May 16, 2003

March 2003 Financial Results

- Current business performance
- Medium-term sales performance of Gatiflo
- Update on main products
- Update on Main R&D activities

Kyorin Pharmaceutical Co., Ltd.

M&A: Cessation of Business Integration with Teijin and Future Development plan on M&A

1. Cessation of business integration with Teijin

1) Background

January 23, 2003: Conclusion of the basic agreement

Contents of the basic agreement: Spin-off and integration of Medical and Pharmaceutical Business Group of Teijin with Kyorin , and Kyorin to be a consolidated subsidiary of Teijin

April 23, 2003: Agreement to cease planned business integration

2) Reason

Disagreement on the integration ratio

*The parties could not bridge the gap in the assessment of their corporate value based on the current share price and potential into the future.

2. Future development plan on M&A

- Actively consider M&A to enlarge the corporate scale (to secure critical mass)
- Seek a partner to reinforce strong areas

  [FC: respiratory, otological, urology]

  [FP: infectious diseases, immunology/allergy, metabolic diseases]
- Attempt to accelerate growth (Enforce alliance strategies)

Overview of account settlement for the fiscal term ending in March 2003 (Consolidated)

Though BMS' overstocking of gatifloxacin and other issues caused a decrease in exports, the sales of new drugs, Kipres and Gatiflo, gave the domestic turnover a boost to 68.6 billion yen on a consolidated basis (up by 10.0% from the previous year) recording a four - year consecutive higher sales than respective previous years. As for profit, the consolidated ordinary profit was 12.8 billion yen (recording a two - year consecutive higher profit; ＋ 4.9%) and the net profit for this term was 4.1 billion yen (+ 0.1%).
On an unbundled basis, turnover was 67.2 billion yen (＋ 10.1%), the ordinary profit was 12.2 billion yen (+ 3.6%) and the net profit for this term was 3.6 billion yen (- 4.0%).
For the next fiscal term, despite the anticipated reduction in Gatiflo sales and royalty income, estimated consolidated sales, consolidated ordinary profit and net are projected to be 68.6 billion yen (±0%), 11.3 billion yen (- 11.8%) and 6.3 billion yen (＋ 52.9%) ,respectively since the increase in the domestic sales of Kipres and Mucodyne among other products are expected.

	3／00	3／01	3／02	3／03	yoy	Cons./ Parent	3/04 (forecast)	yoy
Sales	52,776	55,832	62,395	68,618	10.0%	1. 02	68, 600	0.0%
Op profit	8,646	9,049	11,961	12,367	3.4%	1. 00	11, 000	▲11.1%
Rec profit	8,795	9,786	12,210	12,805	4.9%	1. 05	11, 300	▲11.8%
Net profit	4,310	2,951	4,117	4,120	0.1 %	1. 13	6, 300	52.9%
EPS	74.89	51.27	60.55	47.21	—	—	72.59	53.8%
Ttl assets	117,606	125,476	134,472	139,961	4.1%	1. 01	—	—
Sh/s eq	97,868	99,750	102,356	105,318	2.9%	1. 01	—	—

On November 20, 2001, one par value common stock was split to 1.5 par value common stocks.

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

（Units: ¥ millions）

	3/02	3/03
Sales	61,131	67,293
Pharm(Jpn)	45,626	54,656
Pharm(Exp)	12,127	9,024
Other	3,378	3,612
Op profit	11,865	12,364
Rec profit	11,816	12,241
Net profit	3,785	3,633

■ Sales:　67,293 million (up by　6.1 billion)

[Prescription drugs for the Japanese market]
54,656 million (up by　9.0 billion)

＝　Positive factors　＝　（Units:　billions）

	3／02		3／03
New drugs:　Launch of Gatifl	0	→	4.7 (+4.7)
*Only Kyorin's turnover is shown.			
- Continuous increase in sales of Kipres	3.1	→	6.4 (+3.3)
- Other drugs	3.2	→	6.5 (+3.3)

(Other positive factors)
• Sales of Gatiflo to Dainippon Pharmaceutical and licensing fee installments
• Licensing fee installment of Maxalt to Easai Pharmaceutical

=Negative factors=
•Decline in prices to wholesaler in connection with the NHI price reduction
(NHI price reduction rate: 8.2%)

Turnover for major products (already on the market)	39.3	→	37.0 (▲1.7)
Aplace	4.3	→	3.4 (▲0.9)
Rocaltrol	3.8	→	3.0 (▲0.8)

[Prescription drugs for overseas market]　9,024 million (down by　3.1 billion)

- Gatiflo	9.8	→	5.1 (▲4.7)

* Substantial reduction in export of gatifloxacin due to BMS ' overstocking
-Licensing fee installment of Gatifloacin ophthalmic　to Allergan and KRP-297 to Merck

[Other products]　3,612 million (up by　0.2 billion)

-Milton	2.9	→	3.0 (+0.1)

■ Operating profit:　12,364 million (up by　0. 5 billion)
Operating profit ratio:　18.3% (down by 1.1 points)
・Cost ratio:　± 0.0 points (30.1% → 30.1%)
・Sales management cost ratio:　up by 1.1 points (50.5% → 51.6%)
Increase in　R&D cost and sales cost

■ Current term profit:　3,633 million (down by　0.1 billion)
・Valuation loss of negotiable investment securities (about　1.3 billion)
Depreciation of debt for pension plan (about　3.1 billion)
※ Last year of 3-year depreciation

