November 15, 2002

March 2003 Mid-Term Financial Results

- **Current business performance**
- **Management plans**
- **Update on main products**

Kyorin Pharmaceutical, Co., Ltd.

Fiscal term ending in March 2003　Interim Sales Situation (non-consolidated)

KYORIN

（Units: ¥ millions）

	9/01	9/02
Sales	28,695	31,164
Pharm(Jpn)	21,116	26,212
Pharm(Exp)	5,984	3,191
Other	1,595	1,759
Op profit	3,788	4,739
Rec profit	3,874	4,626
Net profit	867	1,319

＜Major issues for current medium term＞

■ Sales:　31,164 million (up by　2.5 billion)

＜Prescription drugs for Japanese market＞

26,212 million (up by　5.1 billion)

＝Positive factors＝

０／０１　９／０２　(Units:　billions)

New drugs: ・launch of Gatiflo　０　→　１.９ (＋１.９)

＊ Only Kyorin's turnover is shown.

・Continuous increase in sales of Kipres　１.７　→　２.５ (＋０.８)

・Other drugs　１.１　→　４.２ (＋３.１)

(Other positive factors)

＊ Sales of Gatiflo to Dainippon Pharmaceutical and licensing fee installments

＝Negative factors＝

＊Decline in wholesale prices as a result of revision of NHI price (Price revision rate: 8.2%)

・Turnover for major products (already on the market)　１８.３　→　１７.６ (▲０.７)

・Aplace　２.１　→　１.８ (▲０.３)

・Rocaltrol　１.９　→　１.６ (▲０.３)

＜Prescription drugs for overseas market＞

3,191 million (down by　2.8 billion)

・Gatiflo　４.８　→　１.９ (▲２.９)

＊Substantial reduction in export of　atifloxacin due to BMS' verstockin

＜Other products＞　(up by　0.2 billion)

・Milton　１.４　→　１.６ (＋０.２)

■ Operating profit:　4,739 million (up by　1.0 billion)

・ Operating profit ratio:　15.2% (up by 2.0 points)

Cost ratio:　down by 2.0 points (31.9% → 29.9%)

Sales management cost ratio:　±0 from the previous year (54.9% → 54.9%)

■ Current term profit:　1,319 million (up by　0.5 billion)

・Valuation loss of negotiable investment securities (about　0.3 billion)

Depreciation of debt for pension plan (about　1.6 billion)

※ Last year of 3-year depreciation

■ Dividend :　7.5

Fiscal term ending in March 2003 Sales Forecast (non-consolidated)

KYORIN

(Units: ¥ millions)

	9/01	9/02
Sales	61,131	70,600
Pharm(Jpn)	45,626	59,500
Pharm(Exp)	12,127	7,500
Other	3,378	3,600
Op profit	11,865	14,300
Rec profit	11,816	14,000
Net profit	3,785	5,200

＜Major issues for whole＞

■ Sales: 70,600 million (up by 9.5 billion)

＜Prescription drugs for Japanese market＞

59,500 million (up by 13.9 billion)

＝Positive factors＝

0／0 1 → 9／0 2 (Units: billions)

New drugs：• Launch of Gatiflo 0 → 8.5 (+8.5)

＊The figure shows Kyorin's turnover only.

• Continuous sales increase of Kipres 3.1 → 7.1 (+4.0)

• Other drugs 3.2 → 4.9 (+1.7)

(Other positive factors)

＊Sales of Gatiflo to Dainippon Pharmaceutical and licensing fee installments

＝Negative factors＝

＊Decline in wholesale prices as a result of NHI price revision
(Price revision rate: 8.2%)

Turnover for major products (already on the market)

39.3 → 39.0 (▲0.3)

• Baccidal 1.7 → 1.0 (▲0.7)

• Aplace 4.3 → 3.4 (▲0.9)

(Ketas: 7.5 → 8.5 (+1.0), Pentasa: 4.5 → 5.4 (+0.9))

＜Prescription drugs for overseas market＞

7,500 million (down by 4.6 billion)

• Gatiflo 9.8 → 4.6 (▲5.2)

＊Substantial reduction in export of gatifloxacin due to BMS' overstocking

＜Other products＞ (up by 0.2 billion)

• Milton 2.9 → 3.1 (+0.2)

■ Operating profit： 14,300 million (up by 2.4 billion) •

Operating profit ratio: 20.3% (up by 0.9 points)

Both cost ratio and sales management costs are expected to decline.
Factors for decline in cost ratio: Effects of Gatiflo: Full-scale production for domestic launch and reduced intermediate product costs
Factors for decline in sales management costs: Increase in R&D costs and sales costs for launching new drugs are absorbed by increased sales.
Reinforced management of other costs

■ Current term profit： 5,200 million (up by 1.4 billion) •

Depreciation of debt for pension plan (about 3.1 billion)
※Last year of 3-year depreciation

■ Dividend： 15.00 (whole term: divided increase)

Development/marketing status of Gatifloxacin

Region (licensees)	Launch Plans: Tablets	IV	Pediatric	Eye drops	Ear drops	Alliances, etc
Japan Kyorin Pharmaceutical Co.,Ltd.	**Launched Jun 01**	PhⅠ	Act after launch of tablets	**Senju Pharm PhⅢ Application 3/03**	**Preparing**	Sales agreement with Dainippon Pharma-ceutical in April 2000
US BMS	**Launched**	**Launched (Dec 99)**	**PhⅡ/Ⅲ (Ph Ⅲnow)**	**Allergan NDA Launch 1H 3/03**	**Considering licensing partner**	BMS canceled co-promotion with Schering-Plough in September 2002
EU Grunenthal	**Launched in Germany Oct 01**	PhⅡ/Ⅲ				Launch in November 2001 (Chile)

Countries already launched

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

Number of the counties：20

Situation of Major Products (1) Gatifloxacin: Overseas Situation ①BMS

1. BMS' sales of Tequin (Current performance)

① Based on actual demand: sales from Jan. to Jun.：
up by 18.2% from the previous year; number of prescriptions: up by 1．6% from the previous year

②BMS' sales from Jan. to Jun.：$64MM (down by 50% from the previous year)

③Overstocking：According to the report received from BMS, BMS is overstocked by about $100MM but expects to clear the stock by the end of this year.
BMS plans to resume bulk ordering at the beginning of the second half of the current term.

④Significance of impact of changed labeling：
Though it is reported that only a small number of doctors consider the changed labeling is a problem, the issue is predicted to have some impact (judged from the decline in the number of newly issued prescriptions after the change. The details are still under investigation.)

2. Medium-term sales and forecast for whole term

＊Fiscal year: BMS: Jan. to Dec., Kyorin: Apr. to Mar.

