

May 22, 2002

March 2002 Financial Results

Current business performance

Management plans for the next term

Update on main products

Kyorin Pharmaceutical, Co., Ltd.

March 2002 financial results (consolidated)

Consolidated sales rose to an all-time high of ¥62.3 billion (+11.8% yoy) supported by the strong performance in pharmaceuticals both in Japan and abroad, specifically due to the contribution by the launch of new drug Kipres and an increase in exports of Gatifloxacin bulk. Recurring profits also rose to an historic high of ¥12.2 billion (+24.8% yoy), while net profit rose to ¥4.1 billion (+39.5% yoy).

Parent company sales, recurring profit and net profit rose to ¥61.1 billion (+11.8% yoy), ¥11.8 billion (+24.1% yoy) and ¥3.7 billion (+35.2% yoy), respectively.

In the March 2003 term, in view of the launch of Gatifloxacin in Japan and full-term sales of Kipres, it is expected that the consolidated sales, recurring profit and net profit will reach ¥76.3 billion (+22.3% yoy), ¥17.9 billion (+46.6% yoy) and ¥7.0 billion (+70.0% yoy), respectively, despite of the NHI price revision (8.2%).

	3/99	3/00	3/01	3/02	yoy	Cons./ Parent	3/03	yoy
Sales	46,932	52,776	55,832	62,395	11.8%	1.02	76,300	22.3%
Op profit	6,366	8,646	9,049	11,961	32.1%	1.01	17,600	47.2%
Rec profit	6,687	8,795	9,786	12,210	24.8%	1.03	17,900	46.6%
Net profit	2,325	4,310	2,951	4,117	39.5%	1.09	7,000	70.0%
EPS	40.41	74.89	51.27	60.55 (*)			81.27	70.0%
Ttl assets	112,007	117,606	125,476	134,472	7.2%	1.07		
Sh/s eq	92,547	97,868	99,750	102,356	2.6%	1.03		

(*) Split par value common stock from 1.0 to 1.5 on Nov. 20th, 2001.

March 2002 financial results (parent co.)

Units = ¥ millions

	3/01	3/02
Sales	54,671	61,131
Pharm (Jpn)	42,859	45,626
Pharm (Exp)	8,646	12,127
Other	3,166	3,378
Op profit	8,980	11,865
Rec profit	9,524	11,816
Net profit	2,800	3,785

Main Points of March 2002

- Sales 61.131 billion (up 6.5 billion)
 - Pharmaceutical sales in Japan (up 2.8 billion)
 - New drugs
 - Kipres 0 3.1bil
 - Main products
 - Mucodyne 16.1bil 17.5 bil
 - Ketas 7.5bil 7.5 bil
 - Pentasa 4.0bil 4.5bil
 - revenue from contract lump sum (Pekiron nail lacquer cream)
 - Pharmaceutical sales overseas (up 3.5 billion)
 - Increase in exports of Gatifloxacin bulk 5.5 bil 9.8 bil
 - Other (up 0.2 billion)

- Recurring profit 11.816 billion (up 2.3 billion)
 - Recurring profit margins of 19.3%, up 1.9% points
 - COGS ratio fell 1.2% points
 - Contract lump sum and increase of royalties
 - Cost reduction of Gatifloxacin (purchase in bulk)
 - SGA ratio decreased 1.8% points due to sales increase
 - * Reasons for rise of SGA itself:
 - Pre-marketing expense of Gatifloxacin in Japan
 - Initial marketing expense of Kipres
 - Depreciation of the loss from pension operation (about 0.3 billion)

- Net profit 3.785 billion (up 1.0 billion)
 - Loss from valuation of investment securities (about 0.5 billion)
 - Amortization of debt of retiring benefits (about 3.1 billion)

- Dividend distribution 15.00 (Before stock split : 7.50, After stock split: 5.00 7.50)

March 2003 financial outlook (parent co.)

Units : ¥ millions

	3/02(actual)	3/03(estimate)
Sales	61,131	75,000
Pharm (Jpn)	45,626	60,400
Pharm (Exp)	12,127	11,100
Other	3,378	3,500
Op profit	11,865	17,600
Rec profit	11,816	17,800
Net profit	3,785	6,900

Main points in March 2003

- Sales 75.0 billion (up 13.9 billion)
 - Pharmaceutical sales in Japan (up 14.8 billion)
 - New drugs
 - Kipres 3.1bil 7.5 bil
 - Gatiflo 0 10.0 bil (Kyorin only)
 - *including revenue from contract lump sum
 - Main products
 - Mucodyne 17.5 bil 17.7bil
 - Ketas 7.5bil 10.0 bil
 - Pentasa 4.5bil 5.0 bil
 - Negative impact
 - NHI price revision (8.2%)
 - Pharmaceutical sales overseas (down 1.0 billion)
 - Decrease in exports of Gatifloxacin bulk 9.8 bil 8.0 bil
 - Other (up 0.1 billion)
 - Milton 2.9 bil 3.0 bil
- Recurring profit 17.6 billion (up 6.0 billion)
 - Recurring profit margins of 23.7%, up 4.4% points
 - Decrease of COGS ratio
 - Launch of low-COGS Gatiflo in Japan
 - Start operation of Noshiro factory
 - Decrease of SGA ratio due to increase of sales and further cost control
 - *Reasons for rise of SGA itself:
 - Active investment in R&D (up about 1.8 billion)
 - Increase of selling expense to launch new drugs
- Net profit 6.9 billion (up 3.1 billion)
 - Final year of the amortization of debt of retiring benefits
- Dividend 15.00 planned