■ Dividend :　17.5

Fiscal term ending in March 2004 Sales Forecast (non-consolidated)

（Units: ¥ millions）

	3/03	3/04 (forecast)
Sales	67,293	67,300
Pharm(Jpn)	54,656	55,300
Pharm(Exp)	9,024	7,800
Other	3,612	4,200
Op profit	12,364	11,000
Rec profit	12,241	10,900
Net profit	3,633	5,900

■ Sales: 67,300 million (±0 billion)

＜Prescription drugs for Japanese market＞

55,300 million (up by 0.6 billion)

＝Positive factors＝

	3／02		3／03 （Units: billion）
・Mucodyne	17.1	→	18.5 (+1.4)
・Kipres	6.4	→	9.4 (+3.0)
・Pentasa	5.3	→	6.6 (+1.3)

＝Negative factors＝

・Gatiflo	4.7	→	3.0 (▲1.7)
・Others	6.5	→	4.0 (▲2.5)

＊Sales of Gatiflo to Dainippon Pharmaceutical decrease

＜Prescription drugs for overseas market＞

7,800 million (down by 1.2 billion)

＝Positive factors＝

・Gatiflo	5.1	→	6.5 (+1.4)

＝Negative factors＝

＊Licensing fee installments decrease (Merck Allergan)

＜Other products＞

4,200 million (up by 0.5 billion)

・Milton	3.0	→	3.1 (+0.1)

＊New product contributions

■ Operating profit: 11,000 million (down by 1.3 billion)

・Operating profit ratio: 16.3% (down by 2.0 points)

* Sales of Gatiflo will decrease

* Licensing fee installments decrease

・Sales management cost ratio: Similar average is expected as in the previous year.

* R&D costs 7.0billion → 8.7billion

* sales costs decrease

■ Current term profit: 5,900 million (up by 2.2 billion)

Depreciation of debt for pension plan (about 3.1 billion) ended last year.

■ Dividend: 15.00 (Expectation)

Development/marketing status of Gatifloxacin

Region (licensees)	Launch Plans					Alliances, etc
	Tablets	IV	Pediatric	Eye drops	Ear drops	
Japan Kyorin Pharmaceutical Co.,Ltd.	Launched Jun 02	Ph I	TBD after launch of tablets	Senju Pharm NDA End of 03	Preparing	Sales agreement with Dainippon Pharma-ceutical in April 2000
US BMS	Launched (Dec 99)	Launched	PhIII	Allergan Launched April 03	Considering licensing partner	BMS canceled co-promotion with Schering-Plough in September 2002
EU Grunenthal	Launched in Germany Nov 01	Ph II／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、Korea

Number of the counties：21

Overseas Performance of Gatiflo: ① Estimated Sales by BMS for 2003

1. Estimated sales by BMS and Kyorin

	Sales in 2000	Sales in 2001	Sales in 2002
Revised sales by BMS ($MM)	131	250	184
Sales by Kyorin (billion yen)	5.5	9.8	5.1

End of 2002

Actual demand for Tequin $220MM
Overstocking 0

Forecast for 2003
$220MM
6.5 (including Allergan's ophthalmic solution)

Unit: $MM	Sales in 2000	Sales in 2001	Sales in 2002	Forecast for 2003	Remarks
Sales by BMS (downward revision)	131 131	320 250	— 184	220	Projected to level off in 2003
IMS data	189	270	253		30% decrease in September 2002 and afterwards

[Forecast for 2003 Justification for forecasted figure of $220MM]
1) BMS's sales forecast (Details not published)
2) Kyorin's sales forecast based on IMS data and discussion with BMS.Judged from the sales transition in 2002, the year-on-year sales are projected to increase in the term from January to July but decrease from August and afterwards up to about 30% from October and afterwards.
① Impact of termination of co-promotion with SP (Reduction in the sales force from 2500 to about 1500 in September)
② The impact of glycometabolic disorder in May and afterwards is estimated to be limited (Revision of the package insert: May 13, 2003).
③ The sales to HP, which can not be covered by IMS data, are projected to increase.

Since the sales for the second half year of FY2003 are already downwardly projected ($103MM) considering the 30% decrease in the first half year of FY2002 (&150MM based on IMS data), the consolidated sales are projected to be $220MM.

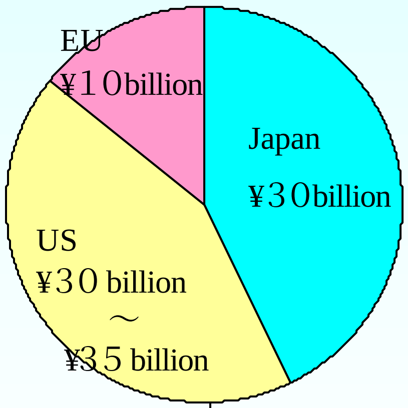
Overseas Performance of Gatiflo: ② Gatifloxacin Ophthalmic Sales by Allergen

Ⅰ. Development of gatifloxacin ophthalmic solution in the US

August. 2000: Licensing agreement for gatifloxacin ophthalmic solution with Allergan of the US
May 2002 : Application to FDA
March 2003: Approval
April 2003: Launched

