Special loss:						
Loss on disposal of fixed assets	1.1		<b>1.0</b>			(0.1)
Loss on valuation of fixed assets	-		<b>3.4</b>			3.4
Amortization of transitional obligation for employees' retirement benefits	-		<b>15.1</b>			15.1
Losses on vitamin E cases	10.0		<b>2.7</b>			(7.3)
Other special loss	1.3		<b>0.6</b>			(0.7)
<b>Special loss total</b>	12.4	4.1	<b>22.8</b>	6.3	183.5	10.4
<b>Income before income taxes &amp; minority interests</b>	25.5	8.4	<b>42.8</b>	11.8	167.8	17.3
Income taxes-current	17.4	5.8	<b>33.1</b>	9.1	190.3	15.7
Income taxes-deferred	(3.2)	(1.1)	<b>(13.5)</b>	(3.7)	-	(10.3)
Minority interests	0.1		<b>(0.1)</b>			(0.2)
<b>Net income</b>	11.3	3.7	<b>23.3</b>	6.4	206.9	12.0

#### Net sales

< Increase Factor(s) >

- U.S. *Aciphex* sales increase
- *Aricept* sales increase in Japan & Overseas

#### Cost of sales ratio

<Improvement Factor(s)>

- Increase in sales of *Aricept* & *Aciphex* and product mix

#### Selling, general and administrative expenses

<Increase Factor(s)>

- Increase of marketing expenses for *Aciphex* in the U.S.

#### Other non-operating expenses

< Decrease Factor(s) >

- Newly applied accounting for financial instruments

#### Loss on valuation of fixed assets

- Valuation in a U.S. subsidiary

#### Income taxes-current

<Increase Factor(s)>

- Operating income
- #### Income taxes-deferred

<Increase Factor(s)>

- Transitional obligation for employees' retirement benefits

## 2. Financial Results by Industry Segment

### 2-1. Consolidated Net Sales by Industry Segment

(billions of yen)

Years Ended March 31	1998	1999	2000	2001
Net sales to customers	301.8	284.9	302.5	<b>361.7</b>
Pharmaceuticals	264.6	249.4	270.9	<b>334.3</b>
(In house developed products %)	-	-	(80.0)	<b>(82.7)</b>
Others	37.1	35.5	31.6	<b>27.5</b>

### 2-2. Consolidated Income by Industry Segment

(billions of yen)

Years Ended March 31	1998	1999	2000	2001
Operating income/loss	47.5	38.6	37.1	<b>59.0</b>
Pharmaceuticals	50.4	41.6	45.9	<b>68.8</b>
Others	3.8	3.5	(1.1)	<b>(2.7)</b>
Eliminations and Corporate	(6.8)	(6.5)	(7.7)	<b>(7.0)</b>

Results for the year ended 1998 have been adjusted to reflect the reclassification of enterprise taxes.

## 3. Financial Results by Geographical Area

### 3-1. Consolidated Net Sales by Geographical Segment

(billions of yen)

Years Ended March 31	1998	1999	2000	2001
Net sales to customers	301.8	284.9	302.5	<b>361.7</b>
Japan	263.3	226.6	223.5	<b>241.0</b>
North America	34.0	48.3	64.6	<b>101.8</b>
Europe	2.6	8.4	11.5	<b>14.3</b>
Asia & Others	1.8	1.5	2.8	<b>4.6</b>

### 3-2. Consolidated Income by Geographical Area

(billions of yen)

Years Ended March 31	1998	1999	2000	2001
Operating income/loss	47.5	38.6	37.1	<b>59.0</b>
Japan	59.6	45.9	47.1	<b>66.0</b>
North America	(1.9)	3.6	(0.5)	<b>2.6</b>
Europe	(2.5)	(2.5)	(1.0)	<b>0.6</b>
Asia & Others	0.2	0.0	0.1	<b>0.4</b>
Eliminations & Corporate	(8.0)	(8.3)	(8.6)	<b>(10.6)</b>

\* Major countries and areas included in each category.

1. North America: The U.S. and Canada
2. Europe: The United Kingdom, France, Germany, etc.
3. Asia and Others: East Asia, South-East Asia, and South-Central America, etc.

\* Results for the year ended 1998 have been adjusted to reflect the reclassification of enterprise taxes.

## 4. Consolidated Overseas Sales

(billions of yen)

Years Ended March 31	1998	1999	2000	2001
Net sales	301.8	284.9	302.5	361.7
Overseas sales	50.3	69.7	90.3	132.1
North America	34.7	49.6	67.4	105.7
Europe	9.0	14.3	16.4	19.1
Asia & Others	6.6	5.8	6.6	7.3
Overseas sales ( % )	16.7	24.5	29.9	36.5

## 5. Global Product Sales

### 5-1. ARICEPT Area Sales

Area	Currency	Apr. 97- Mar. 98	Apr. 98- Mar. 99	Apr. 99- Mar. 00	Apr. 00- Mar. 01
Japan	Yen Billions	-	-	1.8	8.5
U.S.	Yen Billions	27.2	40.1	47.6	52.7
	US \$ millions	222	313	427	476
U.K.	Yen Billions	1.0	1.0	1.1	0.6
	UK £ millions	5	5	6	4
Germany	Yen Billions	0.5	1.8	1.8	2.3
	DM millions	7	25	31	45
France	Yen Billions	0.2	3.4	4.8	6.0
	Fr millions	9	156	276	389
Europe Total	Yen Billions	1.6	6.2	7.8	8.9
Asia	Yen Billions	-	0.2	0.5	1.1
Total	Yen Billions	28.8	46.5	57.6	71.1

Sales forecast for the year ending March 2002 is ¥85.5 billion.

### 5-2. ACIPHEX/PARIET Area Sales

Area	Currency	Apr. 97- Mar. 98	Apr. 98- Mar. 99	Apr. 99- Mar. 00	Apr. 00- Mar. 01
Japan	Yen Billions	2.1	5.6	5.9	6.3
U.S.	Yen Billions	-	-	9.9	44.0
	US \$ millions	-	-	89	398
U.K.	Yen Billions	-	0.5	1.8	3.3
	UK £ millions	-	2	10	20
Germany	Yen Billions	-	0.5	0.8	0.8
	DM millions	-	7	14	15
Europe Total	Yen Billions	-	1.0	2.6	4.0
Asia	Yen Billions	-	-	0.0	0.4
Total	Yen Billions	2.1	6.6	18.4	54.7

Sales forecast for the year ending March 2002 is ¥72.0 billion.

## 6. US / EU Pharmaceutical Operations [Non-consolidated]

### 6-1. Eisai Inc. (U.S.) /

#### Clinical Research • Production • Prescription Pharmaceutical Sales

Years Ended March 31		1999	2000	2001
Net sales	Yen Billions	45.0	63.0	<b>102.9</b>
	US \$ millions	352	565	<b>931</b>
Operating income	Yen Billions	2.7	0.4	<b>4.1</b>
	US \$ millions	21	3	<b>37</b>
Net income	Yen Billions	1.7	0.6	<b>2.9</b>
	US \$ millions	14	6	<b>26</b>

Note: Reflects new transaction prices established between parent and subsidiary in this period.

### 6-2. Eisai Ltd. (U.K.) / Clinical Research • Prescription Pharmaceutical Sales

Years Ended March 31		1999	2000	2001
Net sales	Yen Billions	2.2	3.6	<b>4.7</b>
	UK£ millions	11	20	<b>29</b>
Operating income (loss)	Yen Billions	(1.5)	(0.8)	<b>0.0</b>
	UK£ millions	(7)	(4)	<b>0</b>
Net income (loss)	Yen Billions	(1.5)	(0.7)	<b>0.1</b>
	UK£ millions	(7)	(4)	<b>1</b>

### 6-3. Eisai S.A. (France) / Prescription Pharmaceutical Sales

Years Ended March 31		1999	2000	2001
Net sales	Yen Billions	4.5	6.0	<b>6.0</b>
	Fr millions	204	342	<b>394</b>
Operating income (loss)	Yen Billions	(0.4)	0.4	<b>0.5</b>
	Fr millions	(18)	21	<b>32</b>
Net income (loss)	Yen Billions	(0.4)	0.3	<b>0.4</b>
	Fr millions	(18)	18	<b>27</b>

### 6-4. Eisai GmbH (Germany) / Prescription Pharmaceutical Sales

Years Ended March 31		1999	2000	2001
Net sales	Yen Billions	2.3	2.8	<b>3.3</b>
	DM millions	32	47	<b>64</b>
Operating income (loss)	Yen Billions	(1.4)	(0.7)	<b>(0.2)</b>
	DM millions	(19)	(11)	<b>(4)</b>
Net income (loss)	Yen Billions	(0.9)	(0.7)	<b>(0.5)</b>
	DM millions	(13)	(11)	<b>(9)</b>

## 7 . Selling, General & Administrative Expenses (Including R&D)

### 7-1. Research and Development Expenses (R&D)

(billions of yen )

Years Ended March 31	1998	1999	2000	2001	2002 (e)
Net sales	301.8	284.9	302.5	<b>361.7</b>	400.0
Research & development expenses	45.1	43.7	46.7	<b>49.6</b>	60.0
Percentage of sales ( % )	14.9	15.3	15.4	<b>13.7</b>	15.0

### 7-2. Selling, General & Administrative Expenses (SG&A)

(billions of yen )

Years Ended March 31	1998	1999	2000	2001	2002 (e)
Net sales	301.8	284.9	302.5	<b>361.7</b>	400.0
Selling, general & administrative expenses	115.3	115.4	127.1	<b>154.7</b>	170.0
Personnel expense	45.4	45.1	45.2	<b>46.5</b>	-
Marketing expense	45.9	47.9	60.7	<b>87.1</b>	-
Administrative expense	23.2	21.3	20.2	<b>19.8</b>	-
Others	0.8	1.1	0.9	<b>1.3</b>	-
Percentage of sales ( % )	38.3	40.5	42.0	<b>42.8</b>	42.5

From the period ending March 1998, enterprise taxes were eliminated from SG&A expenses.