	2000 Turnover	2001 Turnover	Term ending in Mar. 2003 (Forecast)
BMS's turnover (first half term)	42	127	64
($MM) (whole term)	131	320	120
Kyorin's turnover (first half term)	2.0	4.8	1.9
(billion) (whole term)	5.5	9.8	4.6

Actual demand of Tequin
$220MM/year
Overstock
$100MM

3. Movements after briefing of sales forecast correction on Sep. 25

①Termination of co-promotion with Schering Plough：
The sales forecast is prepared assuming BMS' sole promotion and the termination of co-promotion.

②Sales trend of Tequin：Actual demand of Tequin in 3Q (number of newly issued prescriptions: down by 23% from the previous year, sales volume: down by 13% from the previous year, source of data: IMS)

【BMS' view】 The 23% sales decline in 3Q is attributed to the decline in sales to only GPs.
If the 22% increase in the HP market is reflected, there is no overall change.
(1- 3Q Number of newly issued prescriptions: down by 4.8%, sales: up by 9.1%, source of data: IMS)

【Kyorin's view】 It is necessary to cautiously monitor future trends as implicated by impacts of labeling supplementation and BMS' motivation.

③Addition of indication/efficacy：Additional approval for dermatological indication.

④Order of bulk：A confirmed order is received.

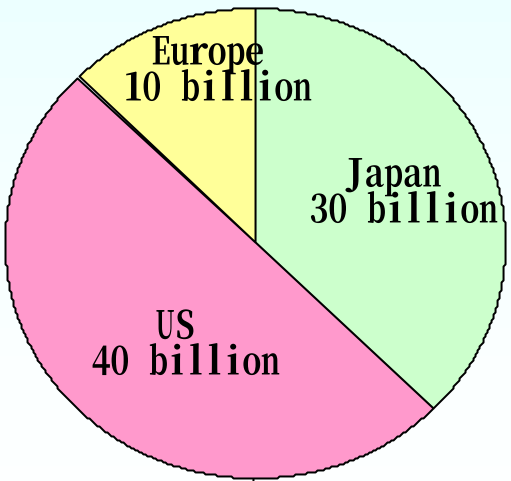
Situation of Major Products (1) Gatifloxacin: Overseas Situation ② Allergan

<Development of gatifloxacin ophthalmic solution in the US>

Aug. 2000: Licensing agreement for gatifloxacin ophthalmic solution with Allergan of the US
Application to FDA: May 2002
First half of 2003: Scheduled to be approved

<Market trends for antimicrobial ophthalmic solutions>

Japanese/US/European antimicrobial ophthalmic solution market



FY2001

Source: Kyorin

- Ofloxacin (Allergan) 9 billion
- Ciprofloxacin (Alcon) 10 billion
- Quixin (Santen)
- ＊ Levofloxacin preparation
- Aminoglycoside preparation

・
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- Sales by Allergan, a leading ophthalmic solution manufacturer in the world
- Expiration of patent of ofloxacin (Sep. 2003)

Local sales are expected to peak 10 billion.

Situation of Major Products (1) Gatifloxacin: Domestic Situation

1. Medium-term and whole-term sales forecast for the term ending in Mar. 2003

Medium-term sales (forecast)	Actual sales	Whole-term sales forecast
2.0 billion	1.9 billion	8.5 billion

＊Launch: June 11, 2002

2. Situation during the first half of the term ending in Mar. 2003

1) Reinforcing sales base in the first half term

・According to the area expansion strategy, about 33,000 customers, more than the target of 26,000 customers, are secured.

2) The sales were below the original plan (released in May 2002, first half term: 4.6 billion) ・

Sales promotion target was shifted from the 500-tablet pack to the 100-tablet pack.

・The number of patients with infectious diseases during summer was lower than expected.

3. Action plans for the second half of the term ending in Mar. 2003

<Basis for the achievement of the plan>

①Sales increase through shift of promotion activities from territory-based to individual-based (Increase in institutional share)

・Aim to obtain prescription sales particularly in RTI market which expands by 1.5 times in winter.

・Aim to obtain prescription sales through GPs, who used more than initially forecasted.

＊The number of GP customers necessary for the establishment of the business base has been secured (first half term)

⇒ Second half term: Promotion activities are carried out focusing on about 20% of all GP customers to nurture core customers and secure 80% sales to all GP customers.

②Early delivery to target HPs and securing sales

・Promote transactions with target HPs from 40% in the first half term to 70% in the 3rd quarter to nurture core specialist customers benefiting from the ripple effects to GP customers.

・88% of university hospitals are customers (first half term)

Situation of Major Products (2) Kipres: Situation in First Half Term

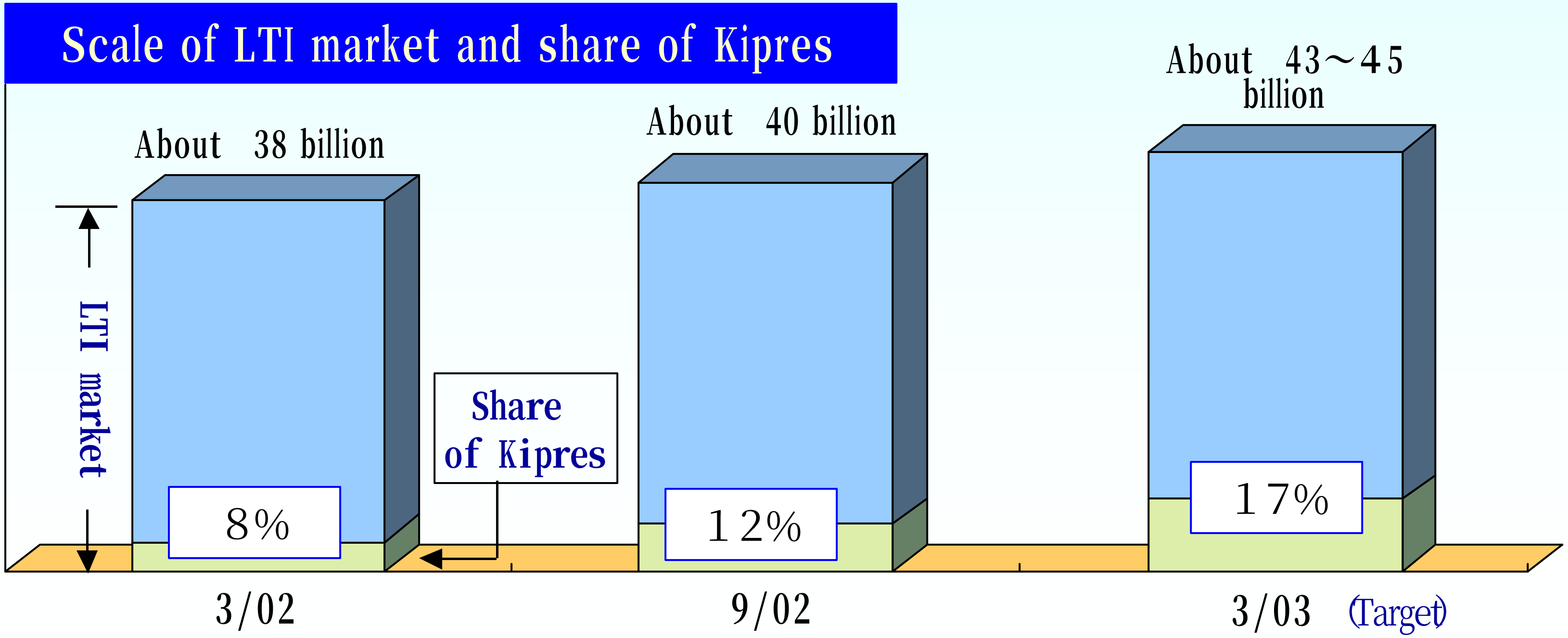
1. Medium-term and whole-term sales forecast for term ending in Mar. 2003