Ⅱ. Market trends for antimicrobial ophthalmic solutions

Antimicrobial ophthalmic solution market



FY2001

Source: Kyorin

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

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

Ⅲ. Gatiflo estimated sales in US

- **Antimicrobial ophthalmic solution market in us: ¥30 billion to ¥35 billion**
- **Sales forecast at 2003: $10MM**
- **Peak sales : More than 20%**

Medium-term Overseas Sales Performance of Gatiflo : Revision of MIC-05 Plan

◆ **Sales target of gatifloxacin as of drafting of MIC-05 Plan vs. revised target**

— **Overseas local sales for FY2005**

- **The current sales target is about half of the target established when MIC-05 Plan was drafted (overseas local sales: about 60 billion yen)**
- **Positive factor: Contribution of the sales of Gatifloxacin ophthalmic solution licensed to Allergan**

Sales target for FY2005

	Initial target (established when MIC-05 Plan was drafted)	Current (revised) target
Local sales *Based on local sales	About 60 billion yen About $500MM	About 30 billion yen $220 to 230MM
Positive factor Allergan's ophthalmic solution	Not included in the target	$50 to 60MM
Kyorin's export sales target	15 billion yen	9 to 10 billion yen

➡ The sales are projected to be below initial MIC-05 target by about 5 billion yen

Medium-term Domestic Sales Forecast of Gatiflo: ① History and Action plans

Preclinical study	● No case of glycometabolic disorder was reported as an ADR in the preclinical study.
Clinical study	● Not a single case of glycometabolic disorder was reported in nearly 3000 trial subjects during the domestic and overseas clinical trials.
Overseas launch	● In the US, glycometabolic disorder was reported from patients treated with gatifloxacin in the post-marketing surveillance (one million patients), which resulted in the revision of the package insert in May 2002. (Warning added).
Domestic launch	● In the domestic post-marketing surveillance (4.2 million patients), glycometabolic disorder as an ADR was reported from 89 patients, which resulted in the revision of the package insert in March 2003 (Contraindication in diabetes). The post-marketing surveillance was considered useful enough to detect the ADR.

March 7, 2003: MHLW direction to distribute Dear Dr. Letter

[Contents of the direction]

- Do not use Gatiflo in diabetic patients.
- Carefully check the presence or absence of the past history of diabetes.
- Give sufficient explanations about reported cases of hypoglycemia or hyperglycemia in non-diabetic patients.

Future activities

- Supply proper information to prevent serious accidents.

- Aim at a new market and make a re-start in April 2003.

- Reconstruct the market and maximize the sales of Gatiflo.

Medium-term Domestic Sales Forecast of Gatiflo: ② Forecast of Peak Sales

1. Impact of the market and target

1) Conventional market and initial target

210 to 220 billion yen
● Initial target: Wholemarket of oral antibacterial agents used in adult patients

● Aim to achieve 20% of the oral antibacterial market (adult use)
Sales index: about 40 billion yen
***Sales by both Kyorin and Dainippon**

2) New market and revised target

160 billion yen
● Exclude diabetic patients
●Elderly patients: decrease by dosage adjustment

・Calculation based on the condition that Gatiflo is used in the elderly patients at a lower dosage (200mg/day) considering the higher risk of the ADR (glycometabolic disorder) in patients aged 65 or over.

● Aim to achieve 20% or more share of the lower respiratory tract infection market (33 to 35 billion yen) and refractory infection market (13 to 15 billion yen) among the total 160 billion yen market .
● Sales index: about 10 to 15 billion yen .
***Sales by both Kyorin and Dainippon .**

2. Impact on Kyorin MIC-05 Plan (for FY2005)

Domestic sales

Impact on domestic sales by Kyorin (sales by Kyorin + sales to Dainippon)
The inability to achieve the initial sales target for Gatiflo Tablet in MIC-05 Plan by about 20 billion yen is predicted.

Overall sales

Impact on domestic and overseas sales by Kyorin.
About 25 billion yen downward revision of the initial target of 100 billion yen in MIC-05 Plan is predicted because of the sluggish sales of Gatiflo.

Prospect for MIC-05 Plan

The revision of the medium-term management plan “Kyorin MIC-05 Plan” is to be released upon the close investigation of the market trend covering gatifloxacin.

Sales Performance and Forecast of Key Products: ① Gatiflo Tablet

Actual sales of Gatiflo Tablet in the fiscal term ending in March 2003 and forecast for the term ending in March 2004

March 2003	March 2004 (Forecast)
¥4.7 billion (¥1.9 billion)	¥3 billion (¥0.9 billion)

* Figures in parentheses: sales in the six months closing of account

Forecast for the term ending in March 2004

1. Action plan for the first half of FY2003

- Disseminate the safety information to prevent recurrence of ADRs
- Maintain the number of existing customers by giving explanations to them on safety , efficacy and proper use.
- Continuous effort to keep existing HP customers

Monthly sales forecast for the period from April to September, when the incidence of infectious diseases is low, is predicted to be 0.1 to 0.2 billion yen.

2. Action plan for the second half of FY2003

- Articulate the areas in which Gatiflo is used effectively/safely
- Secure the share of the lower respiratory tract infection market and refractory infection market
- Promote elucidation of the mechanism of occurrence of ADRs

Monthly sales forecast for the period from October to March, when the incidence of RTI is high, is predicted to be 0.3 to 0.4 billion yen as a result of the reinforcement of the supply of proper use information and reconstruction of the market.