Development/marketing status of Gatifloxacin

Region (licensees)	Launch Plans					Alliances, etc.
	Tablets	IV	Pediatric	Eye drops	Ear drops	
Japan Kyorin Pharmaceutical Co.,Ltd.	Approval Launch 1H 3/02	Ph	Act after launch of tablets	Senju Pharm Ph Application 3/02	Preparing	Sales agreement with Dainippon Pharma- ceutical in Dec 2000
US BMS	Launched Dec 99	Launched Ph	/ (Ph now)	Allergan Ph Application In 2002	Considering licensing partner	BMS started co- promotion with Schering-Plough in March 2000
EU Grünenthal	Approval in Germany	Ph / Oct 01				Launch in November 2001 (Germany, Chile)

Status and projection of Gatifloxacin in Japan

1) Launch estimate : beginning June 2002

2) Outlook for sales (first year and peak)

3/03 forecast

¥10 billion *Kyorin only

3/03 forecast

10% market share

Peak

20% market share

* Market share in sales by co-sales(oral antibacterial agents for adults)

Peak expected 3 or 4 years after launch

3) Marketing Strategy

Tendency toward first choice for main infectious diseases

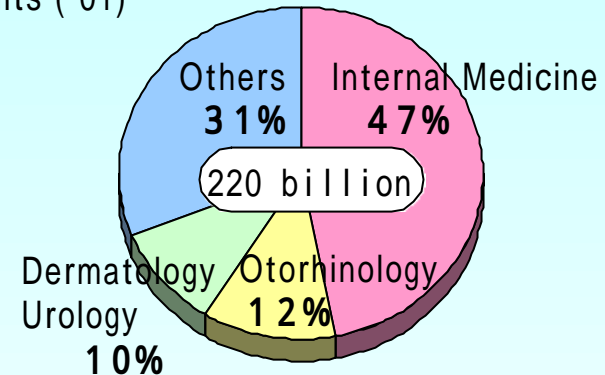
- Expand prescription to chronic respiratory tract infections and infectious diseases in lower airway as drugs suitable for empiric therapy (medical treatment based upon clinical trials and academic proofs) for respiratory tract infection.

Improve early recognition using co-marketing

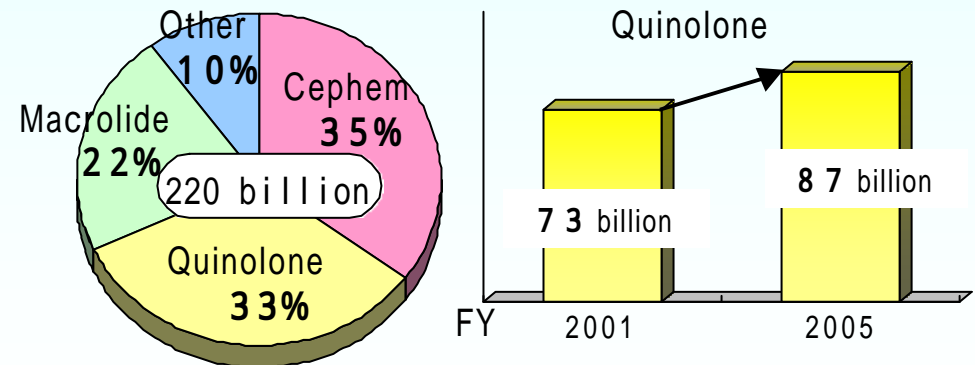
- Promote recognition at academic institution, early recognition and immediate establishment of evaluation by medical specialists.

< Reference data >

(1) Departmental sales on oral antibacterial agent for adults ('01)



(2) Categorical sales on oral antibacterial agent for adults ('01)



Market of oral antibacterial agents has contracted for last 5 years.

Market of Quinolone expected to grow by 15%-20%

Status and projection of Gatifloxacin in overseas

1 . Countries already launched

(1) Number of the counties : 17

Mexico, Puerto Rico, US, Brazil, Argentine, Thailand, Singapore, Australia, Philippines, South Africa, Canada, Indonesia, Guam, Chile, Germany, Vietnam, Malaysia

2 . Status overseas

(1) Sales

	3/01	3/02	3/03 (forecast)
BMS (\$mil)	131	320	230 ~ 250
Gru (Euro mil)		2	15

Reason for decrease in exports of Gatifloxacin

Sales decrease of BSM(US) due to excess stock
restraint in prescription by labeling change
denote blood sugar change in warnings

(2) Status in EU (countries where Gatiflo will launch during fiscal 2002) :

Switzerland, Netherlands, Austria, France, Italy, Spain, Portugal, Luxembourg, Finland, Iceland

