

March 2006 Financial Results

Current business performance

Approach to KYORIN Group

Update on Main R&D activities

May 17, 2006

KYORIN Co., Ltd.



Outline of Consolidated Financial Results for the Year Ended March 31, 2006



Consolidated net sales totaled ¥74,054 million, up 11.7%, compared with the previous fiscal year. This improvement reflected firm sales of new ethical drugs in Japan, and the consolidation of new businesses Toyo Pharmar Co., Ltd., and Dr. Program Co., Ltd. Operating income rose 53.2%, to ¥8,989 million, and net income jumped 159.7%, to ¥5,228 million. These results were attributable to a ¥7,758 million increase in net sales and a 4.8 percentage point decrease in the selling, general and administrative (SG&A) expenses ratio due to lower research and development (R&D) expenses, which countered the effects of a 1.6 percentage point hike in the cost of sales ratio.

We forecast higher sales of new ethical drugs in Japan for the year ending March 31, 2007, despite the impact of revised national health insurance (NHI) drug prices. Sales of new ethical drugs overseas, however, are likely to fall sharply. We expect higher sales from new businesses, owing to the contribution of Toyo Pharmar and Dr. Program, which will both record their first full year of results as consolidated subsidiaries. As a result of the above, consolidated net sales are expected to edge up 2.1%, to ¥75,600 million. Operating income is forecast to decline 36.6%, to ¥5,700 million and net income is expected to decrease 33.1%, to ¥3,500 million.

Units: Millions of yen	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	YoY change (%)	Consolidated/ Non- consolidated ratio (times)	Year ending March 31, 2007 (forecast)	YoY change (%)
Net sales	¥68,681	¥65,061	¥66,296	¥74,054	11.7%	1.10	¥75,600	2.1%
Operating income	12,367	8,766	5,866	8,989	53.2%	1.02	5,700	-36.6%
Ordinary income	12,805	8,597	6,430	9,465	47.2%	1.13	6,400	-32.4%
Net income	4,120	5,692	2,013	5,228	159.7%	1.10	3,500	-33.1%
EPS (yen)	¥47.21	¥68.76	¥26.48	¥69.74	163.4%	1.10	—	—
Total assets	¥139,961	¥121,355	¥109,234	¥121,044	10.8%	1.08	—	—
Total shareholders' equity	105,318	91,856	90,544	94,752	4.6%	1.02	—	—

*Consolidated financial results until March 31, 2006 are for Kyorin Pharmaceutical Co., Ltd. Forecasts for the year ending March 31, 2007 apply to Kyorin Co., Ltd.

Consolidated Financial Results for the Year Ended March 31, 2006



Units: Billions of yen

	Year ended March 31, 2005	Year ended March 31, 2006	Change
Net sales (total)	¥66.3	¥74.1	¥+7.8
◆ Sales of new ethical drugs	61.3	64.3	-3.0
Japan	52.5	55.7	+3.2
Overseas	8.8	8.6	-0.2
◆ Generic drugs	0.3	3.5	+3.2
◆ Consumer healthcare business	3.3	5.0	+1.7
◆ Other businesses	1.4	1.2	-0.2
Operating income	5.9	9.0	+3.1
Ordinary income	6.4	9.5	+3.1
Net income	2.0	5.2	+3.2