Term ending in Mar. 2002 (Medium-term sales)	Term ending in Mar. 2002 (Whole-term sales)	Term ending in Mar. 2003 (Medium-term sales forecast)	Actual sales	Term ending in Mar. 2003 (Medium-term sales forecast)
1.7 billion	3.1 billion	2.6 billion	2.5 billion	7.1 billion

2. Situation in the first half of the term ending in Mar. 2003

①Despite delayed achievement of the targeted degree of use among HP customers, Kipres is smoothly increasing the share in the LTI market.

②Aim to acquire the target share of 17% of the LTI market for this term.



Situation of Major Products (2) Kipres: Action Plan for Second Half Term

[Action plan for the second half of the term ending in Mar. 2003 -Marketing strategies-]

①Acquire larger amount of prescription sales associated with authorization of long-term dispensing !

＊From Sep. 2002, one year after launch, long-term dispensing is authorized.

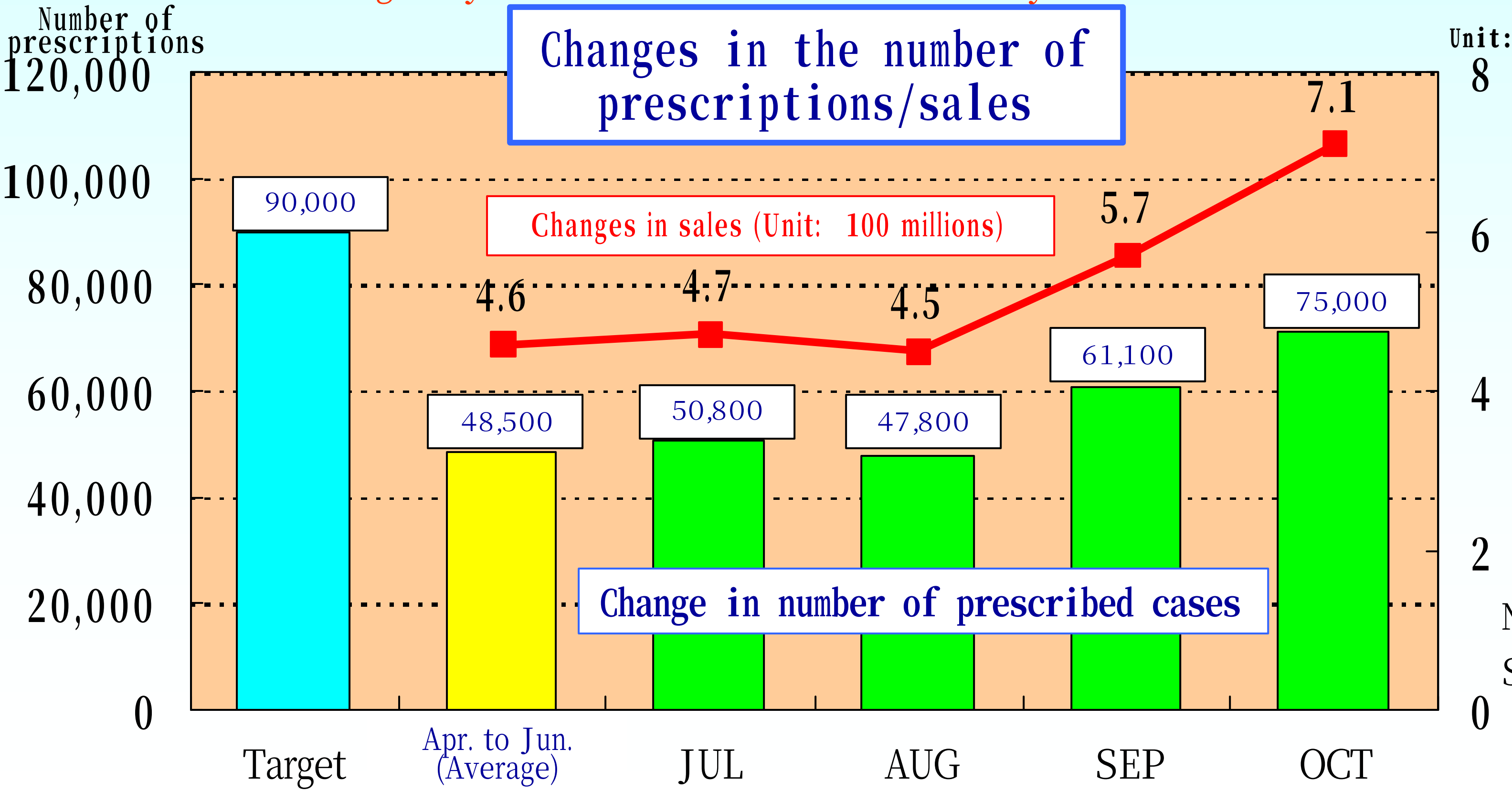
→ Endeavor for early achievement of the target number of prescriptions of **90,000.**

②Proactively solicit switch from other LTI presenting the efficacy cross reference.

③Increase the frequency of calls to specialists.

Hold seminars regularly for specialists and continuously for GPs.

＊Hold seminars regularly for HP doctors and continuously for GPs to increase awareness.



Following the stable increase in the number of prescriptions, authorization of long-term dispensing in Sep. resulted in accelerated increase in the number of prescriptions among HP doctors.

Note: NHI price-based sales

Source of data: Kyorin

Topics: KRP-297 Development Status

(1) Overview of KRP-297

Efficacy: Glitazone insulin sensitizer

Properties: ① PPAR α, γ dual agonists
② Improves attenuated lipid metabolism disorder associated with diabetes by reducing insulin resistance

Alliance: Licensed to Merck of the US in September 1999 and rights to develop and distribute the pharmaceutical preparation were granted.
(Kyorin still maintains the co-promotion rights for North America and co-marketing rights for Europe.)