Sales Performance and Forecast of Key Products: ② Kipres

1.Actual sales of Kipres in the fiscal term ending in March 2003 and forecast for the term ending in March 2004

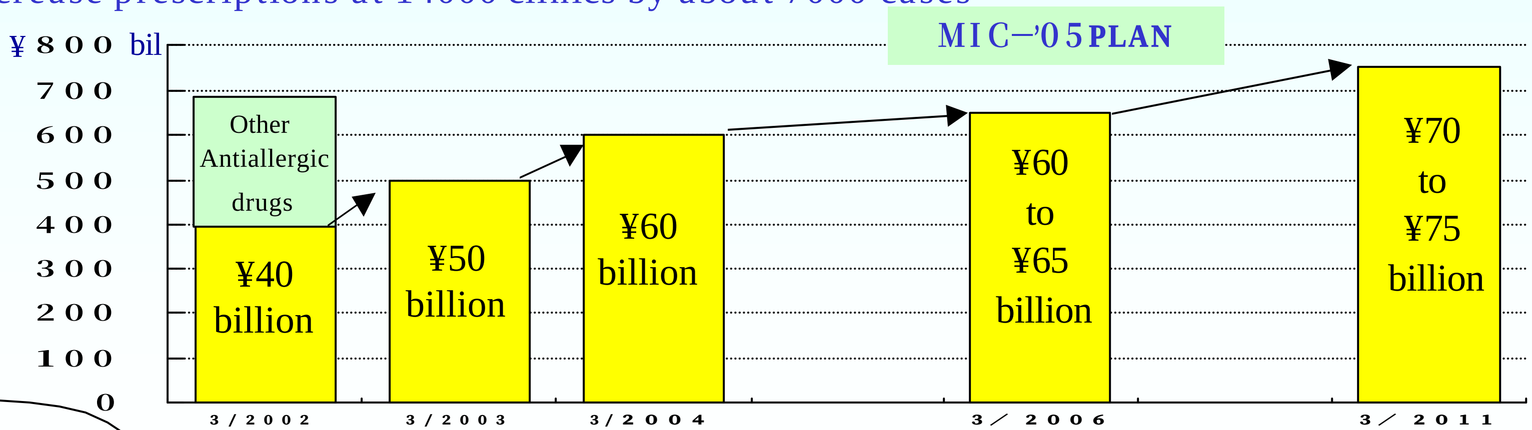
March 2003	March 2004 (Forecast)
¥6.4 billion (¥2.5 billion)	¥9.4 billion (¥4.3 billion)

Figures in parentheses: sales in the six months closing of account

2. Promotion for the term ending in March 2004

1) Shift of activities/policies and early acquisition of prescriptions
- Increase prescriptions from 75,000 cases as of the end of March 2003 to 90,000 cases in the end of March 2004 (Substantial increase from 50,000 cases as of the end of September 2002 due to the authorization of the long-term prescription)
- Concentrate activities particularly in the first half year (increase of visits/calls, wholesaler policies)

2) Stratified policies
- HP: Promote prescriptions by specialists at existing HP customers (Increase prescriptions at 1600 hospitals by about 5000 cases)
- GP: Cultivate new customers and increase prescriptions ① Secure 1800 new GP customers ② Increase prescriptions at 14000 clinics by about 7000 cases



Source: Kyorin

Market: NHI-based

Sales: sales turnover

Launched in August 2001

3/2002	3/2003	3/2004	3/2006
Kipres 8% 3.1 billion yen	Kipres 13% 6.4 billion yen	Kipres 16% 9.4 billion yen	Kipres 25%

- Increase of asthmatic patients: 3% annually (Acquire new patients)
- Shift from antiallergic drugs to LT antagonists

Sales Performance and Forecast of Key Products: ③ Mucodyne

Actual sales of Mucodyne in the fiscal term ending in March 2003 and forecast for the term ending in March 2004

March 2003	March 2004 (Forecast)
¥17.1 billion (¥7.4 billion)	¥18.5 billion (¥8.1 billion)

* Figures in parentheses: sales in the six months closing of account

Background of the plan for this term

1. Policies for the term ending in March 2004

-Increase share by the addition of the formulation.

-Acquire and enlarge the number of doctors newly prescribing Mucodyne and new customers by increase of number of calls.

2. Mucodyne dry syrup

-Increase the share in the pediatric market by expanding the indication for pediatric use

-Appeal the prescription merits (e.g. easy to take, long-term prescription available) and promoting switch from K-10 or fine granules

3. Streamline the product lines

-Aim to synergic effects in the simultaneous promotion of Kipres, Baynas, and Mucodyne

Sales Performance and Forecast of Key Products: ① Overview of Maxalt

I. Mechanism of action

Second-generation triptan migraine treatment drugs (similar drugs: Imigran, Zomig)

Selective 5HT1B/1D receptor activator for migraine treatment

II. Development stage and launch forecast

November 2001: NDA filing
May 2003: Approval by the first committee on new drugs
Term ending in March 2004: Marketing approval (not included in the sales forecast for the term)

III. Dosage form and product profile

Tablet (10mg) RPD (Rapidisk: 10mg)

- Maxalt acts fast when being used after the onset of migraine Manifestation of efficacy: 1 hour after dosing, 70% improvement at 2 hours after dosing.
- A certain efficacy in recurrent migraine or multiple migraine attacks.