3 . Exports

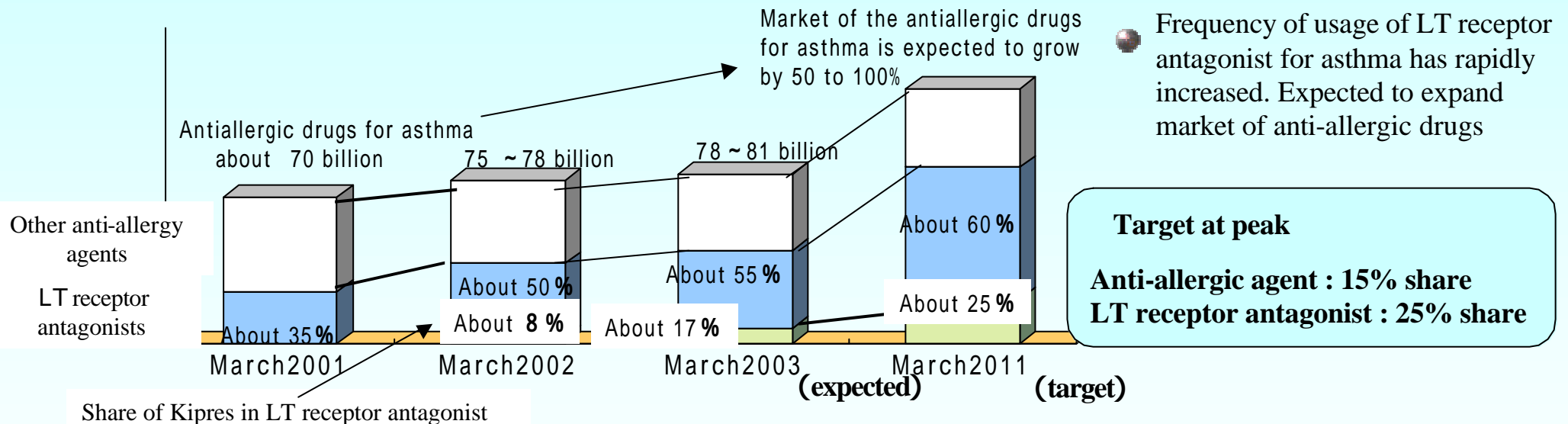
	3/99	3/00	3/01	3/02	¥ billion 3/03 (forecast)
Gatifloxacin	0	2.7	5.5	9.8	8.0
Exports	4.8	6.9	8.6	12.1	11.1

Update on Kipres

1) Sales

3/02	3/03(expected)
¥3.1 billion	¥7.5 billion

2) Market potential on anti-allergy agents and LT receptor antagonists



3) Marketing Strategy

Promote target marketing

Expand prescription by permission of long-term prescription

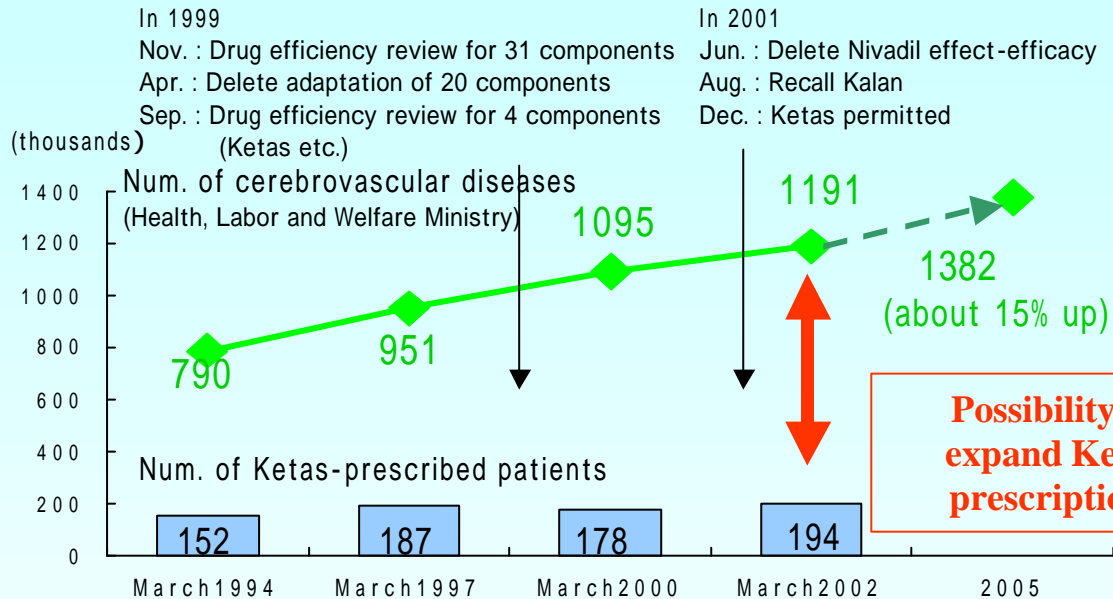
(more than 30 days administration, possible from Sept. 2002)