(2) Insulin sensitizer market

	1999	2000	2001
Global	110	173	240
US	100	160	220
Japan	7	6	8
Europe	3	7	12

Unit: billions

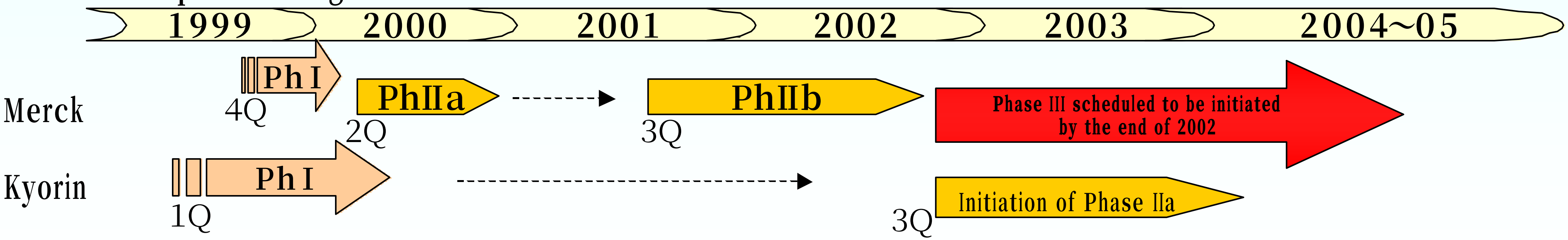
Applied currency rate: $1 = 120

Source of data: Kyorin

Reference data: Overall diabetes treatment drug market

	1999	2000	2001
Global	770	1,010	1,230
US	370	570	730
Japan	130	160	180
Europe	270	280	320

(3) Development stage



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 MIC-'02 Plan

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

Traditional Kyorin with 70 years history

MIC-'02

Destruction

MIC-'05

Evolution

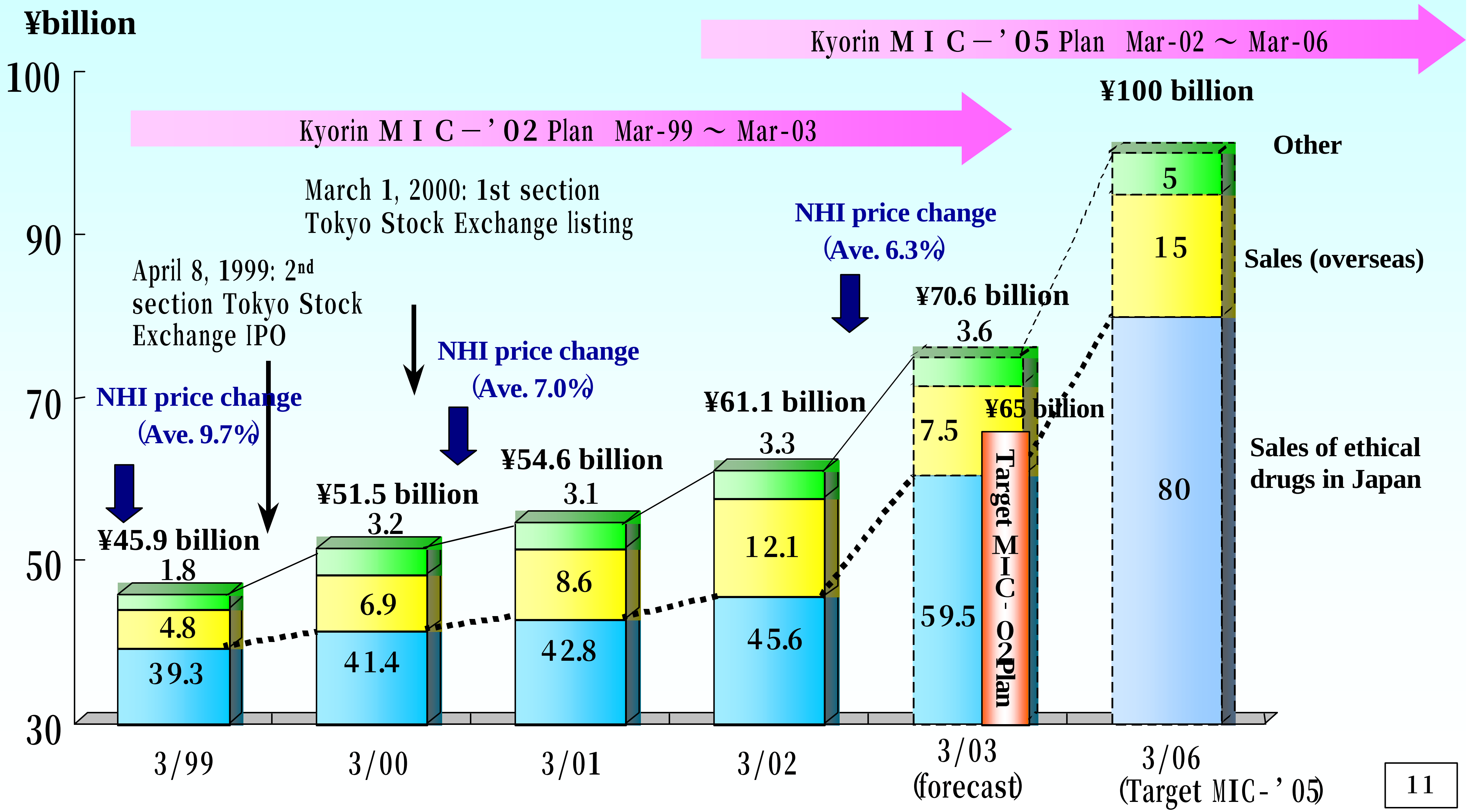
New Kyorin

Speedy and slim corporate base

Target MIC-'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



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**

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

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

Satellite Laboratories

Reinforcement／Expansion

Top R&D institutions

Kyorin Scotland Research Laboratory

allergies

Metabolic diseases

Nissin Kyorin Pharmaceutical

NEW drug laboratories

Venture Company

UE/EU/Japanese bio-ventures

Proteios Research Inc

Immunologies

Genome Research

Infectious diseases

ActivX Biosciences

Metabolic diseases

Others

Bio-venture investments in Japan/UE/EU

Japan — BH fund

US

EU — Considering

SC Bio-Capital

Kyorin Pharmaceutical

Discovery Research Laboratories

- Fields of priority: Infectious diseases, immunologies, allergies metabolic diseases
- Core competency&Strength

<Kyorin Knowlegde>

Synthetic Technology / Medicinal Chemistry

Pharmacokinetics (ADME) / Tox

Pharmacology / (Molecular design. Molecular genetics)

Teamwork
Communication
Patience
Guts

※Closer contact with outside experts in the target field.
Ability to collect comprehensive information with sophisticated approach.