IV. Scheme for co-promotion with Eisai

① Kyorin imports the finished product from US Merck and supplies Eisai.
② Eisai serves as the distributor in the Japanese market while both companies co-promote sales.
③ Both companies share the profit obtained by subtracting sales costs and other costs from the sales.

V. Marketability

About 8 billion yen (term ending in March 2003)
Market trend: It is estimated that the morbidity ratio of migraine is about 8.4% of total population and that about 8.4 million people experience migraine attack. Of these people, about 0.32 million have consulted doctors , still the market is predicted to significantly grow.

★Even though Maxalt is the 4th triptan , our goal to develop the latent market by co-promotion with Eisai who has close networks in CNS in Japan .

Main R&D activities① (3/31/03)

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 pharma) NDA by Nissin-kyorin
NDA (11/01)	Maxalt Tablets RPD	Migraine headache remedy	Merck (US)	Strong 5HT1B/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 ※Co-.promotion with Eisai
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: Developed with Ono Pharm
PhII	Montelukast	Anti-bronchial asthma agent	Merck (US)	Newly produced for children1 to 5 yrs	○ Added formulation ○ 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) PhIII 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
PhI	※KRP−101	Anti hyperlipemia agent	In-house	Selective agonist of PPARα. The improvement of a lipid profile in total be expected by the LDL cholesterol and the neutral fat can be decreased, and improving the HDL cholesterol.	UK: Phase I (4/03)

Main R&D activities② (3/31/03)

Other products (one change approved)

Stage	Compound/Code	Efficacy	Origin	Characteristics	Comments
※ APPROVAL (1/03)	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

Licensing developments

	Code	Licensee	Stage	Efficacy	Origin	Comments
Exports	Gatifloxacin Intravenous	Grünenthal	PhII/III	Synthetic antibacterial agent	In-house	
	Gatifloxacin Eye Drops	Allergan	※ APPROVAL (USA)	Synthetic antibacterial agent	In-house	Provide R&D, production and sales rights worldwide except Japan, China, Korea, Taiwan
		Senju Seiyaku	NDA (Japan)			Provide R&D, production and sales rights in Japan
	KRP−297	Merck	※PhIII (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 3 billion invested during 2nd year results 1.4 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
3	・Sterilizer / disinfectant for poultry use ・Developing treatments for viral pneumonia and rheumatism ETC
4	・Treatment of near-sightedness which uses laser ・Delivery service of medical treatment information ETC
3	・Organic waste management (lavatories for nursing use) ・Management of nursing facilities ETC
7	・Sales of health foods ・Commercialize various water treatment methods ・Securities firm ※Increase information from China (Kanpo Medicines and health food ventures) ・ Development of skin-care cosmetics ETC

Total:17companeis

P&L summary ： Consolidated

（Units: ¥ millions）

＜Consolidated＞	3／02	% sales	3／03	% sales	Yr chg	Amt chg
Sales	62, 395	100.0%	68, 618	100.0%	10.0%	6, 223
COGS	19, 336	31.0%	21, 205	30.9%	9.7%	1, 869
Gross profit	43, 059	69.0%	47, 413	69.1%	10.1%	4, 354
SG&A	31, 101	49.8%	35, 045	51.1%	12.7%	3, 944
(of which R&D)	(6, 031)	(9.7%)	(7, 009)	10.2%	(16.2%)	(978)
Operating profit	11, 957	19.2%	12, 367	18.0%	3.4%	409
Non-op income	724	1.2%	822	1.2%	13.5%	98
Non-op expense	471	0.8%	384	0.6%	▲18.3%	▲86
Recurring profit	12, 210	19.6%	12, 805	18.6%	4.9%	595
Extraordinary profits	29	0.0%	41	0.1%	37.9%	11
Extraordinary losses	3, 775	6.0%	4, 757	6.9%	26.0%	982
Pretax profit	8, 464	13.6%	8, 088	11.8%	▲ 4.4%	▲375
Corporate, inhabitants and enterprise taxes	6, 397	10.3%	6, 607	9.6%	3.3%	210
Tax adjustments	▲2, 050	▲3.3%	▲2, 639	▲3.8%	28.7%	▲589
Net profit	4, 117	6.6%	4, 120	6.0%	0.1%	20

＜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)

■Sales	02／3	03／3	
＜Pharmaceuticals＞	57.7	63.6	(+5.9)
Domestic	45.6	54.6	(+9.0)
Exports	12.1	9.0	(▲3.1)
＝ By product ＝			
Mucodyne	17.5	17.1	
Baccidal	3.6	2.6	
Ketas	7.5	7.0	
APlace	4.3	3.4	
Rocaltrol	3.8	3.0	
Pentasa	4.5	5.3	
Kipres	3.1	6.4	
Gatiflo (Kyorin)	0	4.7	
Gatiflo (Exports)	9.8	5.1	
＜Other products＞	3.3	3.6	(+0.2)
o/w Milton	2.9	3.0	
＜Other business＞	1.2	1.3	(+0.1)