Appeal usefulness and differentiation

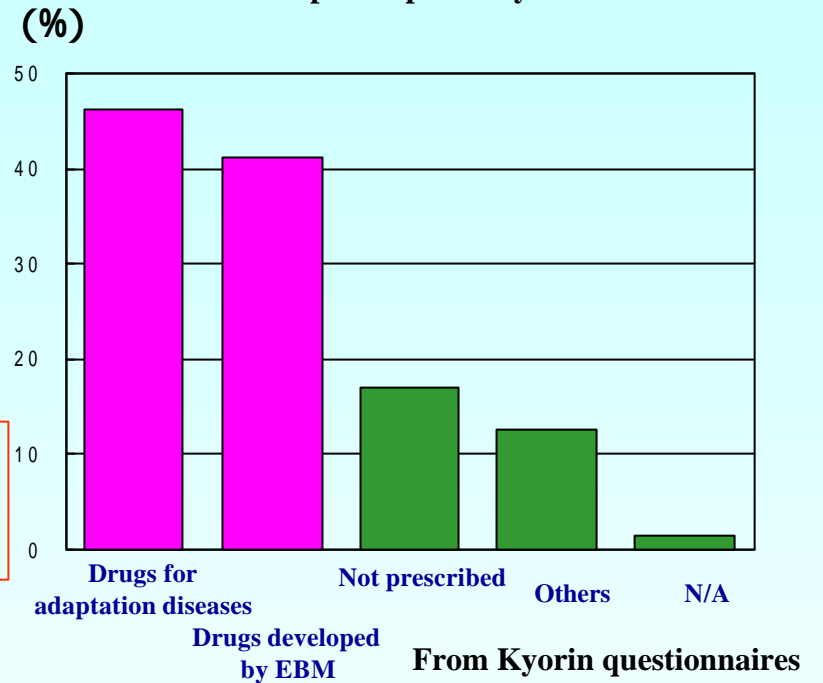
(Daily administration, effects of simultaneous use with steroid drugs)

Outlooks of Ketas Capsule 10mg

1. Historical data on the number of Ketas-prescribed patients and patients of cerebrovascular diseases



Ketas prescriptions by doctors



2. Competitive products : Used as cerebral circulation improver
 • Ketas • Sermion(Tanabe) • Cerocral(Aventis)

3. Target 10 billion (3/03)

4. Promotion

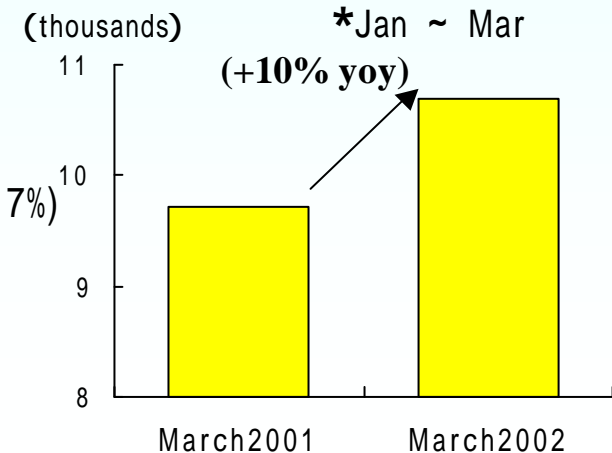
1) Enlarge market of drugs for cerebrovascular diseases

- Appeal the effectiveness of Ketas (Ketas vs placebo = 50% : 18.7%)
- *Publish papers in specialty journals

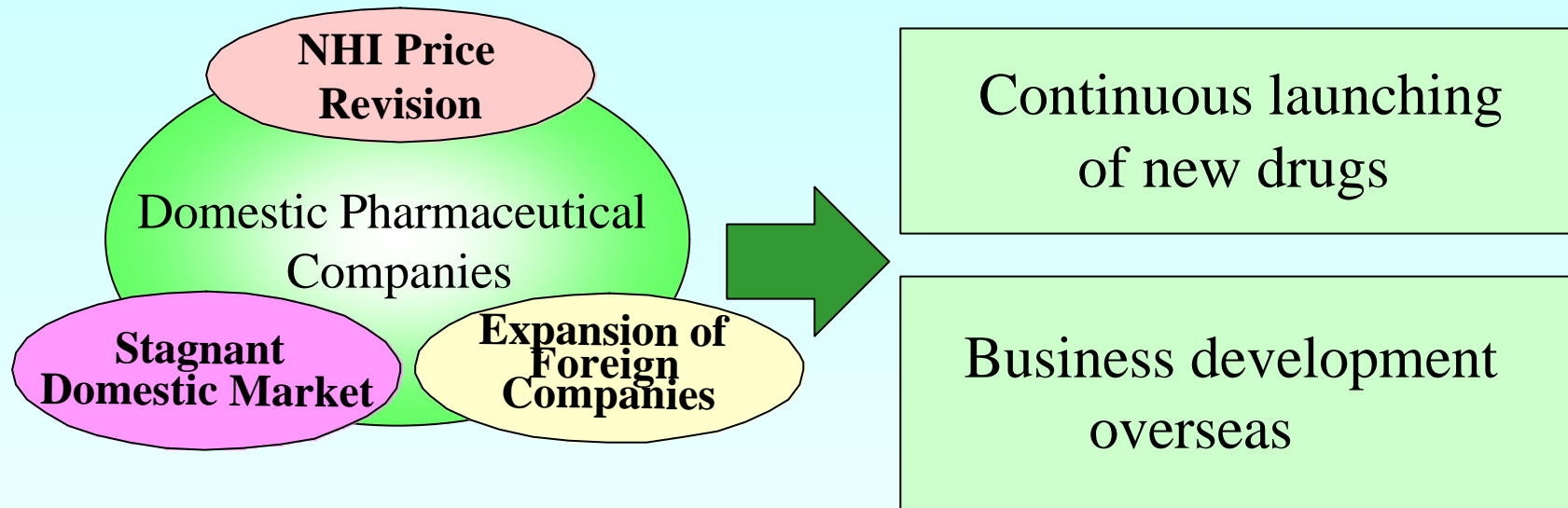
2) Increase number of new requirement contracts

- HP layer : Consider multi-center trials
- GP layer : Cooperate with distributors, use rental MS

No of requirement contracts of Ketas (GP Layer)



Adapt to changing circumstances: Becoming a leading company in the 21st century



- Acceleration in the struggle for existence
- Polarization in earnings between major and minor companies
- Possible reorganization of pharmaceutical industry

Kyorin Pharmaceutical Co., Ltd.