2Themes／year

Selection of target → Search for lead compounds → Optimization of lead compounds → POC THEME

2. Promote FC (franchise customer) strategy with break through new drugs that eliminates negative effects of NHI price revisions

1． Promote FC (franchise customer) strategy

FC（3 medical fields）doctors：

- **Visit & Interview rate**
  Goal：100%　⇒ **Results**：78.8%（Yr chg ＋8.5%）
- **The number of sales calls (Per month)**
  Goal ：58,000 ⇒**Results**：56,000（Yr chg ＋13.7%）
- Coverage of prescribed doctors
  （HP）
  Goal ：85%　⇒　**Results**：78%（Yr chg ＋1%）
  （GP）
  Goal ：70%　⇒　**Results**：74%（Yr chg ＋7%）

2． Aggressive action for post-marketing studies 〔e.g. EBM, PhIIIb〕

Mucodyne DS：Pediatric use（**Approval in winter 2002**）

3. Enhance pipeline and grow overseas infrastructure

1) Enhance pipeline and build alliances

Alliances,collaborating with domestic and oversea companies

KRP−197、Gatiflo ear drops、N−5984 ⇨ Examine: License out, collaboration (oversea companies)

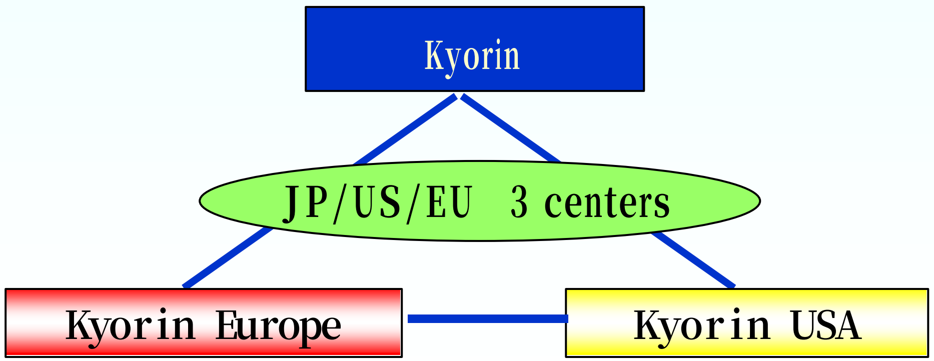
Out of FC strategy products ⇨ Examine: Co-promotion,co-marketing

Enhance FC strategy products ⇨
- Cross license (Dainippon 、 Allergan 、 Sato)
- License in(product)
- Collaboration(compounds)

2) Grow overseas infrastructure

<u>Established Kyorin **Europe GmbH**</u> (3/02)

Operations Research and analysis of other companies' technologies, etc., Collection of information regarding clinical tests



4. Thorough implementing of efficient management

1. Address cost reductions

＝ Keep 30% COGS ratio ＝

- Reduce the products（3/02 ：7products）
- Transfer the product（3/02 ：2products）
- Improve automatic packaging system
- reduced intermediate product costs

2. Make indirect departments slimmer, more efficient

- Improve efficiency through IT ：
  Sales office staff 0 person ⇒Allow voluntary retirement of office workers (30 employees)
- Workflow to increase efficiency in operations
  ＝Direct staff ratio＝

	3／98	MIC	3／02	9／02
Direct staff ratio	70.3%	→	75.5%	76.5%
Indirect staff ratio	29.7%		24.5%	23.5%
Staff	1,887		1,671	1,695

Main R&D activities① (9/30/02)

KYORIN

Stage	Compound/Code	Efficacy	Origin	Features	Comments
NDA (2/02)	N−3389 Tablets	Anti-emetic agent	Nisshin Flour Milling	5-HT3 and5-HT4 dual antagonist	Developed with Nisshin Flour Milling (nissin phama) NDA by Nissin−kyorin
NDA (11/01)	Maxalt Tablets Wefar tabets	Migraine headache remedy	Merck (US)	Strong 5HT1B/1D agonist. Earlyonset 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
PhII	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)
PhII	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
PhII	Montelukast	Anti-bronchial asthma agent	Merck (US)	Newly produced for children 2 to 5 yrs	○ Add 4 mg tablets ○ Change use and dosage
※PhII	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
PhI	GATIFLO Intravenous	Broad spectrum synthetic anti-bacteria agent	In-house		Added formulation
PhI	N−5984 Tablets	Anti-diabetes agent Anti-obesity	Nisshin Flour Milling	A potent and selective β3 AR agonist. The reduction of plasma glucose, insulin, TG and FFA, and the improvement of glucose tolerance.	Developed with Nisshin Flour Milling

KYORIN

Main R&D activities② (9/30/02)

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 Intravenous	Grünenthal	PhII/III	Synthetic antibacterial agent	In-house	
	Gatifloxacin Eye Drops	Allergan	※NDA (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	※PhIIb (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 2nd year results 1.1 billion)
- Focus: Pharmaceuticals, healthcare, daycare, health

Invested companies

Focus
Pharmaceuticals New drugs derived from genome etc.
Medical-care Alternative and/or reproductive medicine, and IT
Nursing Facilities, Daycare at home, Related products
Facilities, Daycare at home, Related products

Companies invested	Business
2	・Sterilizer / disinfectant for poultry use ・Developing treatments for viral pneumonia and rheumatism
5	・Dentist delivery (to daycare, nursing homes) ETC
3	・Organic waste management (lavatories for nursing use) ETC
7	・Sales of health foods ・Commercialize various water treatment methods ・Securities firm ※Increase information from China (Kanpo Medicines and health food ventures) ETC

Total:17companeis

March 2002 Mid-Term Financial Results

P&L BS SUMMARY

P&L SUMMARY (1)

(Units: ¥ millions)

<Parent>	9／01	% sales	9／02	Amt chg	Yr chg	% sales
Sales	28,695	100.0%	31,164	2,468	8.6%	100.0%
COGS	9,163	31.9%	9,315	151	1.7%	29.9%
SG&A	15,743	54.9%	17,109	1,366	8.7%	54.9%
of which R&D	2,954	10.3%	3,130	176	6.0%	10.0%
Operating profit	3,788	13.2%	4,739	950	25.1%	15.2%
Non-op income	188	0.7%	200	12	6.6%	0.6%
Non-op expense	102	0.4%	313	210	205.0%	1.0%
Recurring profit	3,874	13.5%	4,626	752	19.4%	14.8%
Extraordinary profits	36	0.1%	31	△5	△14.3%	0.1%
Extraordinary losses	1,976	6.9%	1,965	△10	△0.6%	6.3%
Pretax profit	1,935	6.7%	2,693	758	39.2%	8.6%
Net profit	867	3.0%	1,319	452	52.1%	4.2%

P&L SUMMARY (2)

■ COGS：¥9，315 million (+ 0．2 billion)
●Cost ratio：29.9% (- 2.0points)
【Positive factors】
Gatiflo launched
【Negative factors】
Decline in wholesale prices as a result of revision of NHI price (Price revision rate: 8.2%)

■ SAG：¥ 17，109 million (+¥1．4 billion)
●SAG ratio：(54.9% ® 54.9%)
【Negative factors】
Initial marketing expense of Gatiflo
Increase of personnel expenses
R&D cost ：¥3，130 million (+¥0．2 million)
【Positive factors】
Sales increase & Reinforced management of other costs

■ Operating profit ¥4，739 million (+ 1．0 billion)
Operating profit ratio: 15.2% (+ 2..0 points)

■Recurring profit：¥4，626 million (+ ¥0．8 billion)
Recurring profit ratio：14.8% (+ 1.3 points)
【Other income】 + ¥12 million
【Other expense】 + ¥210 million