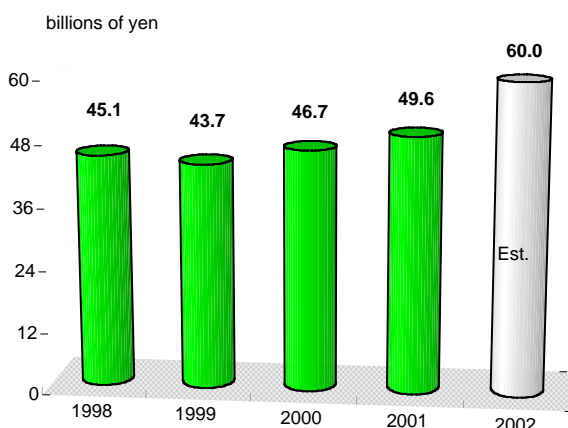
### 7-3. Selling, General & Administrative Expenses (Including R&D Expenses)

(billions of yen )

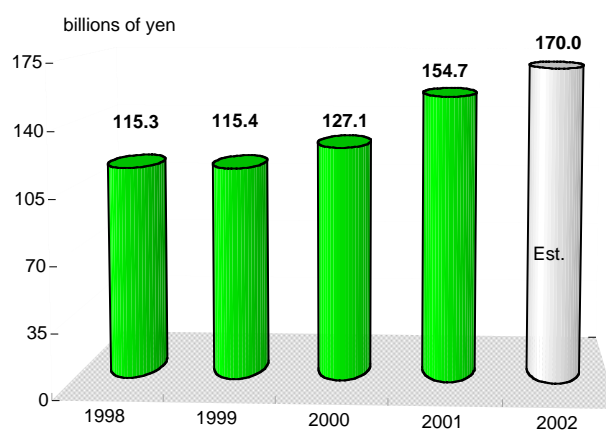
Years Ended March 31	1998	1999	2000	2001	2002 (e)
Net sales	301.8	284.9	302.5	<b>361.7</b>	400.0
Selling, general & administrative expenses ( including R&D expenses )	160.4	159.1	173.8	<b>204.3</b>	230.0
Percentage of sales ( % )	53.2	55.8	57.4	<b>56.5</b>	57.5

From the period ending March 1998, enterprise taxes were eliminated from SG&A expenses.

#### R&D Expenses



#### SG&A Expenses





# III. Consolidated Balance Sheet

## 1. Consolidated Balance Sheet & Explanation

<Explanation>

		( billions of yen )				
March 31	2000		2001		Chg.	Inc./
		%		%	%	Dec.
<b>&lt;Assets&gt;</b>						
<b>Current assets:</b>						
Cash and time deposits	49.1		<b>98.2</b>		199.9	49.1
Trade receivables	107.5		<b>116.4</b>		108.3	8.9
Short-term investments	99.3		<b>28.3</b>		28.5	(70.9)
Inventories	34.0		<b>33.7</b>		99.2	(0.3)
Deferred tax assets	9.7		<b>15.9</b>		163.6	6.2
Other current assets	13.4		<b>14.2</b>		105.4	0.7
Allowance for doubtful receivables	(0.6)		<b>(0.5)</b>		-	0.1
<b>Total current assets</b>	<b>312.4</b>	<b>64.3</b>	<b>306.2</b>	<b>55.7</b>	<b>98.0</b>	<b>(6.2)</b>
<b>Fixed assets:</b>						
<b>Property, plant, and equipment:</b>						
Buildings and structures	58.7		<b>57.7</b>		98.4	(0.9)
Machinery and vehicles	22.8		<b>20.6</b>		90.7	(2.1)
Land	19.1		<b>18.9</b>		99.3	(0.1)
Construction in progress	1.5		<b>1.6</b>		105.4	0.1
Others	7.5		<b>7.8</b>		104.0	0.3
<b>Total property, plant and equipment</b>	<b>109.5</b>	<b>22.5</b>	<b>106.7</b>	<b>19.4</b>	<b>97.4</b>	<b>(2.8)</b>
<b>Intangible assets</b>	<b>8.0</b>	<b>1.7</b>	<b>8.9</b>	<b>1.7</b>	<b>111.3</b>	<b>0.9</b>
<b>Investments and other assets:</b>						
Investments in securities	5.7		<b>77.2</b>		1353.9	71.5
Long-term loans receivable	0.2		<b>0.1</b>		77.2	(0.0)
Deferred tax assets	11.8		<b>18.5</b>		157.3	6.7
Other investments	32.4		<b>32.1</b>		99.3	(0.2)
Allowance for doubtful receivables	(0.4)		<b>(0.5)</b>		-	(0.0)
<b>Total investments and other assets</b>	<b>49.6</b>	<b>10.2</b>	<b>127.6</b>	<b>23.2</b>	<b>257.1</b>	<b>78.0</b>
<b>Total fixed assets</b>	<b>167.2</b>	<b>34.4</b>	<b>243.3</b>	<b>44.3</b>	<b>145.5</b>	<b>76.1</b>
<b>Deferred charges</b>	<b>0.5</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>
<b>Foreign currency translation adjustments</b>	<b>5.5</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.5)</b>
<b>Total assets</b>	<b>485.7</b>	<b>100.0</b>	<b>549.4</b>	<b>100.0</b>	<b>113.1</b>	<b>63.8</b>

### Cash and time deposits

< Increase Factor(s) >

- Expansion of U.S. pharmaceutical business operations

### Short-term investments

< Decrease Factor(s) >

- Reclassification of certain marketable securities to Investments in securities

### Deferred tax assets

< Increase Factor(s) >

- Increase in accrued enterprise taxes

### Property, plant, and equipment

< Decrease Factor(s) >

- Depreciation more than investment
- U.S. subsidiary fixed asset valuation loss

### Investments in securities

< Increase Factor(s) >

- Reclassification from short-term investments

### Deferred tax assets

< Increase Factor(s) >

- Transitional obligation for employees' retirement benefits

### Foreign currency translation adjustments

- Reclassification to Shareholders' equity from this period

## <Liabilities, Minority Interests & Shareholders' Equity>

(billions of yen)

## < Explanation >

March 31	2000		2001		% chg.	Inc./Dec.
		%		%		
<b>Current liabilities:</b>						
Trade payables	14.2		<b>13.9</b>		98.1	(0.3)
Short-term borrowings	7.5		<b>7.5</b>		100.2	0.0
Current portion of long-term borrowing	1.6		<b>0.2</b>		10.0	(1.4)
Current portion of straight bonds	10.0		<b>10.0</b>		100.0	-
Accounts payable	21.4		<b>49.6</b>		232.5	28.3
Accrued income taxes	8.0		<b>23.0</b>		289.1	15.0
Accrued expenses	22.5		<b>23.4</b>		104.2	0.9
Reserve for rebates of sales	0.7		<b>19.1</b>		2,820.9	18.5
Other reserves	1.0		<b>0.8</b>		80.2	(0.2)
Other current liabilities	10.1		<b>6.1</b>		60.6	(4.0)
<b>Total current liabilities</b>	<b>96.9</b>	<b>19.9</b>	<b>153.8</b>	<b>28.0</b>	<b>158.7</b>	<b>56.9</b>
<b>Long-term liabilities:</b>						
Straight bonds	10.1		<b>0.1</b>		1.0	(10.0)
Convertible bonds	5.5		<b>5.5</b>		99.9	(0.0)
Long-term borrowing	0.1		<b>0.3</b>		223.5	0.1
Deferred tax liabilities	1.1		<b>0.8</b>		75.3	(0.3)
Retirement allowances	30.4		<b>-</b>		-	(30.4)
Liability for retirement benefits	-		<b>31.4</b>		-	31.4
Retirement allowances for board of directors	2.2		<b>1.9</b>		86.5	(0.3)
Other long-term debt	0.5		<b>0.6</b>		130.6	0.1
<b>Total long-term liabilities</b>	<b>49.9</b>	<b>10.3</b>	<b>40.7</b>	<b>7.4</b>	<b>81.4</b>	<b>(9.3)</b>
<b>Total liabilities</b>	<b>146.8</b>	<b>30.2</b>	<b>194.4</b>	<b>35.4</b>	<b>132.5</b>	<b>47.6</b>
<b>Minority interests</b>	<b>9.5</b>	<b>2.0</b>	<b>9.1</b>	<b>1.6</b>	<b>96.1</b>	<b>(0.4)</b>
<b>Shareholders' equity:</b>						
Common stock	44.9		<b>44.9</b>		100.0	0.0
Additional paid-in capital	55.1		<b>55.1</b>		100.0	0.0
Retained earnings	229.4		<b>246.4</b>		107.4	16.9
Net unrealized gains on available-for-sale securities	-		<b>1.0</b>		-	1.0
Foreign currency translation adjustments	-		<b>(1.5)</b>		-	(1.5)
Treasury stock	(0.0)		<b>(0.0)</b>		-	0.0
<b>Total shareholders' equity</b>	<b>329.4</b>	<b>67.8</b>	<b>345.9</b>	<b>63.0</b>	<b>105.0</b>	<b>16.5</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>485.7</b>	<b>100.0</b>	<b>549.4</b>	<b>100.0</b>	<b>113.1</b>	<b>63.8</b>

### Current portion of straight bonds

- Redemption of No. 3 unsecured straight bonds, ¥10 billion
- Transfer from non-current to current portion of No. 4 unsecured straight bonds

### Accrued income taxes

< Increase Factor(s) >

- Increase in operating income

### Accounts payable and Reserve for rebates of sales

< Increase Factor(s) >

- Expansion in sales U.S. pharmaceutical business

### Straight bonds

- Transfer from non-current to current portion of No. 4 unsecured straight bonds

### Liability for retirement benefits

- Reclassification of retirement allowances

### Foreign currency translation adjustments

- Reclassification to Shareholders' Equity from this period

## 2 . Capital Expenditures and Depreciation/Amortization

(billions of yen)

Years Ended March 31	1999	2000	2001	2002(e)
Capital expenditures	14.2	16.3	15.0	24.0
Property, plant and equipment	13.9	13.0	11.5	18.5
Intangible assets	0.3	3.3	3.5	5.5
Depreciation/Amortization	13.0	15.1	15.0	15.0

\* Depreciation/amortization includes property, plant and equipment and intangible assets.