Net sales	¥74.1 billion	Change (+7.8)	
Sales of new ethical drugs in Japan	¥55.7 billion	(+3.2)	
Year ended March 31, 2005	Year ended March 31, 2006		
• Kipres	1.8	13.4	
• Mucodyne	19.0	19.9	(+0.9)
• Pentasa	6.4	7.3	(+0.9)
Sales of new ethical drugs overseas	¥8.6 billion	(-0.2)	
• Gatifloxacin	8.0	6.7	(-1.3)
* (Result reflects weaker sales of Tequin)			
Generic drugs	¥3.5 billion	(+3.2)	
* Eight months of revenue from recently consolidated Toyo Pharmar boosted sales.			
Consumer healthcare business	¥5.0 billion	(+1.7)	
• Milton	2.3	2.1	(-0.2)
* Toyo Pharmar's sales of OTC drugs and seven months of revenue from recently consolidated Dr. Program boosted sales.			(+2.0)
Other businesses	¥1.2 billion	(-0.2)	
Cost of sales ratio: up 1.6 percentage points (34.2% 35.8%)			
* Factor contributing to increase: Consolidation of Toyo Pharmar			
* Factor contributing to decrease: Strong sales in Japan by Kyorin Pharmaceutical			
R&D ratio: down 5.6 percentage points (19.2% 13.6%)			
* R&D expenses fell from ¥12.7 billion to ¥10.1 billion, a decline of ¥2.6 billion.			
SG&A expenses ratio (excluding R&D expenses):			
up 0.6 percentage point (37.8% 38.4%)			
* The improvement in sales of new ethical drugs in Japan was accompanied by higher sales and general expenses.			
Operating income	¥9 billion	(+3.1)	
* The operating income margin rose 3.3 percentage points, to 12.1%.)			
Net income	¥5.2 billion	(+3.2)	
Cash dividends ¥30.00 Payout ratio 43.0%			
(Kyorin Pharmaceutical interim cash dividend + Kyorin Co., Ltd., end-of-year dividend)			

Consolidated Financial Results Forecast for the Year Ending March 31, 2007



Units: Billions of yen

	Year ended March 31, 2006	Year ended March 31, 2007 (forecast)	Change
Net sales (total)	¥74.1	¥75.6	¥+1.5
◆ Sales of new ethical drugs	64.3	61.4	-2.9
Japan	55.7	56.4	+0.7
Overseas	8.6	4.9	-3.7
◆ Generic drugs	3.5	6.0	+2.5
◆ Consumer healthcare business	5.0	6.8	+1.8
◆ Other businesses	1.2	1.4	+0.2
Operating income	9.0	5.7	-3.3
Ordinary income	9.5	6.4	-3.1
Net income	5.2	3.5	-1.7

Net sales

Sales of new ethical drugs in Japan

¥75.6 billion **Change (+1.5)**

¥56.4 billion **(+7)**

Year ended March 31, 2006 Year ending March 31, 2007 (forecast)

• Kipres	13.4	14.2	(+0.8)
• Mucodyne	19.9	20.9	(+1.0)

* Average NHI prices for Kyorin pharmaceuticals will be 6.3% lower than in the previous year. Average NHI prices for the industry will be 6.7% lower. To counter this effect, we are targeting a 9% increase in sales.

* Our sales forecast volume does not include sales of Uritos, which will be launched during the year ending March 31, 2007.

Sales of new ethical drugs overseas

¥4.9 billion **(-3.7)**

• Gatifloxacin	6.7	2.5	(-4.2)
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* Bristol-Myers Squibb, a licensee decided to Discontinue sales of Tequin.

Generic drugs

¥6.0 billion **(+2.5)**

* Forecast anticipates the contribution of Toyo Pharmar, which will record its first full year of results.

Consumer healthcare business

¥6.8 billion **(+1.8)**

• Milton	2.1	2.2	(+0.1)
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* Forecast anticipates the contribution of Dr. Program, which will record its first full year of results and benefit from a sales expansion.

Other businesses

¥1.4 billion **(+0.2)**

Cost of sales ratio: up approximately 4 percentage points

* Factor contributing to increase: Increased depreciation expenses for Noshiro Plant

R&D ratio: down 0.1 percentage point (13.6% → 13.5%)

* R&D expenses expected to increase from ¥10.1 billion to ¥10.2 billion, up ¥0.1 billion.

SG&A expenses ratio

(excluding R&D expenses): up approximately 1 percentage point

* We will endeavor to cut approximately ¥500 million from Kyorin Pharmaceutical's SG&A expenses. Nevertheless, the SG&A expenses ratio (excluding R&D expenses) is expected to increase, given the anticipated decline in sales.

Operating income

¥5.7 billion **(-3.3)**

* The operating income margin is expected to decrease 4.6 percentage points, to 7.5%.)