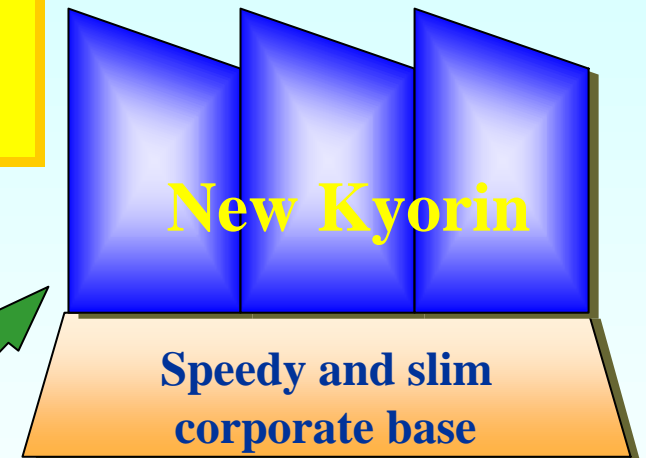
Seeking large-scale reform (i.e. MIC-'05 Plan) for survival

Progress of Kyorin MIC Plan

Start MIC-'05 plan in 3/02 to realize the New Kyorin: Research-oriented company of world class for new drugs in franchise marketing fields

Kyorin MIC Plan

Create promising infrastructure and dynamic corporate culture based on keywords: marketing, innovation and challenge