## 3. Flotation of Bonds

### 3-1. Straight Bonds

As of March 31, 2001 (billions of yen)

Type/Date of Issue	Amount	Balance	Maturity Date	Coupon Rate
No. 4 unsecured straight bonds Dec-14-1995	10.0	10.0	Dec-14-2000	2.40% per year
Secured straight bonds Mar-29-2000	0.1	0.1	Mar-29-2004	1.50% per year

### 3-2. Convertible Bonds

As of March 31, 2001 (billions of yen)

Type/Date of Issue	Amount	Converted Amount	Conversion Percentage	Balance	Maturity Date	Conversion Price	Coupon Rate
No. 4 unsecured convertible bonds Nov-16-1995	10.0	4.5	45.2%	5.5	Mar-31-2003	1,728.60 yen	0.60% per year

## 4. Stock Information

### 4-1. Issued Stock and Shareholder Information

As of March 31, 2001

Total Number of Authorized Shares	Number of Shares Outstanding	Number of Shareholders	Average Number of Shares per Shareholder
700,000,000 shares	296,452,988 shares	19,242	15,406 shares

### 4-2. Top 10 Shareholders

As of March 31, 2001

Name	Shares	Percentage
Nippon Life Insurance Co.	16,364 Thousands	5.52%
The Asahi Bank, Ltd.	14,765 Thousands	4.98%
The Fuji Bank, Ltd.	12,848 Thousands	4.33%
Mizuho Trust and Banking Company (Dai-ichi-Kangyo Bank, Limited Account)	12,716 Thousands	4.29%
The Dai-ichi Mutual Life Insurance Co.	9,952 Thousands	3.36%
Sumitomo Mutual Life Insurance Co.	8,844 Thousands	2.98%
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	8,694 Thousands	2.93%
Nihon Trustee Service Trust Bank, Ltd. (Trust Account)	7,772 Thousands	2.62%
Morgan Stanley & Co. International Limited	7,417 Thousands	2.50%
Eisai Employee Shareholding Association	6,875 Thousands	2.32%

### 4-3. Number of Shareholders by Category

As of March 31, 2001

	2000	%	2001	%	Change
Financial Institutions	134	0.6%	<b>159</b>	0.8%	25
Securities Companies	33	0.1%	<b>37</b>	0.2%	4
Other Domestic Corporations	1,219	5.3%	<b>1,148</b>	6.0%	(71)
Foreign Corporations, etc.	369	1.6%	<b>417</b>	2.2%	48
Individuals and Others	21,469	92.4%	<b>17,481</b>	90.8%	(3,988)
Total	23,224	100.0%	<b>19,242</b>	100.0%	(3,982)

### 4-4. Number of Shares Held by Category

As of March 31, 2001

(One unit = 1,000 shares)	2000	%	2001	%	Change
Financial Institutions	142,035	47.9%	<b>149,082</b>	50.3%	7,046
Securities Companies	872	0.3%	<b>1,537</b>	0.5%	664
Other Domestic Corporations	23,127	7.8%	<b>22,052</b>	7.4%	(1,075)
Foreign Corporations, etc.	77,338	26.1%	<b>81,534</b>	27.5%	4,195
Individuals and Others	53,076	17.9%	<b>42,247</b>	14.3%	(10,829)
Total	296,450	100.0%	<b>296,452</b>	100.0%	2

\*Stock numbers less than one thousand have been omitted.

## IV. Consolidated Statements of Cash Flows

	(billions of yen)			
Years Ended March 31	1999	2000	2001	Change
<b>Operating activities</b>				
Income before income taxes & minority interests	36.7	25.5	<b>42.8</b>	17.3
Depreciation and amortization	13.0	15.1	<b>15.0</b>	(0.1)
Other non-cash losses/gains	4.1	5.2	<b>19.5</b>	14.3
Operating assets/liability increase/decrease	3.2	2.8	<b>4.6</b>	1.8
Others	(2.9)	11.4	<b>20.4</b>	9.0
Subtotal	54.1	60.0	<b>102.3</b>	42.3
Interest paid/received	1.9	1.7	<b>2.4</b>	0.7
Payments on vitamin E cases	-	(9.7)	<b>(1.5)</b>	8.2
Cash paid for income taxes	(20.1)	(24.8)	<b>(18.1)</b>	6.6
<b>Net cash provided by operating activities</b>	<b>35.9</b>	<b>27.2</b>	<b>85.0</b>	<b>57.8</b>
<b>Investing activities</b>				
Capital expenditures	(14.2)	(16.3)	<b>(13.9)</b>	2.4
Other revenue/payment for continuous activities	(0.7)	1.8	<b>0.7</b>	(1.0)
Purchases of securities	(43.7)	(25.1)	<b>(40.5)</b>	(15.4)
Sales of securities	31.9	31.6	<b>34.6</b>	3.0
Others	(7.2)	4.0	<b>(0.5)</b>	(4.5)
<b>Net cash used in investing activities</b>	<b>(33.9)</b>	<b>(4.0)</b>	<b>(19.6)</b>	<b>(15.5)</b>
<b>Financing activities</b>				
Dividends paid	(6.4)	(6.4)	<b>(6.4)</b>	(0.0)
Long-term debt proceeds/payment	(1.9)	(10.1)	<b>(11.3)</b>	(1.2)
Short-term bank borrowing increase/decrease	(1.6)	1.1	<b>(0.0)</b>	(1.1)
Others	(0.1)	(0.0)	<b>(0.1)</b>	(0.0)
<b>Net cash used in financing activities</b>	<b>(10.0)</b>	<b>(15.4)</b>	<b>(17.7)</b>	<b>(2.4)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1.0)</b>	<b>(2.4)</b>	<b>6.1</b>	<b>8.5</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9.0)</b>	<b>5.3</b>	<b>53.8</b>	<b>48.5</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>55.9</b>	<b>46.9</b>	<b>52.6</b>	<b>5.6</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the year</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>(0.3)</b>
<b>Cash and cash equivalents at end of year</b>	<b>46.9</b>	<b>52.6</b>	<b>106.3</b>	<b>53.8</b>
Years Ended March 31	1999	2000	2001	Change
<b>Free Cash Flow</b>	<b>21.1</b>	<b>12.6</b>	<b>71.8</b>	<b>59.2</b>

### <Explanation>

- Loss associated with transitional obligation for employees' retirement benefits
- Increase of reserve for rebates of sales associated with U.S. pharmaceutical operations

- Bonds purchase

- Reflection of change in the value of the yen

\* Free Cash Flow equals the net cash provided by operating activities minus the cash from capital expenditures and other revenue/payment for continuous activities.

# V. Consolidated Subsidiaries - Associated Companies

## 1. Consolidated Subsidiaries (34 companies)

As of March 31, 2001

Company Name	Location	Common Stock	Equity(%) Ownership <sup>1</sup>	Description of Operations
<Domestic Subsidiaries: 13>				
Sanko Junyaku Co., Ltd.	Tokyo	¥5,262 million	50.88%	Diagnostic product prod./sales
Sannova Co., Ltd.	Gunma Pref.	¥926 million	79.28%	Pharmaceutical prod./sales
Elmed Eisai Co., Ltd.	Tokyo	¥450 million	100.00%	Pharmaceutical sales
Eland Co., Ltd.	Tokyo	¥400 million	100.00%	Real estate management
Kan Research Institute, Inc.	Kyoto	¥70 million	100.00%	Basic research
Eisai Distribution Co., Ltd.	Kanagawa Pref.	¥60 million	100.00%	Pharmaceutical distribution
Clinical Supply Co., Ltd.	Gifu Pref.	¥80 million	84.80%	Medical instruments sales/prod.
Takehaya Co., Ltd. <sup>3</sup>	Tokyo	¥67 million	82.17%	Printing/admin./insurance agency services
Herusu Co., Ltd.	Tokyo	¥64 million	75.00%	Pharma. machinery, etc. sales
Eisai Seikaken Co., Ltd.	Tokyo	¥50 million	70.00%	Agro-chemical prod./sales
Kawashima Co., Ltd.	Gifu Pref.	¥50 million	63.16%	Catering /admin. services
Seiansha Co., Ltd. <sup>5</sup>	Tokyo	¥30 million	50.00%	Promotion/sales production
Dymec Co., Ltd.	Chiba Pref.	¥30 million	84.80%	Medical instruments prod./sales
<Subsidiaries Outside Japan: 21>		Unit=thousand		
Eisai Corporation of North America	New Jersey, USA	179,100 US\$	100.00%	U.S. subsidiaries holding company
Eisai Inc.	New Jersey, USA	83,600 US\$	100.00%	Pharma. prod./sales/clinical research
Eisai Research Institute of Boston, Inc.	Massachusetts, USA	65,300 US\$	100.00%	Basic research/clinical trial process research
Eisai U.S.A., Inc.	Texas, USA	29,500 US\$	100.00%	Bulk chemical prod./sales & machinery sales
Eisai Ltd.	London, U.K.	15,548 UKPS	100.00%	Pharma. sales/clinical research
Eisai London Research Laboratories Ltd.	London, U.K.	12,000 UKPS	100.00%	Basic research
Eisai Pharma-Chem Europe Ltd.	London, U.K.	100 UKPS	100.00%	Bulk chemical sales support
Eisai Europe Ltd. <sup>2</sup>	London, U.K.	3,825 UKPS	100.00%	-
Eisai GmbH	Frankfurt, FRG	15,000 DM	100.00%	Pharmaceutical sales
Eisai Machinery GmbH	Cologne, FRG	2,500 DM	100.00%	Pharm. machinery prod./sales
Eisai S.A.	Paris, France	130,000 Fr	100.00%	Pharmaceutical sales
Eisai B.V.	Amsterdam, Netherlands	1,200 GL	100.00%	Pharmaceutical prod./sales
P.T. Eisai Indonesia	Jakarta, Indonesia	5,000 US\$	79.60%	Pharmaceutical prod./sales
Eisai Asia Regional Services Pte. Ltd.	Singapore	26,400 S\$	100.00%	Pharm. management/sales support
Eisai (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	470 M\$	98.09%	Pharmaceutical sales
Eisai (Thailand) Marketing Co., Ltd. <sup>5</sup>	Bangkok, Thailand	11,000 Baht	49.90%	Pharmaceutical prod./sales
Eisai Hong Kong Co., Ltd.	Hong Kong	500 HK\$	100.00%	Pharmaceutical prod./sales
Eisai Taiwan, Inc.	Taipei, Taiwan	250,000 NT\$	100.00%	Pharmaceutical prod./sales
Weizai Co., Ltd.	Taipei, Taiwan	20,000 NT\$	100.00%	Pharmaceutical sales
Eisai (Suzhou) Pharmaceutical Co., Ltd.	Suzhou, China	139,274 RMB	100.00%	Pharmaceutical prod./ sales
Eisai Korea Inc.	Seoul, Korea	3,512,000 Won	100.00%	Pharmaceutical sales

- Notes:
1. Equity direct/indirect ownership percentage.
  2. Eisai Europe Ltd. is in the process of liquidation, but remains in existence as a registered company.
  3. Takehaya Co., Ltd. absorbed Hisakata Co., Ltd. in October 2000.
  4. Seiansha Co., Ltd., Takehaya Co., Ltd., Kawashima Co., Ltd., and Gakuen Shoji Co., Ltd. came under the auspices of the holding company Sunplanet Co., Ltd. in April 2001.
  5. Seiansha Co., Ltd. as well as Eisai (Thailand) Marketing Co., Ltd. have 50 percent or less equity ownership, but are considered as consolidated subsidiaries under the application of the "controlling entity" standard.