Net income

¥3.5 billion **(-1.7)**

Cash dividends ¥20.00 Payout ratio 42.3% (forecast)

Kyorin MIC-'09 Mid-Term Business Plan (FY05~FY09)

New Corporate Image and Identity

**A distinguished and integrated healthcare company based on
reliableness with the core business in global drug creation.**

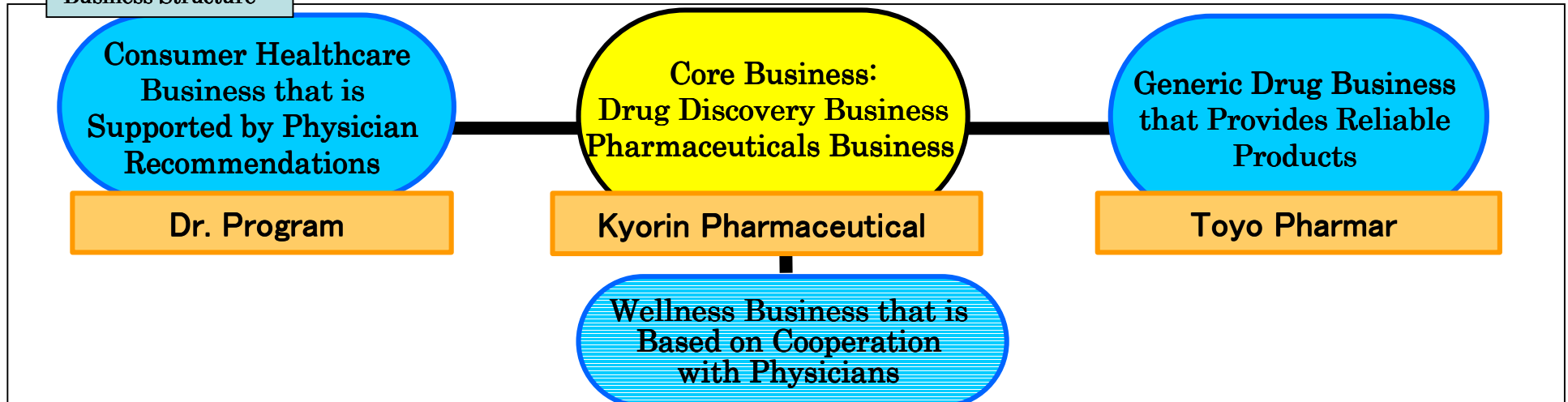
Keynote: Evolution & Innovation II

Adoption of Holding Company System

Corporate vision as outlined in our MIC-09 medium-term business plan:

To remain an integrated, trusted and unique healthcare company centered on global drug discovery operations.

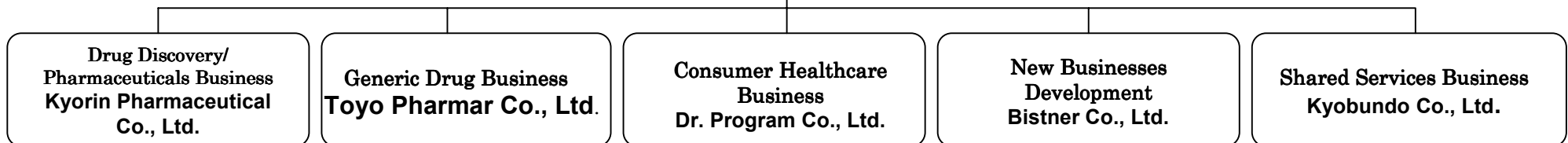
Business Structure



First stage:
Exchange of shares on March 10, 2006

Kyorin Co., Ltd.

Second stage:
Group reorganized into consolidated subsidiaries focusing on different business areas on October 1, 2006



Implementation of the Kyorin MIC-09 Medium-Term Business Plan (2)