Target M I C -'02 Plan

Sales	65 billion
Rec. profits margins	: 25%
ROE	7%
SGA ratio	46%

M I C -'02

Destruction

M I C -'05

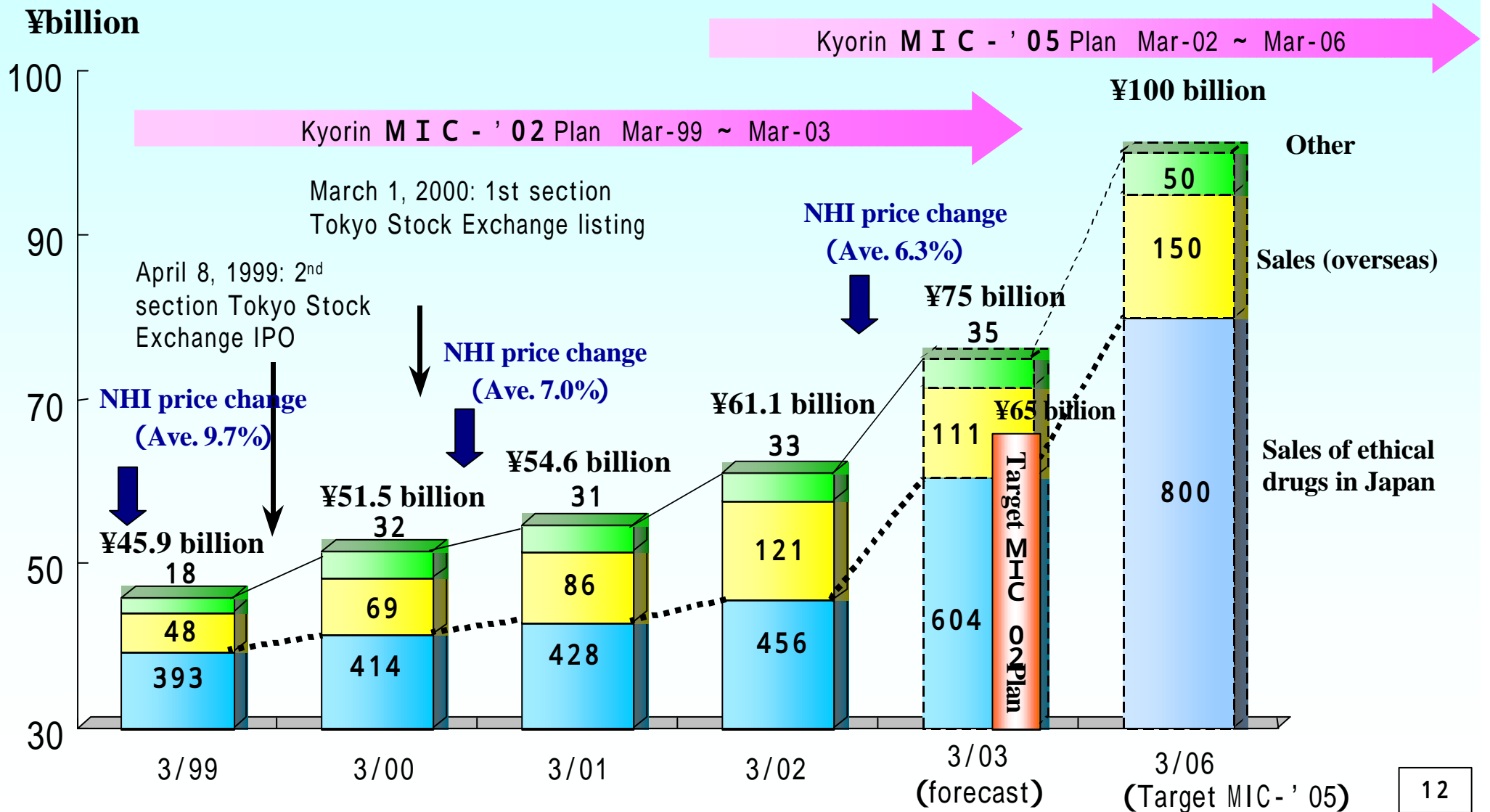
Evolution

Target M I C -'05 Plan

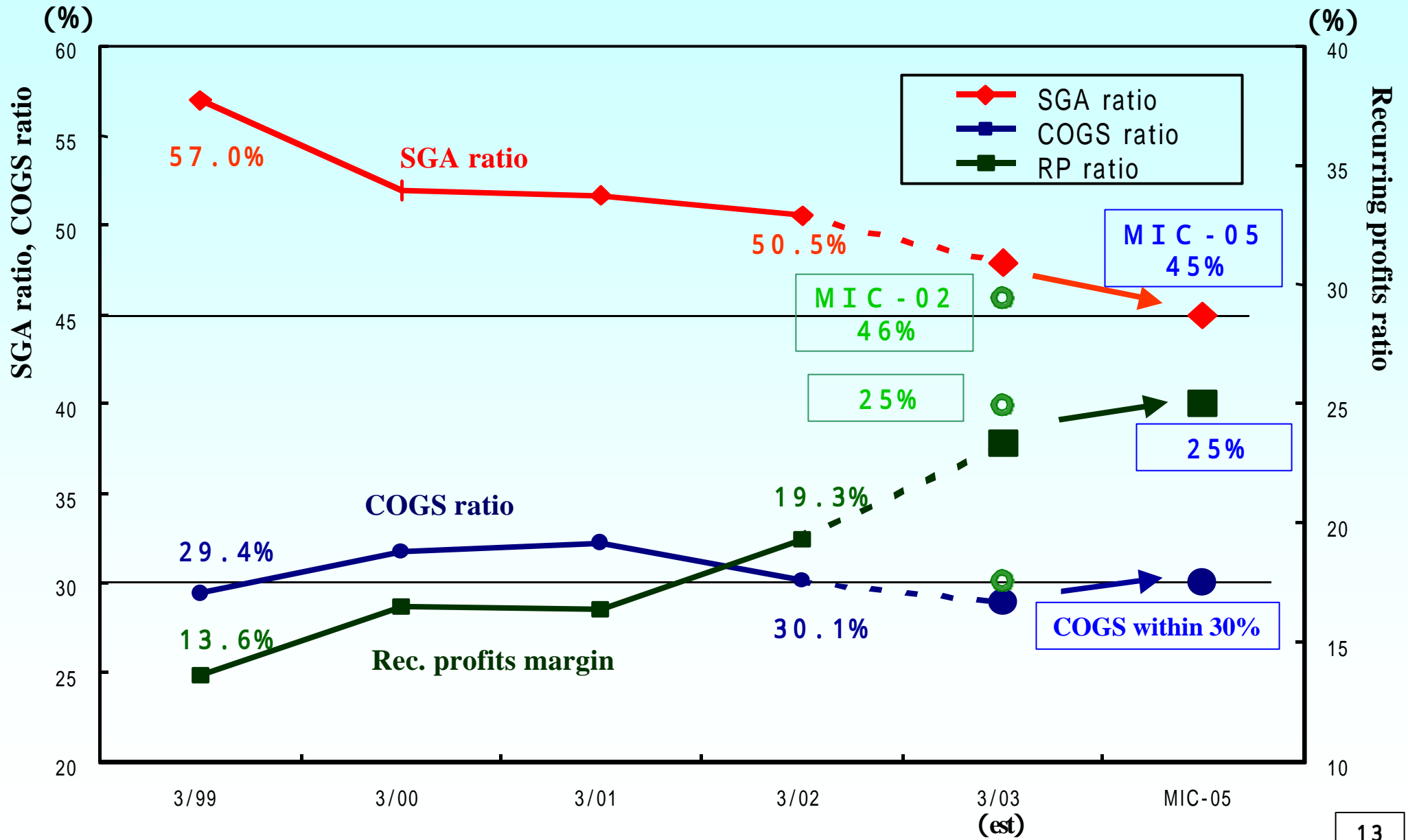
R&D	: 15 billion
Sales	: 100 billion
Recurring profits margin	: 25%
Number of employee	: 1,700
Productivity per employee	: about 60 million/year



Performance (parent basis) after IPO



Management indicators (parent company)



Kyorin fights its “Battle at Okehazama” this term

Battle of Okehazama: In 1560, Nobunaga Oda, a small warlord with just 3,000 soldiers, defeated the mighty Imagawa army of 25,000 at the Battle of Okehazama, going on eventually to rule Japan

**Tackle reformation and grow to
seize the chance in a million and make quantum leaps**

**Dramatic rise of new Kyorin
A leading company
ready for the 21st century**



Kyorin management policy FY 3/03

Basic policy

Evolution and creation: Establishment of new enterprise value
“Seize the chance for victory”