## 2. Equity in Earnings in Associated Companies (5 companies)

As of March 31, 2001

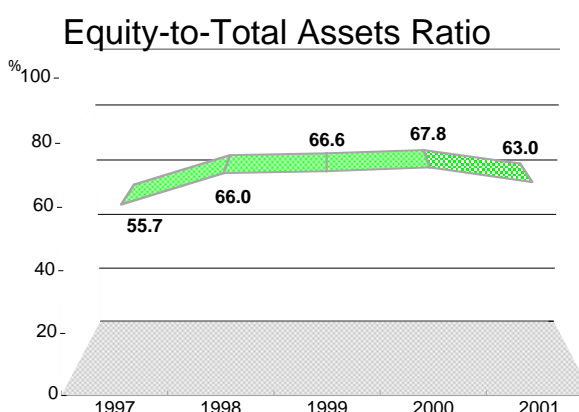
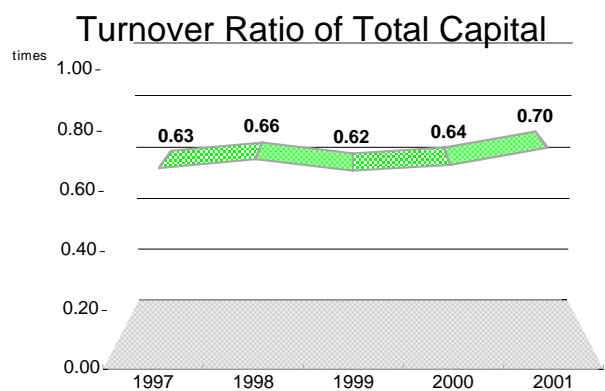
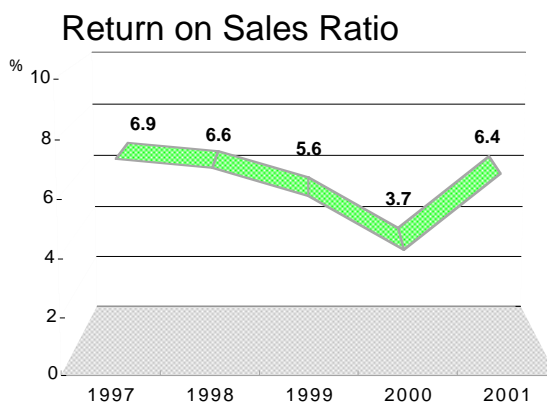
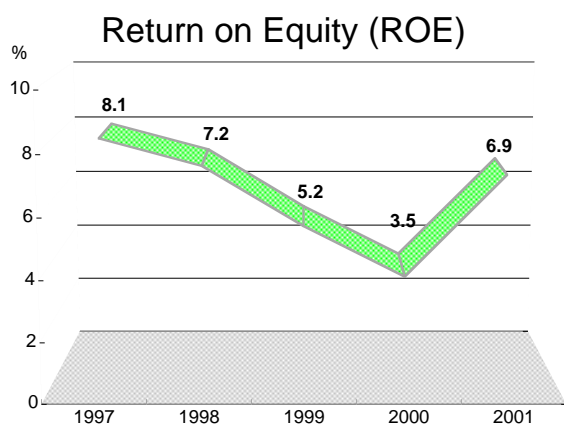
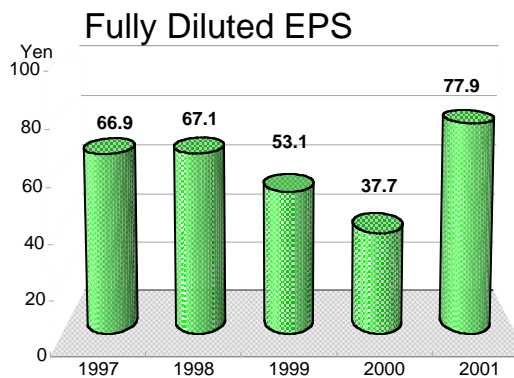
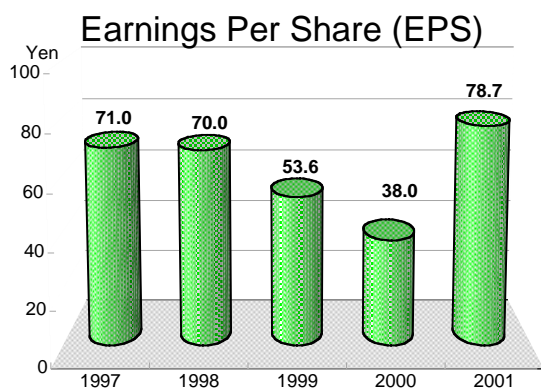
Company Name	Location	Common Stock	Equity (%) Ownership <sup>1</sup>	Description of Operations
[Associated companies in Japan: 2]				
Bracco-Eisai Co., Ltd.	Tokyo	¥340 million	49.00%	Contrast media import prod./sales
Gakuen Shoji Co., Ltd.	Ibaraki Pref.	¥20 million	37.81%	Catering & admin. services
[Associated companies outside Japan: 3] Unit: thousand				
Eisai-Novartis GmbH & Co. KG <sup>2</sup>	Nuremberg, FRG	2,500 DM	50.00%	-
Eisai-Novartis Verwaltungs GmbH <sup>2</sup>	Nuremberg, FRG	50 DM	50.00%	-
Hi-Eisai Pharmaceutical Inc.	Manila, Philippines	25,000 Peso	49.90%	Pharmaceutical sales

### Notes:

- 1: Equity indirect/direct ownership percentage.
- 2: Eisai-Novartis GmbH and Co. KG and Eisai-Novartis Verwaltungs GmbH are in the process of liquidation, but remain in existence as registered companies.
- 3: The equity in earnings method subsidiary, Shenyang Eisai Pharmaceutical Co., Ltd., was liquidated in March 2001.

# VI. Major Management Indices

(Years Ended March 31)

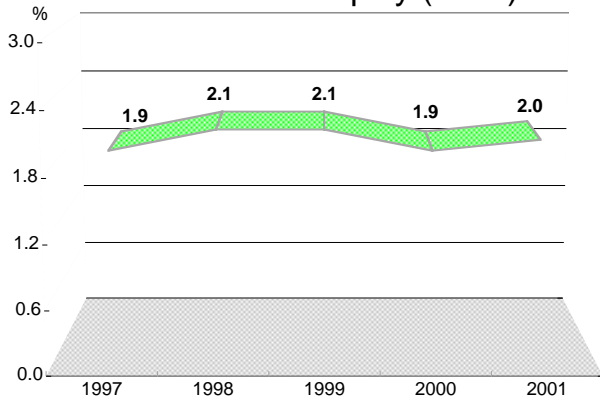




(Years Ended March 31)