■Current term profit： 1，319 million (+ ¥0．5 billion)
Valuation loss of negotiable investment securities
(¥355 million)
Depreciation of debt for pension plan (¥1，590 million)
* Last year of 3-year depreciation

BS SUMMARY (1)

(Units: ¥ millions)

< Parent >	9／01	% total	9／02	Amt chg	% total
Current assets	93,135	73.4%	89,738	△3,396	67.1%
Cash, deposits	60,049		52,158		
Notes receivable	482		439		
Accounts receivable	18,331		18,555		
Mk securities	3,399		1,906		
Inventory	8,163		11,162		
Other	2,708		5,515		
Fixed assets	33,694	26.6%	43,957	10,263	32.9%
Tangible assets	13,850		15,376		
Intangible assets	7,020		5,970		
Investments	12,823		22,611		
Total assets	126,829	100.0%	133,696	6,867	100.0%

■ Current assets(down 3,396 million yoy)

・Cash & deposits (down 7,891 million yoy)
・A/R, notes receivable (up 181 million yoy)
・Inventory (up 2,998 million yoy)

■ Fixed assets (up 10,263 million yoy)

・Tangible assets(up 1,526 million yoy)
・ Intangible assets(down 1,050 million yoy)
 ＊Depreciation(Milton)
・Investments (up 9,787 million yoy)

BS SUMMARY (2)

(Units: ¥ millions)

< Parent >	9/01	% total	9/02	Amt chg	% total
Current liabilities	14,770	11.6%	14,787	16	11.1%
Note payable	1,036		965		
Trade accounts payable	4,696		2,825		
other	9,037		10,996		
Long term **liabilities**	12,267	9.7%	16,554	4,286	12.4%
Total **liabilities**	27,038	21.3%	31,341	4,303	23.5%
Common stock	3,623	2.9%	4,317		3.2%
Additional paid-in capital	1,642	1.3%			
Legal reserve	905	0.7%			
Retained earnings	93,861	74.0%			
Capital surplus			949		0.7%
Retained earnings			97,879		73.2%
Net unrealized(losses)gains of securities	△243	△0.2%	△269		△0.2%
Treasury stock			△522		△0.4%
Total shareholders' eq.	99,791	78.7%	102,355	2,563	76.5%
Total Liabilities & sh/s eq.	126,829	100.0%	133,696	6,867	100.0%

- ■ Current liabilities(up 16 million yoy)
  - A/P, notes payable (down 1,942 million yoy)
  - Other(up 1,958 million yoy)
- ■ Non-current liab(up 4,286 million yoy)

R&D, capex & depreciation

（Units: ¥ millions）

	9／99	9／00	9／01	9／02	Yr chg
R&D expense	2, 616	2, 795	2, 954	3,130	6.0%
Capex (book base)	343	1, 099	950	2,448	157.7%
Depreciation expense	1, 435	1, 312	1, 518	1,597	5.2%

	3／02	3／03 (Forecast)
R&D expense	6, 031	7, 300
Capex (book base)	2, 507	5, 300
Depreciation expense	3, 207	3, 500

＜ Capital expenditure (Result／Forecast)＞

	3／02	9／02 (Result)	3／03 (Forecast)
New drug production equipment and other production equipment (each factory)	0.8 billion		
Staff loading, living quarters (Noshiro Plant)	0.4 billion		
Kilo-Labo equipment		0.4 billion	1.0billion
New drug production equipment and other production equipment (each factory)		1.4 billion	2.6 billion
Equipment for control, sales activities		0.3 billion	1.0 billion
Branch building rebuild		0.3 billion	0.5 billion

P&L summary ：Cons

（Units: ¥ millions）

＜Consolidated＞	9／01	% sales	9／02	% sales	Yr chg	Amt chg
Sales	29，293	100.0%	31，878	100.0%	8.8%	2，585
COGS	9，613	32.8%	9，848	30.9%	2.4%	235
Gross profit	19，679	67.2%	22，029	69.1%	11.9%	2，350
SG&A	15，847	54.1%	17，222	54.0%	8.7%	1，375
(of which R&D)	(2，954)	(10.1%)	(3，130)	(9.8%)	(6.0%)	176
Operating profit	3，831	13.1%	4，806	15.1%	25.4%	975
Non-op income	214	0.7%	324	1.0%	51.8%	110
Non-op expense	98	0.3%	226	0.7%	129.5%	127
Recurring profit	3，946	13.5%	4，904	15.4%	24.3%	958
Extraordinary profits	36	0.1%	23	0.1%	△35.0%	△12
Extraordinary losses	1，976	6.7%	1，965	6.2%	△0.6%	△10
Pretax profit	2，007	6.9%	2，963	9.3%	47.6%	956
Corporate, inhabitants and enterprise taxes	2，058	7.0%	2，722	8.5%	32.3%	664
Tax adjustments	△922	△3.2%	△1，315	4.1%	—	△392
Net profit	871	3.0%	1，555	4.9%	78.5%	684

＜Points＞

Consolidated companies（5）Kyobundo, Bistner, Kyorin USA, Bistner Fund No.1,Kyorin Europe GmbH

Affiliated companies (2) Nisshin Kyorin Seiyaku, Nihon Rikagaku Yakuhin

(billions)

	01／9	02／9	
■Sales	29.3	31.9	
(Pharmaceuticals	28.7	31.2	(＋2.5)
＜o/w Japan＞	21.1	26.2	(＋5.1)
＝By product＝			
Mucodyne	7.6	7.4	
Baccidal	0.8	0.6	
Ketas	3.7	3.6	
APlace	2.1	1.8	
Rocaltrol	1.9	1.6	
Pentasa	2.2	2.6	
Kipres	1.7	2.5	
Gatiflo	0	1.9	
＜o/w Exports＞	6.0	3.2	(－2.8)
Norfloxacin	1.0	0.8	
Gatifloxacin	4.8	1.9	
＜Other products＞	1.6	1.8	(＋0.2)
o/w Milton	1.4	1.6	
(Other business)	0.6	0.7	(＋0.1)

＊Sales promotion,Advertising planning and production

P&L summary ：Par①

（Units: ¥ millions）

< Parent >	9／01	% sales	9／02	% sales	Yr chg	Amt chg
Sales	28, 695	100.0%	31, 164	100.0%	8.6%	2, 468
Pharm (Jpn)	21, 116	73.6%	26, 212	84.1%	24.1%	5, 096
Pharm (Exp)	5, 984	20.9%	3, 191	10.2%	△46.7%	△2, 793
Other	1, 595	5.6%	1, 759	5.6%	10.3%	164

[Major issues for current medium term]

♦ Sales: 31,164 million (up by 2.500 billion)

[Prescription drugs for Japanese market] 26,212 million (up by 5.1 billion)

=Positive factors=

（Units: ¥ billions）

	9／01		9／02
New drugs: Launch of Gatiflo	0	→	1. 9 (+1.9)
*Only Kyorin's turnover is shown.			
- Continuous increase in sales of Kipres	1.7	→	2.5 (+0.8)
- Other drugs	1.1	→	4.2 (+3.1)