Revamping the Kyorin Corporate Brand

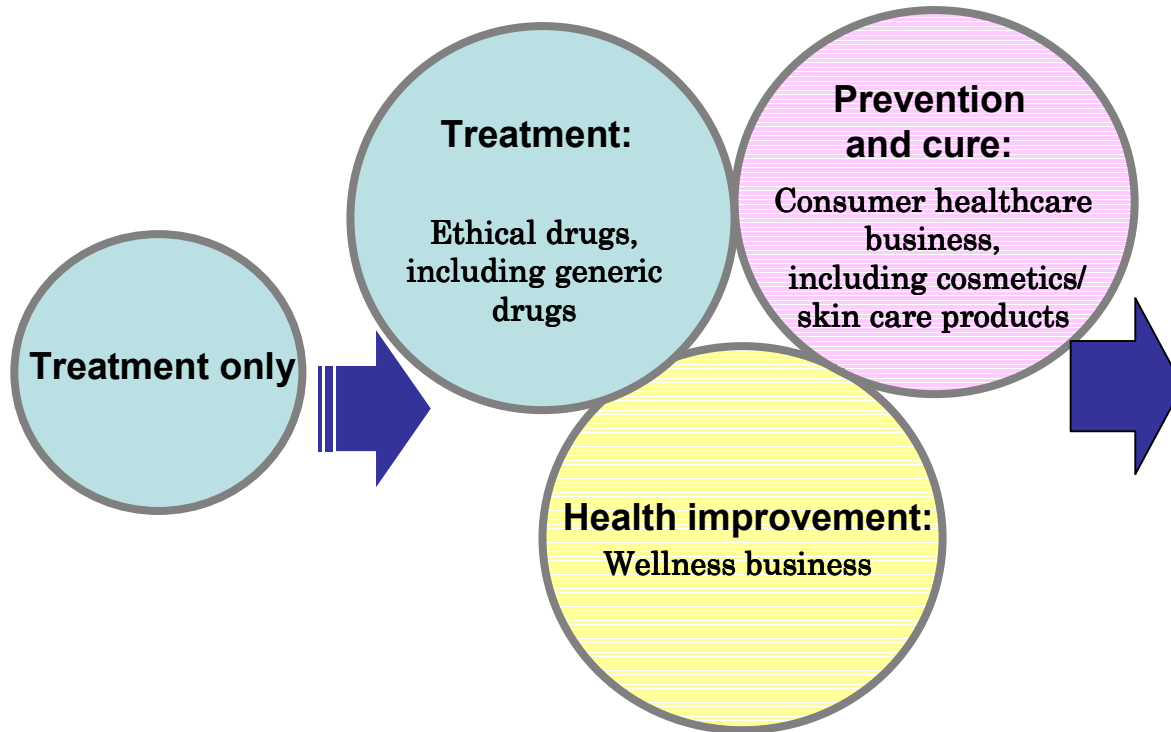


<Conventional concept of healthcare > <New concept of healthcare, as outlined in Kyorin MIC-09 >



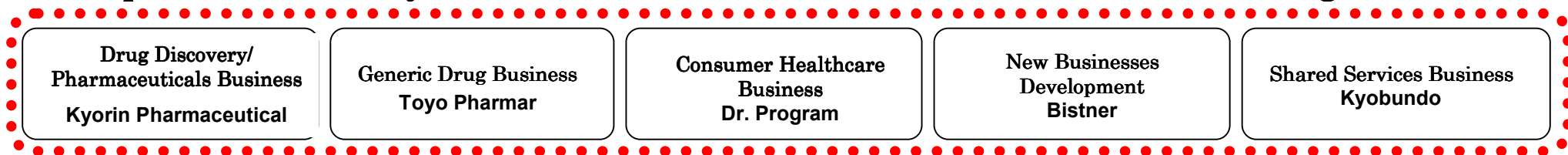
**Ideas behind
the new Kyorin corporate mark**

Our newly designed corporate mark conveys an image of satisfied “smiling” stakeholders, while hinting at our full-fledged efforts and bold determination to ensure such satisfaction. The new design also reflects our desire to be viewed as a trustworthy company with great potential.