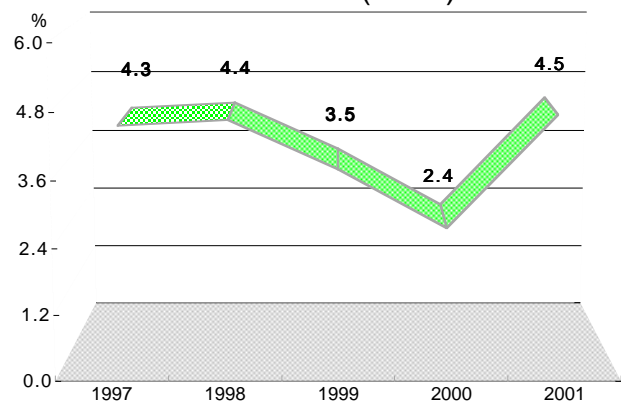
At fiscal year end

### Dividends on Equity (DOE)

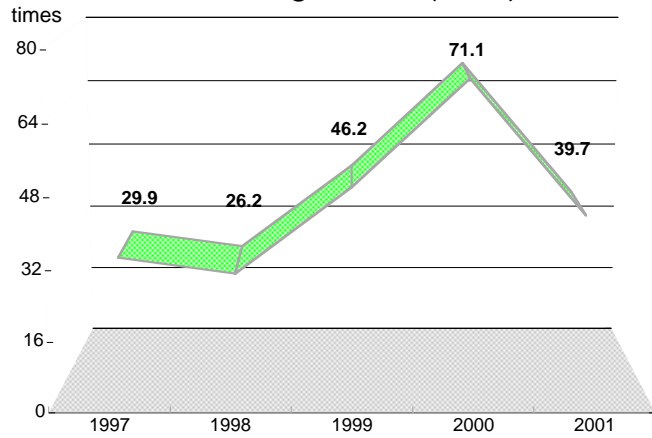


At fiscal year end

### Return on Assets (ROA)

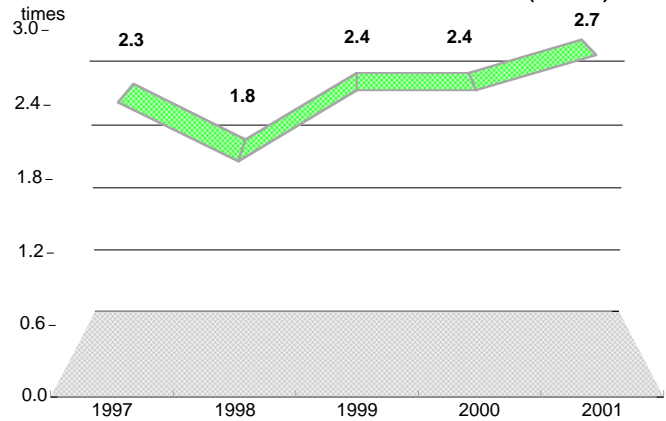


### Price-to-Earnings Ratio (PER)



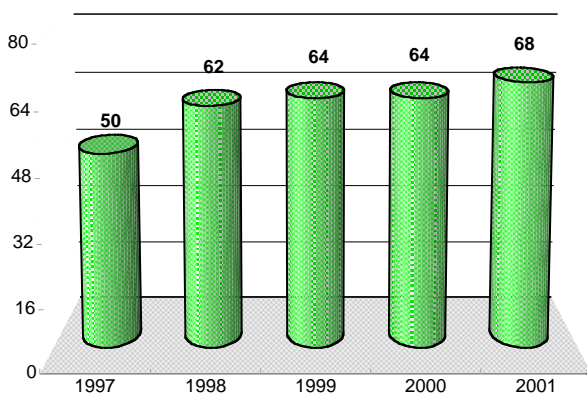
At fiscal year end

### Price-to-Book Value Ratio (PBR)

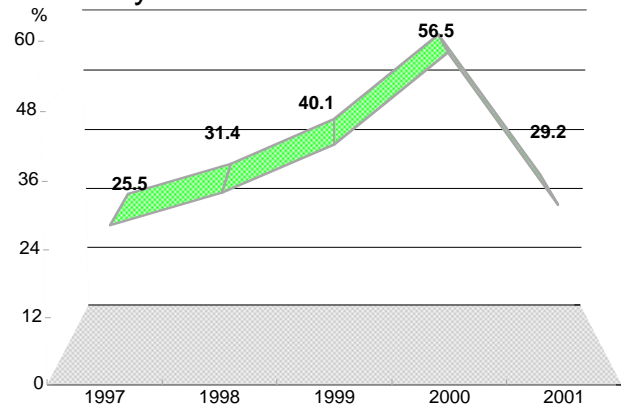


### Total Cash Dividends

Yen: Billions



### Payout Ratio



## VII. Financial Trend

Years Ended March 31	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>&lt;Statements of Income Data&gt;</b>										
Net Sales (billions of yen)	224.3	230.8	236.3	258.3	273.4	281.6	301.8	284.9	302.5	<b>361.7</b>
Operating Income (billions of yen)	30.3	32.2	33.8	39.2	49.1	50.4	47.5	38.6	37.1	<b>59.0</b>
Ordinary Income (billions of yen)	32.1	32.4	33.5	38.9	48.7	50.3	47.2	39.8	36.9	<b>63.2</b>
Net Income (billions of yen)	15.0	15.1	15.1	17.4	19.1	19.4	19.8	15.9	11.3	<b>23.3</b>
Earnings per Share (yen)	64.5	59.0	58.7	67.6	74.1	71.0	70.0	53.6	38.0	<b>78.7</b>
Fully Diluted Earnings per Share (yen)	-	-	-	-	69.8	66.9	67.1	53.1	37.7	<b>77.9</b>
<b>&lt;Balance Sheet Data&gt;</b>										
Common Stock (billions of yen)	23.5	23.5	23.5	23.5	23.5	29.6	44.9	44.9	44.9	<b>44.9</b>
Total Assets (billions of yen)	331.7	319.1	360.7	389.2	442.9	456.6	453.1	463.4	485.7	<b>549.4</b>
Shareholders' Equity (billions of yen)	171.5	183.2	195.2	211.9	227.4	254.4	299.2	308.6	329.4	<b>345.9</b>
<b>&lt;Others&gt;</b>										
Return on Equity (ROE) (%)	9.2	8.5	8.0	8.5	8.7	8.1	7.2	5.2	3.5	<b>6.9</b>
Shareholders' Equity-to-Total Assets (%)	51.7	57.4	54.1	54.5	51.3	55.7	66.0	66.6	67.8	<b>63.0</b>
Payout Ratio	18.6	20.5	20.4	19.2	20.2	25.5	31.4	40.1	56.5	<b>29.2</b>
Number of Consolidated Subsidiaries	5	5	5	28	32	34	35	34	35	<b>34</b>

Note: Consolidated financial results from the year ended March 1996 have been reclassified for comparative purposes.

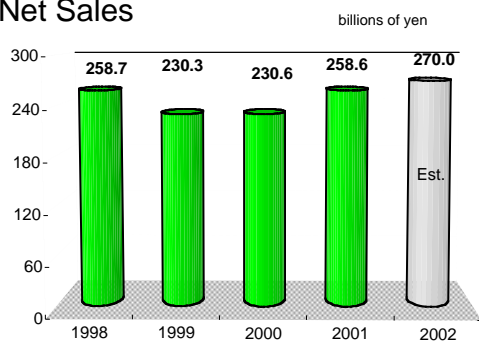
# I. Non-Consolidated Financial Highlights

Years Ended March 31	1998	1999	2000	2001	% chg.	2002(e)
<b>&lt;Statements of Income Data&gt;</b>						
Net Sales (billions of yen)	258.7	230.3	230.6	<b>258.6</b>	112.2	270.0
Operating Income (billions of yen)	51.5	37.6	38.7	<b>58.4</b>	150.7	60.5
Ordinary Income (billions of yen)	51.1	39.0	38.4	<b>61.6</b>	160.2	62.0
Net Income (billions of yen)	24.2	17.6	12.0	<b>18.2</b>	151.0	33.0
Earnings per Share (EPS) (yen)	85.4	59.3	40.6	<b>61.4</b>	-	111.3
Fully Diluted Earnings per Share (yen)	81.7	58.7	40.3	<b>60.8</b>	-	-
<b>&lt;Balance Sheet Data&gt;</b>						
Total Assets (billions of yen)	412.3	425.4	438.3	<b>462.6</b>	105.5	-
Shareholders' Equity (billions of yen)	300.2	315.0	335.0	<b>347.8</b>	103.8	-
<b>&lt;Others&gt;</b>						
Return on Equity (ROE) (Period Begin-End Average) (%)	8.8	5.7	3.7	<b>5.3</b>	-	-
Return on Assets (ROA) (Period Begin-End Average) (%)	5.8	4.2	2.8	<b>4.0</b>	-	-
Turnover Ratio of Total Assets (Period Begin - End Average) (times)	0.63	0.55	0.53	<b>0.57</b>	-	-
Shareholders' Equity to Total Assets (%)	72.8	74.0	76.4	<b>75.2</b>	-	-
Average Number of Shares Outstanding (thousands)	296,412	296,414	296,450	<b>296,452</b>	-	-

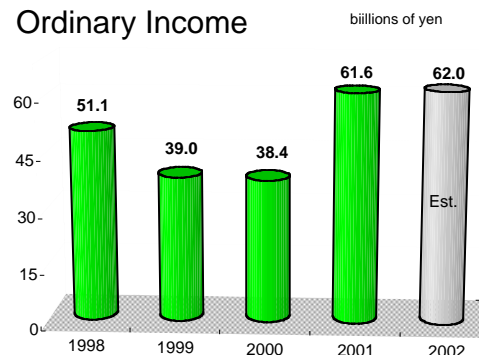
\* Financial results for the year ended March 1998 have been adjusted to reflect the reclassification of enterprise taxes.

\* Stock numbers less than one thousand have been omitted.

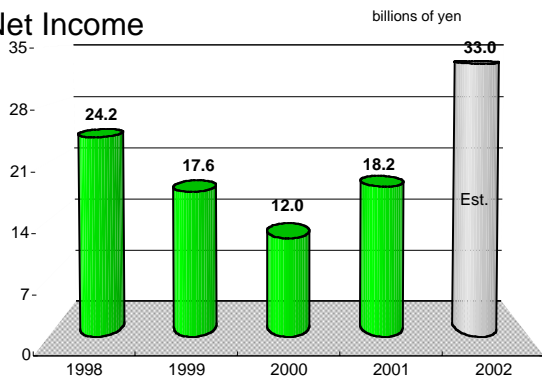
### Net Sales



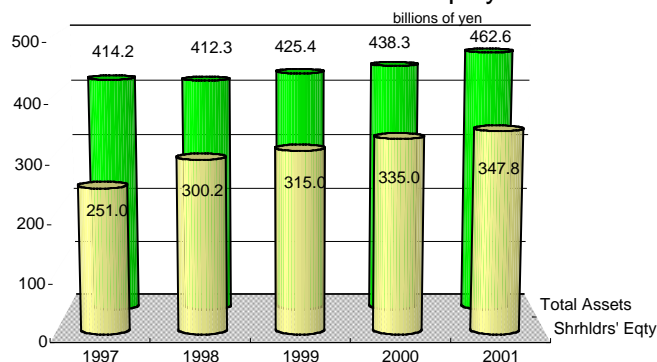
### Ordinary Income



### Net Income



### Total Assets•Shareholders' Equity



## II. Non-Consolidated Statements of Income

### 1. STATEMENTS OF INCOME & EXPLANATION

(billions of yen)