＊Sales promotion,Advertising planning and production

P&L summary ：Parent ①

（Units: ¥ millions）

< Parent >	3／02	% sales	3／03	% sales	Yr chg	Amt chg
Sales	61,131	100.0%	67, 293	100.0%	10.1%	6, 162
Pharm (Jpn)	45,626	74.6%	54, 656	81.2%	19.8%	9, 031
Pharm (Exp)	12,127	19.8%	9, 024	13.4%	▲ 25.6%	▲ 3, 103
Other	3,378	5.5%	3, 612	5.4%	6.9%	234

♦ Sales: 67,293 million (up by 6.1 billion)
[Prescription drugs for the Japanese market] 54,656 million (up by 9.0 billion)

= Positive factors = (Units: billions)

	3／02		3／03
New drugs: Launch of Gatiflo	0	→	4.7 (+4.7)
*Only Kyorin's turnover is shown.			
- Continuous increase in sales of Kipres	3.1	→	6.4 (+3.3)
- Other drugs	3.2	→	6.5 (+3.3)

(Other positive factors)
•Sales of Gatiflo to Dainippon Pharmaceutical and licensing fee installments
•Licensing fee installment of Maxalt to Easai Pharmaceutical

=Negative factors=
* Decline in prices to wholesaler in connection with the NHI price reduction (NHI price reduction rate: 8.2%)

Turnover for major products (already on the market)	39.3	→	37.0 (▲1.7)
Aplace	4.3	→	3.4 (▲0.9)
Rocaltrol	3.8	→	3.0 (▲0.8)

[Prescription drugs for overseas market] 9,024 million (down by 3.1 billion)
- Gatiflo 9.8 → 5.1 (▲4.7)
* Substantial reduction in export of gatifloxacin due to BMS' overstocking
-Licensing fee installment of Gatifloacin ophthalmic to Allergan and KRP-297 to Merck

[Other products] 3,612 million (up by 0.2 billion)
-Milton 2.9 → 3.0 (+0.1)

P&L summary ：Parent ②

（Units: ¥ millions）

< Parent >	3／02	% sales	3／03	% sales	Yr chg	Amt chg
COGS	18, 376	30.1%	20, 229	30.1%	10.1%	1, 853
Gross profit	42, 755	69.9%	47, 063	69.9%	10.1%	4, 308
SG&A	30, 889	50.5%	34, 698	51.6%	12.3%	3, 809
(of which R&D)	(6, 031)	(9.9%)	(7, 009)	10.4%	(16.2%)	(978)
Operating profit	11, 865	19.4%	12, 364	18.3%	4.2%	499
Non-op income	572	0.9%	582	0.9%	1.7%	10
Non-op expense	621	1.0%	706	1.1%	13.7%	85
Recurring profit	11, 816	19.3%	12, 241	18.1%	3.6%	425
Extraordinary profits	29	0.0%	40	0.1%	37.9%	11
Extraordinary losses	3, 775	6.1%	4, 622	6.9%	22.4%	847
Pretax profit	8, 071	13.2%	7, 658	11.3%	▲ 5.1%	▲ 413
Corporate, inhabitants and enterprise taxes	6, 318	10.3%	6, 532	9.7%	3.4%	214
Tax adjustments	▲ 2, 033	▲ 3.3%	▲ 2, 506	▲ 3.7%	23.3%	▲ 473
Net profit	3, 785	6.2%	3, 633	5.3%	▲ 4.0%	▲ 152

<Points>

■ COGS：¥20,229 million (+¥1.8 billion)

●Cost ratio：30.1% (± 0.0points)

【Negative factors】

Decline in prices to wholesaler in onnection with the NHI price reduction (NHI price reduction rate: 8.2%)

【Positive factors】

Gatiflo launched

■ SAG：¥34,698 million (+¥3.8 billion)

●SAG ratio:：(50.5% → 51.6%)

【Negative factors】

Initial marketing expense of Gatiflo

Increase of personnel expenses

R&Dcost：¥7,009 million (+¥1.0 billion)

■ Operating profit

¥12, 364 million (+ 0.5 billion)

Operating profit ratio: 18.3% (▲1.1 points)

■Recurring profit：¥12, 241 million (+ ¥0.4 billion)

Recurring profit ratio：18.1% (▲1.2 points)

【Other income】 + ¥10 million

【Other expense】 + ¥85 million

■Current term profit: 3, 633 million (▲ ¥0.1 billion)

【Other income】 + ¥11 million

【Other expense】 + ¥847 million

Valuation loss of negotiable investment securities (¥1, 300 million)

epreciation of debt for pension plan (¥3, 181 million)

* Last year of 3-year depreciation

BS summary： Consolidated

（Units: ¥ millions）

＜ Consolidated ＞	3／02	% total	3／03	% total	Amt chg
Current assets	94,697	70.4%	101,095	72.2%	6,397
Cash, deposits A/R, notes receivable Mk securities Inventory Other	53,238 22,444 3,870 10,510 4,634		57,607 23,522 3,523 10,809 5,631		
Fixed assets	39,774	29.6%	38,866	27.8%	▲908
Tangible assets Intangible assets Investments	13,894 6,596 19,284		15,058 5,293 18,514		
Current liabilities	17,530	13.0%	15,780	11.3%	▲1,750
A/P, notes payable Other	7,203 10,327		5,003 10,776		
Non-current liab.	14,585	10.9	18,863	13.5%	4,295
Total liabilities	32,116	23.9%	34,643	24.8%	2,527
Common stock	4,317	3.2%	4,317	3.1%	
Additional paid-in capital	949	0.7%			
Consolidated retained earnings	97,865	72.8%			
Capital surplus			949	0.7%	
Retained earnings			100,643	71.9%	
Net unrealized(losses)gains of securities	▲342	▲0.3%	69	0.0%	
Foreign currency adjustment account	10	0.0%	7	0.0%	
Treasury stock	▲443	▲0.3%	▲668	▲0.5%	
Total shareholders' eq.	102,356	76.1%	105,318	75.2%	2,962
Total Liabilities & sh/s eq.	134,472	100.0%	139,961	100.0%	5,488