Basic measures

- 1 . Expand R&D infrastructure and facilitate new drug development**
- 2 . Promote FC (franchise customer) strategy with break through new drugs that eliminates negative effects of NHI price revisions**
- 3 . Enhance pipeline and grow overseas infrastructure**
- 4 . Thorough implementing of efficient management**

Basic measure - 1

1 . Expand R&D infrastructure and promote new drug creation

Expand R&D networks to strengthen infrastructure of search for lead compounds

- Aggressive investment to expand R&D network
- Promote KSRL / Promote co-research with venture start-ups

This year, broaden research network in metabolic diseases

Accelerate and strengthen systems at the lead optimization stage

- Establish structure to stage up two themes to POC per year

*POC: “Proof of Concept”. Confirm and review developmental concepts proven in Ph I, Ph IIa

Challenge notion: eleven years to market (creation to application)

- Execute Ph I, IIa tests overseas Proof of Concept based on lead-optimized projects, and conduct aggressive development in Japan

At least two drugs expected (N-5984, pre-clinical drugs)

- Improve efficiency in R&D through “Project for drugs efficiency” (PM system, Unit system for clinical development and documentation management)

Basic measure - 2

2 . Promote FC (franchise) strategy with exciting new drugs that offset negative effects of NIH price revisions

Strengthen business resources to grow sales

Thorough implementation of target marketing

Focus resources on three franchise fields (FC3), external resources for compensation

- Increase alliances with distributors, cooperate with co-marketing makers
- 100% interview with FC3 doctors
- Target 60% FC3 sales

Aggressive action for post-marketing studies [e.g. EBM, Ph b (Additional indication, additional formulation, new mode of actions)]

Basic measure - 3

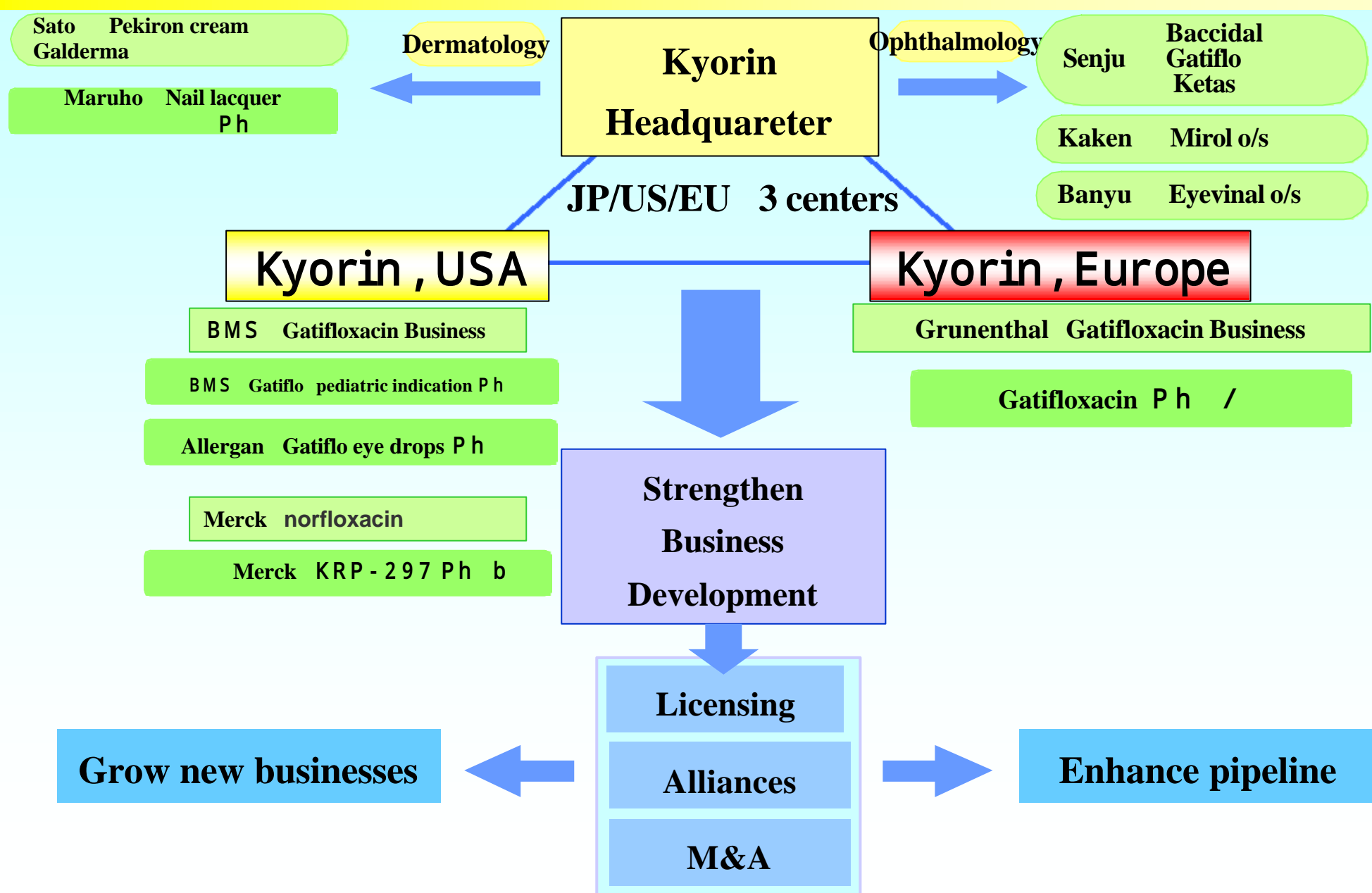
3 . Enhance pipeline and grow infrastructure overseas