<Explanation>

Years Ended March 31	2000	Sales %	2001	Sales %	Chg. %	Change
<b>Net sales</b>	230.6	100.0	<b>258.6</b>	100.0	112.2	28.0
Cost of sales	78.8	34.2	<b>83.4</b>	32.2	105.8	4.6
Reversal of reserve for sales returns	0.1	0.0	<b>0.1</b>	0.0		0.0
Gross profit	151.9	65.8	<b>175.4</b>	67.8	115.5	23.5
Research and development expenses	45.0	19.5	<b>46.5</b>	18.0	103.3	1.5
Selling, general & administrative expenses	68.1	29.5	<b>70.5</b>	27.2	103.4	2.3
<b>Operating income</b>	38.7	16.8	<b>58.4</b>	22.6	150.7	19.7
<b>Non-operating income:</b>						
Interest and dividend income	1.6		<b>1.5</b>			(0.1)
Other non-operating income	1.6		<b>3.1</b>			1.4
<b>Total non-operating income</b>	3.2	1.4	<b>4.6</b>	1.8	142.1	1.4
<b>Non-operating expenses:</b>						
Interest expense	0.7		<b>0.5</b>			(0.2)
Other non-operating expenses	2.8		<b>0.9</b>			(1.9)
<b>Total non-operating expenses</b>	3.5	1.5	<b>1.4</b>	0.6	40.2	(2.1)
<b>Ordinary income</b>	38.4	16.7	<b>61.6</b>	23.8	160.2	23.1
<b>Special profit:</b>						
Gain on sales of property	0.1		<b>0.6</b>			0.5
Profit on sales of investments in securities	0.1		<b>0.0</b>			(0.1)
Retirement allowance trust income	-		<b>1.4</b>			1.4
Reversal of allowance for doubtful receivables	0.2		<b>0.1</b>			(0.1)
<b>Total special profit</b>	0.3	0.1	<b>2.1</b>	0.8	633.1	1.8
<b>Special loss:</b>						
Loss on disposal of fixed assets	0.8		<b>0.7</b>			(0.0)
Losses on investments in subsidiaries	0.4		<b>4.9</b>			4.5
Amortization of transitional obligation for employees' retirement benefits	-		<b>15.1</b>			15.1
Losses on vitamin E cases	10.0		<b>2.7</b>			(7.3)
Other special loss	2.6		<b>0.9</b>			(1.8)
<b>Total special loss</b>	13.8	6.0	<b>24.4</b>	9.4	176.7	10.6
<b>Income before Income Taxes</b>	25.0	10.8	<b>39.3</b>	15.2	157.3	14.3
Income taxes-current	16.7	7.2	<b>31.0</b>	12.0	186.0	14.4
Income taxes-deferred	(3.8)	(1.6)	<b>(10.0)</b>	(3.8)		(6.2)
<b>Net income</b>	12.0	5.2	<b>18.2</b>	7.0	151.0	6.1
Retained earnings brought forward	5.9		<b>5.3</b>			(0.6)
Adjustment of retained earnings for previously applied tax allocation	14.3		-			(14.3)
Adjustment of deferred tax regarding earnings for reduction of assets cost	0.1		-			(0.1)
Interim dividends paid	3.0		3.0			0.0
Transfer to legal reserve	0.3		0.3			0.0
<b>Unappropriated retained earnings for the period</b>	29.1		<b>20.3</b>		69.6	(8.8)

#### Net sales

< Increase Factor(s) >

- Aricept sales increase
- Industrial property rights, etc. income increase
- Export of Aciphex/Pariet bulk tablets increase
- Export of Aricept drug substance increase

#### Cost of sales Ratio

< Improvement Factor(s) >

- Product mix change
- Industrial property rights, etc. income increase

#### Losses in subsidiaries

- Sanko Junyaku Co., Ltd.

#### Income taxes-current

< Increase Factor(s) >

- Operating income increase

#### Income taxes-deferred

< Increase Factor(s) >

- Transitional obligation for employees' retirement benefits

## 2. SALES DATA

### 2-1. Non-Consolidated Net Sales by Business Segment

(billions of yen)

Years Ended March 31	1998	1999	2000	2001	2002(e)
Net sales	258.7	230.3	230.6	<b>258.6</b>	270.0
Pharmaceuticals	230.0	200.9	203.2	<b>228.9</b>	236.0
Prescription Pharmaceuticals	205.3	177.3	181.1	<b>205.8</b>	212.5
Ratio of in-house developed products to Prescription Pharmaceuticals (%)	(69.6)	(71.7)	(71.6)	<b>(75.8)</b>	-
Consumer Health Care Products	24.7	23.6	22.1	<b>23.1</b>	23.5
Animal Health, Food Additives/Chemicals, Machinery, etc	24.5	24.0	19.2	<b>16.0</b>	15.0
Industrial Property Rights, etc. Income	4.1	5.4	8.3	<b>13.7</b>	19.0

### 2-2. Sales by Therapeutic Area

(billions of yen)

Years Ended March 31	1998	1999	2000	2001	2002(e)
Prescription Pharmaceuticals	230.0	200.9	203.2	<b>228.9</b>	236.0
Central Nervous System	63.3	53.1	54.9	<b>69.9</b>	-
Cardiorespiratory	55.8	49.3	44.6	<b>46.5</b>	-
Gastrointestinal & Reproductive Health	51.4	42.5	51.2	<b>57.8</b>	-
Vitamins	16.6	16.4	15.2	<b>15.9</b>	-
Nutritional Supplementation	4.3	3.9	3.5	<b>2.6</b>	-
Dermatological Preparations	4.0	3.4	3.4	<b>4.7</b>	-
Antibiotics & Chemotherapy	5.7	5.3	4.6	<b>4.3</b>	-
Diagonistics	15.0	12.9	11.5	<b>11.7</b>	-
Metabolics	13.5	14.0	14.1	<b>15.3</b>	-
Others	0.3	0.2	0.2	<b>0.1</b>	-

### 2-3. Exports by Geographical Area

(billions of yen)

Years Ended March 31	1998	1999	2000	2001	2002(e)
Net sales	258.7	230.3	230.6	<b>258.6</b>	270.0
Export	23.6	29.5	34.7	<b>44.1</b>	55.0
North America	11.1	17.9	23.9	<b>32.4</b>	-
Europe	7.3	7.6	6.8	<b>8.2</b>	-
Asia & Others	5.3	4.0	4.0	<b>3.5</b>	-
Ratio of Exports to Sales (%)	9.1	12.8	15.0	<b>17.1</b>	20.4

Note: Export segment areas noted below:

1. North America: U.S., Canada
2. Europe: U.K., France, Germany, etc.
3. Asia & Others: East Asia, South East Asia, South-Central America, etc.

## 2-4. PRESCRIPTION PHARMACEUTICALS

( billions of yen )

Product Years Ended March 31	Description	1998	1999	2000	2001	% Chg.	2002(e)
SELBEX	Gastritis/gastric ulcer medication	43.7	30.1	29.8	<b>29.7</b>	99.9	30.0
METHYCOBAL	Peripheral neuropathy treatment	27.2	24.8	25.0	<b>28.6</b>	114.1	28.5
GLAKAY	Osteoporosis treatment	11.1	11.5	12.0	<b>12.9</b>	106.8	13.0
IOMERON	Non-ionic contrast medium	13.8	12.2	10.8	<b>10.6</b>	98.0	10.5
MYONAL	Muscle relaxant	10.6	9.0	8.8	<b>9.7</b>	109.2	9.5
ARICEPT	Alzheimer's disease treatment	-	-	1.8	<b>8.5</b>	463.5	14.0
NITOROL-R	Long-acting isosorbide dinitrate	8.8	8.0	7.3	<b>7.3</b>	99.3	7.0
AZEPTIN	Anti-allergy agent	10.6	8.2	7.4	<b>7.1</b>	97.0	7.0
PARIET	Proton pump inhibitor	2.1	5.6	6.0	<b>6.3</b>	106.3	6.5
GLUCAGON G NOVO	Endoscopic examination/hypoglycemia treatment	-	-	3.9	<b>4.5</b>	113.7	5.0
INHIBACE	Long-acting ACE inhibitor	6.9	5.9	5.0	<b>4.4</b>	88.7	4.5
RULID	Long-acting macrolide antibiotic	4.7	4.6	4.2	<b>3.7</b>	89.5	4.0
ARICEPT drug substance (export)		4.6	7.1	7.5	<b>9.5</b>	127.7	10.0
PARIET bulk tablets (export)		-	1.8	7.5	<b>12.0</b>	159.6	16.0
Others		61.2	48.5	44.1	<b>50.9</b>	115.7	47.0
Prescription Pharmaceuticals Total		205.3	177.3	181.1	<b>205.8</b>	113.6	212.5

## 2-5. CONSUMER HEALTH CARE PRODUCTS

( billions of yen )

Product Group Years Ended March 31	Main Product/Description	1998	1999	2000	2001	% Chg.	2002(e)
CHOCOLA BB Group	CHOCOLA BB / Vitamin B <sub>2</sub> preparation	7.6	7.5	7.1	<b>8.2</b>	115.9	9.0
Vitamin-E Group	JUVELUX / Natural Vitamin E preparation	4.9	4.4	4.1	<b>3.6</b>	88.0	3.7
SACLON Group	SACLON / Indigestion & heartburn treatment	4.0	3.9	3.5	<b>3.2</b>	91.1	3.3
NABOLIN Group	NABOLIN / Active-type Vitamin B <sub>12</sub>	1.7	2.1	1.9	<b>1.6</b>	85.0	1.7
Others		6.5	5.7	5.5	<b>6.5</b>	118.3	5.8
Consumer Health Care Products Total		24.7	23.6	22.1	<b>23.1</b>	104.6	23.5

### 3. GROSS PROFIT/MANUFACTURING COST

#### 3-1. Breakdown of Cost of Sales

(billions of yen)

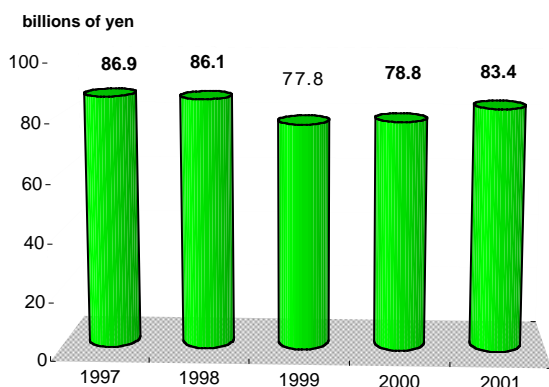
Years Ended March 31	1998	1999	2000	2001
Net sales	258.7	230.3	230.6	<b>258.6</b>
Cost of sales	86.1	77.8	78.8	<b>83.4</b>
Beginning inventory (+)	12.6	11.4	9.9	<b>12.5</b>
Manufacturing cost (+)	49.0	43.6	43.9	<b>45.5</b>
Product purchase (+)	35.4	33.2	36.7	<b>34.6</b>
Account transfer (+)	0.4	(0.5)	0.9	<b>2.7</b>
Ending inventory (-)	11.4	9.9	12.5	<b>11.9</b>
Cost of sales %	33.3%	33.8%	34.2%	<b>32.2%</b>
Reversal of reserve for sales returns	0.1	(0.1)	(0.1)	<b>(0.1)</b>
Gross profit	172.5	152.6	151.9	<b>175.4</b>