＜Points＞

■ Current assets(up ¥6,397 million yoy)

■Cash & deposits (up ¥4,368 million yoy)

■ A/R, notes receivable (up ¥1,078 million yoy)

■Inventory (up¥299 million yoy)

■ Other(up ¥997 million yoy)

■ Fixed assets (down¥908 million yoy)

■ Tangible assets(up¥1,163 million yoy)

■ Intangible assets(down¥1,302 million yoy)

＊Depreciation(Milton)

■Investments (down ¥769 million yoy)

■ Current liabilities (down ¥1,750million yoy)

■ A/P, notes payable （down¥2,020 million yoy

■ Other(up ¥449 million yoy)

■ Non-current liab(up ¥4,278million yoy)

BS summary： Parent

（Units: ¥ millions）

＜ Parent ＞	3／02	% total	3／03	% total	Amt chg
Current assets	92,617	69.4%	99,023	71.5%	6,406
Cash, deposits	51,681		55,986		
Notes receivable	604		523		
Accounts receivable	21,480		22,694		
Mk securities	3,759		3,412		
Inventory	10,497		10,782		
Other	4,593		5,624		
Fixed assets	40,809	30.6%	39,460	28.5%	▲ 1,348
Tangible assets	13,858		15,012		
Intangible assets	6,596		5,289		
Investments	20,354		19,158		
Current liabilities	17,223	12.9%	15,520	11.2%	▲ 1,703
Notes payable	1,156		1,077		
Trade accounts payable	5,533		3,354		
Other	10,533		11,088		
Non-current liab.	14,499	10.9%	18,772	13.6%	4,273
Total liabilities	31,723	23.8%	34,293	24.8%	2,569
Common stock	4,317	3.2%	4,317	3.1%	
Additional paid-in capital	949	0.7%			
Legal reserve	905	0.7%			
Retained earnings	96,347	72.2%			
Capital surplus			949	0.7%	
Retained earnings			99,547	71.9%	
Net unrealized(losses)gains of securities	▲ 373	▲ 0.3%	42	0.0%	
Treasury stock	▲ 443	▲ 0.3%	▲ 664	▲ 0.5%	
Total shareholders' eq.	101,703	76.2%	104,191	75.2%	2,488
Total Liabilities & sh/s eq.	133,427	100.0%	138,484	100.0%	5,057

＜Points＞

■ Current assets(up 6,406 million yoy)

■Cash & deposits (up 4,304 million yoy)

■ A/R, notes receivable (up 1,132 million yoy)

■Inventory (up 1,031 million yoy)

■ Fixed assets (down 1,348 million yoy)

■ Tangible assets(up 1,154 million yoy)

■ Intangible assets(down 1,306 million yoy)

＊Depreciation(Milton)

■Investments (down 1,196 million yoy)

■ Current liabilities (down 1,703 million yoy)

■ A/P, notes payable (down 2,257 million yoy)

■ Other(up 554 million yoy)

■ Non-current liab(up 4,273million yoy)

Sales update

(Units: ¥ billions)

		3/99	3/00	3/01	3/02	3/03	Yr chg	3/04 (Forecast)
DOMESTIC SALES	Kipres (LT receptor antagonist)	—	—	—	3.1	6.4	105.4%	9.4
	Gatiflo (Kyorin) (Antibacterial agent)	—	—	—	—	4.7	—	3.0
	Mucodyne (Mucuregulant)	14.3	15.5	16.1	17.5	17.1	▲2.2%	18.5
	Baccidal (Antibacterial agent)	2.8	2.6	2.1	1.7	1.2	▲32.0%	1.0
	Ketas (For bronchial asthma and cerebrovasculas disorders)	6.5	7.1	7.5	7.5	7.0	▲6.7%	7.1
	Aplace (Anti-ulcer agent)	4.4	4.8	4.5	4.3	3.4	▲19.9%	3.0
	Rocaltrol (Osteoporosis remedy)	3.3	3.8	3.8	3.8	3.0	▲19.6%	2.7
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	2.6	3.3	4.0	4.5	5.3	16.6%	6.6
	Milton (Effervescent disinfectant)	1.6	3.0	2.9	2.9	3.0	2.3%	3.1
FOREIGN SALES	Exports	4.8	6.9	8.6	12.1	9.0	▲25.6%	7.8
	Gatifloxacin (Bulk・Royalty)	—	2.7	5.5	9.8	5.1	▲48.0%	6.5
	Norfloxacin (Bulk・Royalty)	3.8	2.5	2.3	1.8	1.5	▲20.3%	1.0
	Export ratio (%)	10.5%	13.4%	15.8%	20.1%	13.4%	—	11.6%
In-house ratio (%)		79.6%	83.1%	82.4%	84.0%	86.6%	—	83.4%