Introduce new drugs to develop pipeline, build alliances

- Introduce new drugs which Kyorin can set in clinical development immediately

Start Kyorin Europe and obtain concrete results from Kyorin USA

Enhance pipeline, grow infrastructure overseas



Basic Item – 4

4 . Thorough implementing of efficient management

Initiate general design of future production frame

Address cost reductions

Make indirect departments slimmer, more efficient

Main R&D activities (3/31/02)

Stage	Compound/Code	Efficacy	Origin	Features	Comments
Approval (4/02)	GATIFLO Tablets	Broad spectrum synthetic anti-bacteria agent	In-house	Effective against respiratory pathogens including resistant-strains. Good bioavailability. Orally shows same hemoglobin profile as IV	US: Licensed to BMS EC: Licensed to Grünenthal Japan: MOU marketing agreement with Dai Nippon (12/00)
NDA (2/02)	N - 3389 Tablets	Anti-emetic agent	Nisshin Flour Milling	5-HT3 and 5-HT4 dual antagonist	Developed with Nisshin Flour Milling (niss in pharma) NDA by Nissin-kyorin
NDA (11/01)	Maxalt Tablets Wefar tabs	Migraine headache remedy	Merck (US)	Strong 5HT _{1B/1D} agonist. Early onset of action after administration to Magraine attack. Improvement for recurrent cases.	Exclusive marketing right to Kyorin. Development in Japan was taken Over by Kyorin who filed to the Authorities
Ph	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	Agreement with Maruho for joint development (11/01)
Ph	KRP - 197 Tablets	Urinary incontinence treatment	In-house	Potent anti-cholinergic agent, little dry mouth	UK: Phase I (Outsource to CRO) Japan: Agreement with Ono Pharm for joint development and sales
Ph	Montelukast (KIPRES 4mg Tablets)	Anti-bronchial asthma agent	Merck (US)	Newly produced for children 2 to 5 yrs	Add 4 mg tablets Change use and dosage
Ph	KRP - 297 Tablets	Insulin sensitizer	In-house	Improves insulin resistance and lipid abnormality of Type 2 diabetes	US: Licensed to Merck (9/99) Japan: developed with Banyu
Ph	GATIFLO Intravenous	Broad spectrum synthetic anti-bacteria agent	In-house		Added formulation
Ph	N - 5984 Tablets	Anti-diabetes agent Anti-obesity	Nisshin Flour Milling	A potent and selective α -3 AR agonist. The reduction of plasma glucose, insulin, TG and FFA, and the improvement of glucose tolerance.	Developed with Nisshin Flour Milling

Main R&D activities (3/31/02)

Other products (one change approved)

Stage	Compound/Code	Efficacy	Origin	Characteristics	Comments
NDA (12/01)	Mucodyne DS	Bronchial mucous disorders	Joullie In-house developed	Partially dissolved to improve efficacy. Produced in peach flavor for children	Changed to prescription Pediatric use Adult use: National Drug Prices listed on 7/6/01

Licensing developments

	Code	Licensee	Stage	Efficacy	Origin	Comments
Exports	Gatifloxacin Tablets	Grünenthal	Approval Germany (10/01)	Synthetic antibacterial agent	In- house	Launch in 11/01
	Gatifloxacin Intravenous	Grünenthal	Ph /	Synthetic antibacterial agent	In- house	
	Gatifloxacin Eye Drops	Allergan	Ph III (USA)	Synthetic antibacterial agent	In- house	Provide R&D, production and sales rights worldwide except Japan, China, Korea, Taiwan
		Senju Seiyaku	Ph III (Japan)			Provide R&D, production and sales rights in Japan
KRP - 297	Merck	Ph b (US)	Insulin sensitizer	In- house	Provide R&D, production and sales rights worldwide except Japan, China, Korea, Taiwan	

Growth in new businesses: update

1. Update on Bistner business fund

- Start: September 2000
- Investment: ¥5 billion (of which ¥2 billion invested during first year)
- Focus: Pharmaceuticals, healthcare, daycare, health

Invested companies

Focus	Companies invested	Business
Pharmaceuticals New drugs derived from genome etc.	2	<ul style="list-style-type: none"> • Sterilizer / disinfectant for poultry use • Developing treatments for viral pneumonia and rheumatism
Medical-care Alternative and/or reproductive medicine, and IT	4	<ul style="list-style-type: none"> • Dentist delivery (to daycare, nursing homes) <p style="text-align: right;">ETC</p>
Nursing Facilities, Daycare at home, Related products	1	<ul style="list-style-type: none"> • Organic waste management (lavatories for nursing use) <p style="text-align: right;">ETC</p>
Facilities, Daycare at home, Related products	6	<ul style="list-style-type: none"> • Sales of health foods • Commercialize various water treatment methods • Securities firm • Increase information from China (Kanpo Medicines and health food ventures)

Total: 13 companies