(Other positive factors)

•Sales of Gatiflo to Dainippon Pharmaceutical and licensing fee installments

=Negative factors=

*Decline in wholesale prices as a result of revision of NHI price (Price revision rate: 8.2%)

Turnover for major products (already on the market)	18.3	→	17.6 (−0.7)
Aplace	2.1	→	1.8 (−0.3)
Rocaltrol	1.9	→	1.6 (−0.3)

[Prescription drugs for overseas market] 3,191 million (down by 2.8 billion)

- Gatiflo	4.8	→	1.9 (−2.9)

* Substantial reduction in export of gatifloxacin due to BMS' overstocking

[Other products] (up by 0.2 billion)

-Milton	1.4	→	1.6 (+0.2)

P&L summary ：Par②

（Units: ¥ millions）

< Parent >	9／01	% sales	9／02	% sales	Yr chg	Amt chg
COGS	9，163	31.9%	9，315	29.9%	1.7%	151
Gross profit	19，531	68.1%	21，848	70.1%	11.9%	2，316
SG&A (of which R&D)	15，743 (2，954)	54.9% (10.3%)	17，109 (3，130)	54.9% 10.0%	8.7% (6.0%)	1，366 (176)
Operating profit	3，788	13.2%	4，739	15.2%	25.1%	950
Non-op income Non-op expense	188 102	0.7% 0.4%	200 313	0.6% 1.0%	6.6% 205.0%	12 210
Recurring profit	3，874	13.5%	4，626	14.8%	19.4%	752
Extraordinary profits Extraordinary losses	36 1，976	0.1% 6.9%	31 1，965	0.1% 6.3%	△14.3% △0.6%	△5 △10
Pretax profit	1，935	6.7%	2，693	8.6%	39.2%	758
Corporate, inhabitants and enterprise taxes	2，016	7.0%	2，671	8.6%	32.5%	654
Tax adjustments	△949	△3.3%	△1，297	△4.2%	—	△348
Net profit	867	3.0%	1，319	4.2%	52.1%	452

<Points>

■ COGS：¥9，315 million （+¥0.2 billion）

●Cost ratio：29.9% (- 2.0points)

【Positive factors】

Gatiflo launched

【Negative factors】

Decline in wholesale prices as a result of revision of NHI price (Price revision rate: 8.2%)

■ SAG: ¥ 17，109 million （+¥1.4 billion）

●SAG ratio:：(54.9% → 54.9%)

【Negative factors】

Initial marketing expense of Gatiflo

Increase of personnel expenses

R&D cost ：¥3，130 million （+¥0.2 billion）

【Positive factors】

Sales increase & cost management

■ Operating profit ¥4，739 million (+ 1.0 billion)

Operating profit ratio: 15.2% (+ 2.0 points)

■Recurring profit：¥4，626 million (+ ¥0.8 billion)

Recurring profit ratio：14.8% (+ 1.3 points)

【Other income】 + ¥12 million

【Other expense】 + ¥210 million

■Current term profit: 1，319 million (+ ¥0.5 billion)

Valuation loss of negotiable investment securities (¥355 million)

epreciation of debt for pension plan (¥1，590 million)

* Last year of 3-year depreciation

BS summary：Cons

（Units: ¥ millions）

＜ Consolidated ＞	9／01	% total	9／02	% total	Amt chg
Current assets	94,408	74.1%	91,376	67.7%	△3,032
Cash, deposits	60,909		53,104		
A/R, notes receivable	19,123		19,515		
Mk securities	3,469		2,017		
Inventory	8,230		11,165		
Other	2,675		5,572		
Fixed assets	33,074	25.9%	43,641	32.3%	10,566
Tangible assets	13,887		15,427		
Intangible assets	7,020		5,971		
Investments	12,166		22,242		
Current liabilities	15,028	11.8%	15,146	11.2%	118
A/P, notes payable	6,306		4,482		
Other	8,722		10,664		
Non-current liab.	12,347	9.7%	16,643	12.3%	4,295
Total liabilities	27,376	21.5%	31,789	23.5%	4,413
Common stock	3,623	2.8%	4,317	3.2%	
Additional paid-in capital	1,642	1.3%			
Consolidated retained earnings	95,051	74.6%			
Capital surplus			949	0.7%	
Retained earnings			98,724	73.1%	
Net unrealized(losses)gains of securities	△219	△0.2%	△244	△0.1%	
Foreign currency adjustment account	9	0.0%	3	0.0%	
Treasury stock	△0	△0.0%	△522	△0.4%	
Total shareholders' eq.	100,107	78.5%	103,228	76.5%	3,120
Total Liabilities & sh/s eq.	127,483	100.0%	135,017	100.0%	7,534

＜Points＞

■ Current assets(down ¥3,032 million yoy)
■Cash & deposits (down ¥7,805 million yoy)
■ A/R, notes receivable (up ¥329 million yoy)
■Inventory (up¥2,935 million yoy)

■ Fixed assets (up¥10,566 million yoy)
■ Tangible assets(up¥1,593 million yoy)
■ Intangible assets(down¥1,049 million yoy)
＊Depreciation(Milton)
■Investments (up ¥10,076 million yoy)

■ Current liabilities(up ¥118 million yoy)
・ A/P, notes payable（down¥1,823 million yoy
・ Other(up ¥1，941 million yoy)
■ Non-current liab(up ¥4,295million yoy)

BS summary：Par

（Units: ¥ millions）

＜ Parent ＞	9／01	% total	9／02	% total	Amt chg
Current assets	93,135	73.4%	89,738	67.1%	△3,396
Cash, deposits	60,049		52,158		
Notes receivable	482		439		
Accounts receivable	18,331		18,555		
Mk securities	3,399		1,906		
Inventory	8,163		11,162		
Other	2,708		5,515		
Fixed assets	33,694	26.6%	43,957	32.9%	10,263
Tangible assets	13,850		15,376		
Intangible assets	7,020		5,970		
Investments	12,823		22,611		
Current liabilities	14,770	11.6%	14,787	11.1%	16
Notes payable	1,036		965		
Trade accounts payable	4,696		2,825		
Other	9,037		10,996		
Non-current liab.	12,267	9.7%	16,554	12.4%	4,286
Total liabilities	27,038	21.3%	31,341	23.5%	4,303
Common stock	3,623	2.9%	4,317	3.2%	
Additional paid-in capital	1,642	1.3%			
Legal reserve	905	0.7%			
Retained earnings	93,861	74.0%			
Capital surplus			949	0.7%	
Retained earnings			97,879	73.2%	
Net unrealized(losses)gains of securities	△243	△0.2%	△269	△0.2%	
Treasury stock			△522	△0.4%	
Total shareholders' eq.	99,791	78.7%	102,355	76.5%	2,563
Total Liabilities & sh/s eq.	126,829	100.0%	133,696	100.0%	6,867