R&D, capex & depreciation

（Units: ¥ millions）

	3／99	3／00	3／01	3／02	3／03	Yr chg	3／04 (Forecast)
R&D expense	5，578	5，764	6，191	6，031	7，009	**16.2%**	8，700
Capex (book base)	3，399	1，303	2，465	2，507	3，301	**31.7%**	7，700
Depreciation expense	2，932	2，903	2，730	3，207	3，626	**13.1%**	3，700

< Capital expenditure （Result／Forecast）>

	3／03 (Result)	3／04 (Forecast)
Kilo-Labo equipment	1.0 billion	
New drug production equipment and other production equipment (each factory)	1.6 billion	
Branch building （sendai）	0.4 billion	
New drug production equipment and other production equipment (each factory)		3.7 billion
Staff loading, living quarters		1.5 billion
Equipment for control, sales activities		1.6 billion

Financial summary (consolidated)

(Units: millions)

	3/99	3/00	3/01	3/02	3/03	3/04 (Forecast)
Sales (Exports)	46,932 (4,804)	52,776 (6,900)	55,832 (8,646)	62,395 (12,127)	68,618 (9,024)	68,600 (7,800)
COGS (Ratio to sales) %	13,817 (29.4%)	16,742 (31.7%)	17,974 (32.2%)	19,336 (31.0%)	21,205 (30.9%)	—
SGA (Ratio to sales) %	26,748 (57.0%)	27,387 (51.9%)	28,808 (51.6%)	31,101 (49.8%)	35,045 (51.1%)	—
R&D expense (Ratio to sales) %	5,578 (11.9%)	5,764 (10.9%)	6,191 (11.1%)	6,031 (9.7%)	7,009 (10.2%)	8,700 (12.7%)
Operating profit (Ratio to sales) %	6,366 (13.5%)	8,646 (16.4%)	9,049 (16.2%)	11,957 (19.2%)	12,367 (18.0%)	11,000 (16.0%)
Recurring profits (Ratio to sales) %	6,687 (14.2%)	8,795 (16.7%)	9,786 (17.5%)	12,210 (19.6%)	12,805 (18.6%)	11,300 (16.5%)
Net profit (Ratio to sales) %	2,325 (5.0%)	4,310 (8.2%)	2,951 (5.3%)	4,117 (6.6%)	4,120 (6.0%)	6,300 (9.2%)
EPS (¥)	40.41	74.89	51.27	60.55	47.21	72.59
Capital	3,623	3,623	3,623	4,317	4,317	4,317
Assets	112,007	117,606	125,476	134,472	139,961	
Shareholders' equity	92,547	97,868	99,750	102,356	105,318	
BPS (¥)	1,607.97	1,700.20	1,732.98	1,187.30	1,222.61	
ROE (%)	2.5%	4.5%	3.0%	4.1%	4.0%	
Equity ratio (%)	82.6%	83.2%	79.5%	76.1%	75.2%	
Staff	1,857	1,713	1,696	1,731	1,719	
Capital expenditure	3,399	1,303	2,465	2,507	3,301	7,700
Depreciation expense	2,932	2,903	2,735	3,213	3,637	3,700

Financial summary (parent)

(Units: millions)

	3/99	3/00	3/01	3/02	3/03	3/04 (Forecast)
Sales (Exports)	45,919 (4,804)	51,518 (6,900)	54,671 (8,646)	61,131 (12,127)	67,293 (9,024)	67,300 (7,800)
COGS (Ratio to sales) %	13,074 (28.5%)	15,826 (30.7%)	17,102 (31.3%)	18,376 (30.1%)	20,229 (30.1%)	—
SGA (Ratio to sales) %	26,578 (57.9%)	27,197 (52.8%)	28,589 (52.3%)	30,889 (50.5%)	34,698 (51.6%)	—
R&D expense (Ratio to sales) %	5,578 (12.1%)	5,764 (11.2%)	6,191 (11.3%)	6,031 (9.9%)	7,009 (10.4%)	8,700 (12.9%)
Operating profit (Ratio to sales) %	6,266 (13.6%)	8,495 (16.5%)	8,980 (16.4%)	11,865 (19.4%)	12,364 (18.3%)	11,000 (16.3%)
Recurring profits (Ratio to sales) %	6,594 (14.3%)	8,595 (16.7%)	9,524 (17.4%)	11,816 (19.3%)	12,241 (18.1%)	10,900 (16.2%)
Net profit (Ratio to sales) %	2,336 (5.1%)	4,194 (8.1%)	2,800 (5.1%)	3,785 (6.2%)	3,633 (5.3%)	5,900 (8.8%)
EPS (¥)	40.58	72.87	48.65	55.67	41.63	67.98
Capital	3,623	3,623	3,623	4,317	4,317	4,317
Assets	111,697	117,154	124,798	133,427	138,484	
Shareholders' equity	92,538	97,740	99,482	101,703	104,191	
BPS (¥)	1,607.57	1,697.94	1,728.19	1,179.73	1,209.54	
ROE (%)	2.5%	4.4%	2.8%	3.8%	3.5%	
Equity ratio (%)	82.8%	83.4%	79.7%	76.2%	75.2%	
Staff	1,823	1,677	1,648	1,671	1,658	
Capital expenditure	3,399	1,303	2,465	2,507	3,301	7,700
Depreciation expense	2,932	2,903	2,730	3,207	3,626	3,700