#### 3-2. Breakdown of Manufacturing Costs

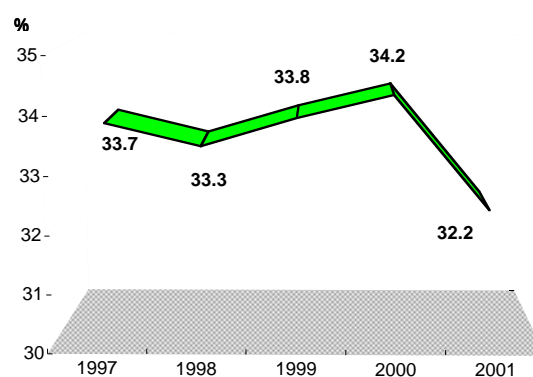
(billions of yen)

Years Ended March 31	1998	1999	2000	2001
Total manufacturing cost	49.3	48.0	47.3	<b>45.2</b>
Raw materials	25.9	23.5	21.6	<b>18.3</b>
Labor cost	12.7	12.8	13.4	<b>13.3</b>
Expenses	10.8	11.8	12.3	<b>13.6</b>
Beginning inventory of semi-finished goods and work-in-process (+)	8.0	7.6	8.6	<b>8.4</b>
Ending inventory of semi-finished goods and work-in-process (-)	6.7	8.6	8.4	<b>8.3</b>
Account transfer (+)	(2.3)	(3.9)	(3.9)	<b>(0.9)</b>
Cost variances (+)	0.8	0.5	0.3	<b>1.1</b>
Manufacturing cost	49.0	43.6	43.9	<b>45.5</b>

#### Cost of Sales



#### Cost of Sales Ratio



## 4. SELLING, GENERAL & ADMINISTRATIVE EXPENSES (including R&D)

### 4-1. RESEARCH AND DEVELOPMENT EXPENSES (R&D)

( billions of yen )

Years Ended March 31	1998	1999	2000	2001	2002(e)
Net sales	258.7	230.3	230.6	<b>258.6</b>	270.0
R&D expenses	41.4	43.4	45.0	<b>46.5</b>	55.5
(Ratio of Overseas R&D Expenses to Total R&D Expenses) (%)	(25.2)	(30.4)	(27.4)	<b>(26.8)</b>	(33.3)
Percentage of sales (%)	16.0	18.9	19.5	<b>18.0</b>	20.6

### 4-2. SELLING, GENERAL & ADMINISTRATIVE EXPENSES(SG&A)

( billions of yen )

Years Ended March 31	1998	1999	2000	2001	2002(e)
Net sales	258.7	230.3	230.6	<b>258.6</b>	270.0
SG&A expenses	79.6	71.6	68.1	<b>70.5</b>	70.0
Personnel expenses	35.2	34.7	33.2	<b>33.8</b>	-
Marketing expenses	27.0	20.6	19.8	<b>21.3</b>	-
Administrative expenses	17.4	16.3	15.2	<b>15.3</b>	-
Percentage of sales (%)	30.8	31.1	29.5	<b>27.2</b>	25.9

Results for the year ended 1998 have been adjusted to reflect the reclassification of enterprise taxes.

### 4-3. SELLING, GENERAL & ADMINISTRATIVE EXPENSES (Including R&D Expenses)

( billions of yen )

Years Ended March 31	1998	1999	2000	2001	2002(e)
Net sales	258.7	230.3	230.6	<b>258.6</b>	270.0
SG&A expenses (including R&D expenses)	121.1	115.0	113.1	<b>117.0</b>	125.5
Percentage of sales (%)	46.8	49.9	49.1	<b>45.2</b>	46.5

Results for the year ended 1998 have been adjusted to reflect the reclassification of enterprise taxes.

## 5. PERSONNEL INFORMATION

( persons )

Years Ended March 31	1998	1999	2000	2001
Total Employees	4,372	4,313	4,182	<b>4,042</b>
Research and development	1,010	1,049	1,040	<b>1,011</b>
Production	1,000	942	946	<b>907</b>
Sales, marketing and administration	2,362	2,322	2,196	<b>2,124</b>
Total Personnel cost (billions of yen)	62.3	63.0	62.5	<b>63.7</b>

\* Employee numbers are expected to be 3,900 at the end of March 2002.



# III. Non-Consolidated Balance Sheet

## 1 . Balance Sheet & Explanation

### <Assets>

March 31	2000		2001		(billions of yen)	
		%		%	Chg.	Change
					%	
<b>Current assets:</b>						
Cash and time deposits	26.4		<b>37.4</b>		141.9	11.1
Notes receivable-trade	18.6		<b>14.9</b>		80.3	(3.7)
Accounts receivable-trade	82.3		<b>96.2</b>		116.9	13.9
Short-term investments	91.5		<b>22.5</b>		24.6	(69.0)
Inventories	25.2		<b>24.3</b>		96.5	(0.9)
Short-term deposits	4.8		<b>4.8</b>		100.0	-
Deferred tax assets	6.7		<b>10.9</b>		160.8	4.1
Other current assets	6.9		<b>8.0</b>		115.5	1.1
Allowance for doubtful receivables	(0.5)		<b>(0.6)</b>		128.4	(0.1)
<b>Total current assets</b>	<b>261.9</b>	<b>59.8</b>	<b>218.4</b>	<b>47.2</b>	<b>83.4</b>	<b>(43.5)</b>
<b>Fixed assets:</b>						
<b>Property, plant, and equipment:</b>						
Buildings	37.7		<b>36.9</b>		98.0	(0.7)
Land	10.5		<b>10.0</b>		95.5	(0.5)
Others	21.1		<b>19.9</b>		94.2	(1.2)
<b>Total property, plant, and equipment</b>	<b>69.3</b>	<b>15.8</b>	<b>66.8</b>	<b>14.4</b>	<b>96.5</b>	<b>(2.4)</b>
<b>Intangible assets:</b>						
Software	6.5		<b>7.6</b>		117.0	1.1
Patents, telephone rights and others	0.4		<b>0.5</b>		111.4	0.1
<b>Total intangible assets</b>	<b>6.9</b>	<b>1.6</b>	<b>8.1</b>	<b>1.8</b>	<b>116.6</b>	<b>1.1</b>
<b>Investments and other assets:</b>						
Investments in securities	5.1		<b>74.4</b>		1,447.4	69.3
Investments in subsidiaries	46.9		<b>42.0</b>		89.6	(4.9)
Funds designated for severance payment:	21.7		-		-	(21.7)
Insurance reserve	-		<b>24.9</b>		-	24.9
Deferred tax assets	11.4		<b>16.5</b>		145.3	5.1
Other investments	16.5		<b>12.9</b>		78.1	(3.6)
Allowance for doubtful receivables	(1.4)		<b>(1.5)</b>		102.5	(0.0)
<b>Total investments and other assets</b>	<b>100.2</b>	<b>22.8</b>	<b>169.3</b>	<b>36.6</b>	<b>169.0</b>	<b>69.1</b>
<b>Total fixed assets</b>	<b>176.4</b>	<b>40.2</b>	<b>244.2</b>	<b>52.8</b>	<b>138.4</b>	<b>67.8</b>
<b>Total assets</b>	<b>438.3</b>	<b>100.0</b>	<b>462.6</b>	<b>100.0</b>	<b>105.5</b>	<b>24.3</b>

### <Explanation>

#### Cash and time deposits

< Increase Factor(s) >

- Increase in operating income

#### Accounts receivable-trade

< Increase Factor(s) >

- Increase in industrial property rights, etc. income

#### Short-term investments

< Decrease Factor(s) >

- Reclassification of certain available-for-sale securities to

Investments in securities

#### Deferred tax assets

< Increase Factor(s) >

- Increase in accrued enterprise taxes

#### Property, plant and equipment

< Decrease Factor(s) >

- Depreciation more than investment

#### Investment in securities

< Increase Factor(s) >

- Reclassification from short-term investments
- Insurance reserve
- Reclassification from funds designated for severance payments

#### Deferred tax assets

< Increase Factor(s) >

- Transitional obligation for employees' retirement benefits

## <Liabilities And Shareholders' Equity>

(billions of yen)

## <Explanation>

Years Ended March 31	2000		2001	Chg.	Change
		%		%	%
<b>Current liabilities:</b>					
Notes payable-trade	0.8		<b>0.9</b>	114.4	0.1
Accounts payable-trade	7.9		<b>7.2</b>	90.3	(0.8)
Current portion of straight bonds	10.0		<b>10.0</b>	100.0	-
Current portion of long-term borrowing	1.0		-	-	(1.0)
Other accounts payable	10.0		<b>18.9</b>	188.9	8.9
Accrued income taxes	7.6		<b>21.8</b>	285.7	14.1
Consumption tax payable	0.8		<b>1.5</b>	184.5	0.7
Accrued expenses	14.3		<b>13.5</b>	94.3	(0.8)
Reserve for rebates of sales	0.7		<b>0.6</b>	81.1	(0.1)
Other reserves	1.0		<b>0.8</b>	81.8	(0.2)
Other current liabilities	3.1		<b>2.9</b>	95.2	(0.1)
<b>Total current liabilities</b>	<b>57.2</b>	<b>13.1</b>	<b>78.0</b>	<b>136.3</b>	<b>20.8</b>
<b>Long-term liabilities:</b>					
Straight bonds	10.0		-	-	(10.0)
Convertible bonds	5.5		<b>5.5</b>	99.9	(0.0)
Retirement allowances	27.9		-	-	(27.9)
Liability for retirement benefits	-		<b>28.7</b>	-	28.7
Retirement allowances for board of directors	1.9		<b>1.7</b>	88.8	(0.2)
Provision for loss on investment in subsidiary	0.8		<b>1.0</b>	127.3	0.2
<b>Total long-term liabilities</b>	<b>46.1</b>	<b>10.5</b>	<b>36.8</b>	<b>79.9</b>	<b>(9.3)</b>
<b>Total liabilities</b>	<b>103.3</b>	<b>23.6</b>	<b>114.8</b>	<b>24.8</b>	<b>11.5</b>
<b>Shareholders' equity:</b>					
Common stock	44.9	10.2	<b>44.9</b>	9.7	0.0
Additional paid-in capital	55.1		<b>55.1</b>	100.0	0.0
Legal reserve	6.8		<b>7.5</b>	109.6	0.7
Retained earning for reduction of assets cost	0.1		<b>0.1</b>	99.3	(0.0)
<b>Retained earnings:</b>					
General reserve	198.9		<b>218.9</b>	110.1	20.0
Unappropriated retained earnings for the period	29.1		<b>20.3</b>	69.6	(8.8)
Net realized gains on available-for-sale securities	-		<b>1.0</b>	0.2	1.0
<b>Total Shareholders' equity</b>	<b>335.0</b>	<b>76.4</b>	<b>347.8</b>	<b>103.8</b>	<b>12.8</b>
<b>Total Liabilities and shareholders' equity</b>	<b>438.3</b>	<b>100.0</b>	<b>462.6</b>	<b>105.5</b>	<b>24.3</b>

### Accrued income taxes

- < Increase Factor(s) >
- Increase in operating income

### Liability for retirement benefits

- Reclassification of retirement allowance

### Unappropriated retained earnings for the period

- Application of tax-effect accounting impact in the previous period

## 2 . Capital Expenditures and Depreciation/Amortization

Years Ended March 31	1999	2000	2001	2002(e)
Capital expenditures	7.4	10.2	<b>10.4</b>	19.0
Property, plant and equipment	7.0	7.7	<b>7.2</b>	14.0
Intangible assets	0.3	2.5	<b>3.2</b>	5.0
Depreciation/Amortization	9.5	11.1	<b>10.7</b>	11.5

Note: Depreciation/amortization includes property, plant and equipment as well as intangible assets.