＜Points＞

■ Current assets(down ¥3,396 million yoy)

■Cash & deposits (down ¥7,891 million yoy)

■ A/R, notes receivable (up ¥181 million yoy）

■Inventory (up¥2,998 million yoy)

■ Fixed assets (up¥10,263million yoy)

■ Tangible assets(up¥1,526 million yoy)

■ Intangible assets(down¥1,050 million yoy)

＊Depreciation(Milton)

■Investments (up ¥9,787 million yoy)

■ Current liabilities(up ¥16 million yoy)

・ A/P, notes payable（down¥1,942 million yoy

・ Other(up ¥1,958 million yoy)

■ Non-current liab(up ¥4,286million yoy)

Sales update

(Units: ¥ billions)

		9/99	9/00	9/01	9/02	Yr chg	3/02	3/03 (Forecast)
DOMESTIC SALES	Kipres (LT receptor antagonist)	—	—	1.7	2.5	44.5%	3.1	7.1
	Gatiflo (Kyorin) (Antibacterial agent)	—	—	—	1.9	—	—	8.5
	Mucodyne (Mucuregulant)	6.6	7.0	7.6	7.4	△4.2%	17.5	17.5
	Baccidal (Antibacterial agent)	1.1	0.9	0.8	0.6	△30.5%	1.7	1.0
	Ketas (For bronchial asthma and cerebrovasculas disorders)	3.3	3.7	3.7	3.6	△3.9%	7.5	8.5
	Aplace (Anti-ulcer agent)	2.4	2.3	2.1	1.8	△18.6%	4.3	3.4
	Rocaltrol (Osteoporosis remedy)	1.8	1.9	1.9	1.6	△16.1%	3.8	3.2
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	1.5	1.9	2.2	2.6	19.3%	4.5	5.4
OTC	Milton (Effervescent disinfectant)	1.5	1.4	1.4	1.6	5.9%	2.9	3.1
FOREIGN SALES	Exports	2.6	3.5	5.9	3.1	△46.7%	12.1	7.5
	Gatifloxacin (Bulk・Royalty)	0.7	2.0	4.8	1.9	△59.5%	9.8	4.6
	Norfloxacin (Bulk・Royalty)	1.2	1.1	1.0	0.8	△17.3%	1.8	1.4
	Export ratio (%)	11.5%	14.0%	20.9%	10.2%	—	20.1%	10.6%
In-house ratio (%)		82.3%	81.4%	84.0%	83.1%	—	84.0%	85.1%

Financial summary (consolidated)

(Units: millions)

		< Interim period >			< Full-term >	
		9/00	9/01	9/02	3/02	03/3 (Forecast)
Sales (Exports)		26,210 (3,589)	29,293 (5,984)	31,878 (3,191)	62,395 (12,127)	71,900 (7,500)
COGS (Ratio to sales) %		8,681 (33.1%)	9,613 (32.8%)	9,848 (30.9%)	19,336 (31.0%)	–
SGA (Ratio to sales) %		14,010 (53.5%)	15,847 (54.1%)	17,222 (54.0%)	31,101 (49.8%)	–
R&D expense (Ratio to sales) %		2,795 (10.7%)	2,954 (10.1%)	3,130 (9.8%)	6,031 (9.7%)	7,300 (10.2%)
Operating profit (Ratio to sales) %		3,518 (13.4%)	3,831 (13.1%)	4,806 (15.1%)	11,957 (19.2%)	14,300 (19.9%)
Recurring profits (Ratio to sales) %		3,778 (14.4%)	3,946 (13.5%)	4,904 (15.4%)	12,210 (19.6%)	14,300 (19.9%)
Net profit (Ratio to sales) %		985 (3.7%)	871 (3.0%)	1,555 (4.9%)	4,117 (6.6%)	5,400 (7.5%)
EPS (¥)		17.11	15.14	18.05	60.55	62.66
Capital		3,623	3,623	4,317	4,317	4,317
Assets		119,249	127,483	135,017	134,472	
Shareholders' equity		98,522	100,107	103,228	102,356	
BPS (¥)		1,711	1,739	1,197	1,187	
ROE (%)		1.0%	0.9%	1.5%	4.1%	
Equity ratio (%)		82.6%	78.5%	76.5%	76.1%	
Staff		1,724	1,746	1,757	1,731	
Capital expenditure		1,099	950	2,448	2,507	5,300
Depreciation expense		1,312	1,518	1,603	3,213	3,500

Financial summary (parent)

< Interim period > < Full-term > (Units: millions)

	9/98	9/99	9/00	9/01	9/02	3/02	03/3 (Forecast)
Sales (Exports)	20,277 (2,431)	23,238 (2,679)	25,620 (3,589)	28,695 (5,984)	31,164 (3,191)	61,131 (12,127)	70,600 (7,500)
COGS (Ratio to sales) %	6,020 (29.7%)	7,132 (30.7%)	8,234 (32.1%)	9,163 (31.9%)	9,315 (29.9%)	18,376 (30.1%)	−
SGA (Ratio to sales) %	12,805 (63.1%)	13,105 (56.4%)	13,897 (54.3%)	15,743 (54.9%)	17,109 (54.9%)	30,889 (50.5%)	−
R&D expense (Ratio to sales) %	2,564 (12.6%)	2,616 (11.3%)	2,795 (10.9%)	2,954 (10.3%)	3,130 (10.0%)	6,031 (9.9%)	7,300 (10.3%)
Operating profit (Ratio to sales) %	1,452 (7.2%)	2,999 (12.9%)	3,488 (13.6%)	3,788 (13.2%)	4,739 (15.2%)	11,865 (19.4%)	14,300 (20.3%)
Recurring profits (Ratio to sales) %	1,379 (6.8%)	3,118 (13.4%)	3,710 (14.5%)	3,874 (13.5%)	4,626 (14.8%)	11,816 (19.3%)	14,000 (19.8%)
Net profit (Ratio to sales) %	506 (2.5%)	1,616 (7.0%)	949 (3.7%)	867 (3.0%)	1,319 (4.2%)	3,785 (6.2%)	5,200 (7.4%)
EPS (¥)	8.80	28.07	16.49	15.07	15.31	55.67	60.34
Capital	3,623	3,623	3,623	3,623	4,317	4,317	4,317
Assets	108,985	113,317	118,674	126,829	133,696	133,427	
Shareholders' equity	90,709	95,593	98,359	99,791	102,355	101,703	
BPS (¥)	1,575	1,660	1,708	1,733	1,187	1,179	
ROE (%)	0.6%	1.7%	1.0%	0.9%	1.2%	3.8%	
Equity ratio (%)	83.2%	84.4%	82.9%	78.7%	76.5%	76.2%	
Staff	1,867	1,798	1,679	1,692	1,695	1,671	
Capital expenditure	427	343	1,099	950	2,448	2,507	5,300
Depreciation expense	1,296	1,435	1,312	1,518	1,597	3,207	3,500