# I. Major R&D Pipeline Candidates

## <JAPAN>

### 1-1 . APPROVED (Includes additional form)

Product Name (Research Code)	Description	Approved	Form.	Origin
ARICEPT (E2020)	Alzheimer's Disease/Acetylcholinesterase Inhibitor	Mar.01	Fine	In-house
(Additional form)	Alzheimer's disease treatment in a convenient dosage formulation for elderly patients.		Granules	

### 1-2 . FILED FOR APPROVAL (Includes additional form)

Product Name (Research Code)	Description	Application	Form.	Origin
MYONAL	Muscle Relaxant	Mar.97	Transdermal	In-house
E2000 (Additional form)	Absorption after topical application has been shown to relieve central nervous skeletal muscle spasticity to mitigate muscle stiffness and pain from poor circulation, and can be expected to improve various symptoms of muscle tension.			
E7155	MRI Contrast Medium	Mar.00	Inj.	Bracco
	A gadolinium contrast medium for magnetic resonance imaging which increases the contrast of lesions in many tissues, achieving a particularly high contrast in hepatic lesions.			

### 1-3 . PHASE III PRODUCTS (Includes additional indication development)

Product Name (Research Code)	Description	Expected Application	Form.	Origin
T-614	Anti-rheumatic Agent	2002	Tab.	Toyama Chemical
	Inhibits lymphocyte proliferation and immunoglobulin production by suppressing the production of inflammatory cytokines. Expected to improve chronic rheumatoid arthritis.			
E6010 (Additional indication)	Pulmonary Embolism Treatment	2001	Inj.	In-house
	A novel second generation type of t-PA with a structure modified utilizing gene recombinant techniques. The first t-PA indicated for the treatment of pulmonary embolism with orphan drug status.			
E3810 (Additional indication)	GERD Maintenance/Proton Pump Inhibitor	2001	Tab.	In-house
	The compound has already been approved for the treatment of peptic ulcers in Japan and is Phase III clinical trials for GERD Maintenance.			

## 1-4 . PHASE II (Includes additional indication development)

Research Code	Description	Form.	Origin
E3620	Gastrointestinal Motility/5-HT <sub>3</sub> Receptor Antagonist/5-HT <sub>4</sub> Receptor Agonist  Serotonin type 3 receptor antagonist and type 4 receptor agonist under development for GI motility. Improves diarrhea and the sense of fullness and anorexia associated with chronic gastritis, and irritable bowel syndrome.	Tab.	In-house
KES524	Obesity Management/Serotonin & Noradrenaline Reuptake Inhibitor  Inhibits the reuptake of neurotransmitters such as noradrenaline and serotonin, and enhances the feeling of satiety and metabolic rate resulting in a loss of body weight.	Cap.	Knoll
E6010 (Additional indication)	Cerebral Embolism Treatment  A novel second generation type of t-PA with a structure modified utilizing recombinant techniques. The first t-PA expected to become indicated for the treatment of cerebral embolism.	Inj.	In-house

## 2. INTERNATIONAL DEVELOPMENT

### 2-1. APPROVED (Includes additional indication development)

Product Name (Research Code)	Area	Date	Description	Form.	Origin
PARIET E3180 (Additional indication)	EU	From Oct-00	<i>H. pylori</i> eradication (In combination with antibiotics ) The compound has already been approved for the treatment of peptic ulcers and has now received agreement for approval from all 15 EU countries.	Tab.	In-house

### 2-2. FILED FOR APPROVAL (Includes additional indication development)

Product Name (Research Code)	Area	Date	Description	Form.	Origin
PARIET	EU	Feb. 01	Symptomatic gastroesophageal reflux disease/Proton Pump Inhibitor	Tab.	In-house
ACIPHEX E3180 (Additional indication)	US	Apr. 01	The compound has already been approved for the treatment of peptic ulcers and has been submitted for approval for symptomatic gastroesophageal reflux disease.		

### 2-3. PHASE III (Includes additional indication development)

Product Name (Research Code)	Area	Description	Form.	Origin
ACIPHEX E3810 (Additional indication)	U.S.	<i>H. pylori</i> Eradication  The compound has already been approved for the treatment of peptic ulcers in Japan, Europe, and the U.S. Phase III trials are ongoing for <i>H. pylori</i> eradication utilizing a triple therapy regimen.	Tab.	In-house
ARICEPT E2020 (Additional indication)	U.S.	Dementia with Cerebral Vascular Disease  Currently approved for the treatment of mild to moderate Alzheimer's disease, E2020 is now in Phase III trials for the treatment of dementia with cerebral vascular disease.	Tab.	In-house
ARICEPT E2020 (Additional indication)	U.S.	Severe Alzheimer's disease  Currently approved for the treatment of mild to moderate Alzheimer's disease, E2020 is now in Phase III trials for the treatment of severe Alzheimer's disease.	Tab.	In-house

## 2-4. PHASE II (Includes additional indication development)

Code	Area	Description	Form.	Origin
E5531	U.S.	Septic Shock/Endotoxin Antagonist A synthetic endotoxin antagonist that is effective against various forms of gram negative endotoxins.	Inj.	In-house
ARICEPT E2020 (Additional indication)	U.S.	Attention Deficit/Hyperactivity Disorder Currently approved for the treatment of mild to moderate Alzheimer's disease, E2020 is now in Phase II trials for the treatment of attention deficit/hyperactivity disorder.	Tab.	In-house
E7070	U.S. EU	Anti-cancer / antimetabolic agent The compound promotes apoptosis in the G1-cell cycle stage. This is the first compound to exhibit this mechanism of action in anti-cancer treatment.	Inj.	In-house
E5564	U.S.	Septic Shock/Endotoxin Antagonist A back-up compound, to E5531 with the same mode of action. A synthetic endotoxin antagonist effective against various forms of negative endotoxins. Presently there are no effective compounds approved for the treatment of septic shock.	Inj.	In-house

## 3. Licensed-In Compounds

Area (Research Code)	Territory	Date	Description	Form.	Origin
GI (E3309) (Change from TKS1044)	Worldwide	Aug. 2000	<i>H. pylori</i> eradication/anti-infective for upper digestive tract.	Oral	Teikoku Chemical
CNS (E2014)	Japan	Sep. 2000	Cervical dystonia agent/botulinum toxin type B	Inj.	Elan

## II. Principal New Products

### 1. Eisai

#### <CONSUMER HEALTH CARE PRODUCTS>

Product Name	Launch	Product Description
CHOCOLA BB FRESH	Apr-00	A vitamin B <sub>2</sub> drink product sold in pharmacies, drug stores, and convenience stores. Nutritional supplement in times of physical exhaustion and fatigue.
SACLON CHEWABLE	Jun-00	Easily chewable and has a pleasing mint flavor. When water is not available, Saclon Chewable offers relief from upset stomach and stomach queasiness.
CHOCOLA BB PURE	Jul-00	Contains vitamin B <sub>2</sub> that assists in the metabolism of fat and also contains vitamin C that assists in the recovery of skin wounds and rough skin. Vitamin B <sub>2</sub> , the principal ingredient, is effective for the alleviation or relief of symptoms associated with pimples and rough skin. And for usage as a nutritional supplement in times of physical exhaustion.
SAHNE MOIST GEL	Sep-00	Contains natural vitamin E and glycyrrhizinate dipotassium (an anti-inflammatory agent). After application, Sahne MOIST GEL is quickly absorbed by the skin and provides a dry skin moisture feeling.
BREATHE RIGHT NASAL STRIPS	Oct-00	Adhesive nasal strips with plastic bands worn on the nose. Two bands of plastic in the nasal strip attempt to straighten gently lifting the nostrils and improves nasal breathing by approximately 30%.
JUVELON	Dec-00	Contains well-balanced combinations of vitamins E and C and calcium as well as vitamins B1, B2, and B6 which assist in energy metabolism and is an excellent nutritional supplement in times of unbalanced diet, loss of appetite, and physical fatigue.
UBITEN S	Jan-01	Contains as an active ingredient ubidecarenone which plays an important function in the production of the body's energy. The ingredients in UBITEN S serve to efficiently produce energy to improve heart function, alleviate palpitations, and shortness of breath.

### 2. Sanko Junyaku

#### <DIAGNOSTIC PRODUCTS>

Product Name	Listing/Launch	Product Description
PICOLUMI K L - 6	Dec-99 Apr-00	A diagnostic product to specifically detect sialy antigen KL-6 in patient serum with interstitial pneumonia via electrochemical luminescence. It is useful for monitoring therapeutic efficacy and prognosis of interstitial pneumonia.
PICOLUMI C A/R F	Mar-00 Jun-00	A diagnostic product to specifically detect agalactosyl IgG antibody via electrochemical luminescence and also provides an alternative test for diagnosing early rheumatoid arthritis.
FINOSCHOLAR•hTAU	Not NHI Listed Jan-01	An enzyme linked immuno-sorbent assay kit that detects abnormal metabolism of Tau protein in cerebrospinal fluid and is beneficial in assisting in the diagnosis of Alzheimer's disease.