Capitalize on the Kyorin Brand

Brand-Oriented Management



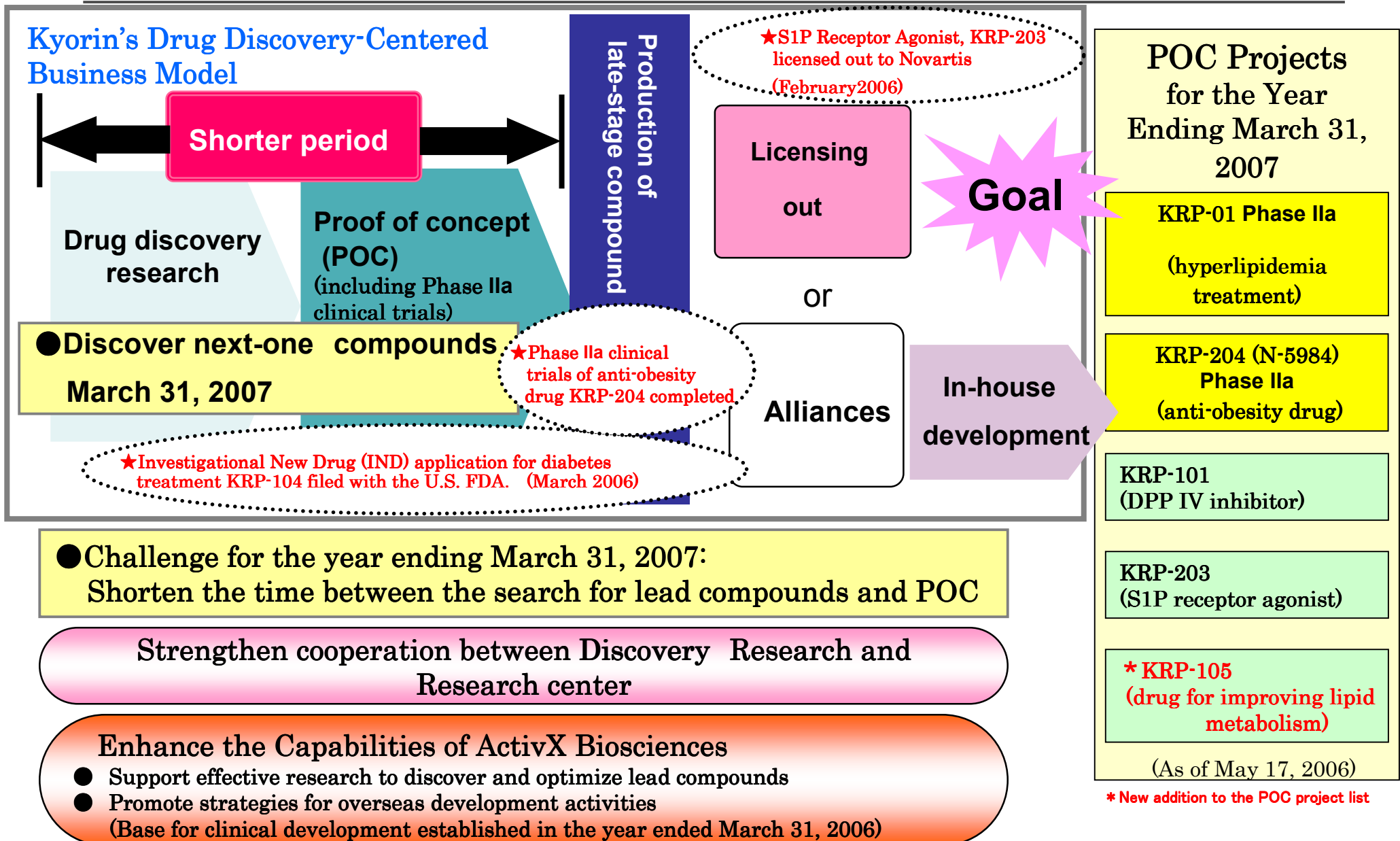
We aim to maximize our capabilities by encouraging Kyorin Group employees to embrace a new mindset and apply innovative approaches to their work.

Approach on Basic Strategy

Basic Strategy:

1. Establish Kyorin as a Global Drug Creation Company
2. Increase the Competitive Strength of Our Pharmaceuticals Business to Support Investments for Drug Creation
3. Develop New Businesses that Will Build on the Foundation of the Pharmaceuticals Business and Contribute to Future Growth

Reinforcing Our Position as a Global Drug Discovery Company



Reinforce the Competitive Advantages of Our Pharmaceuticals Business to Support Investment in Drug Discovery



Continually invest resources in sales & Marketing to build stronger, long-term relationships with customers

Promote the Franchise Customer Strategy

- Continue regular visits to target doctors
(Achieve a 100% success rate in detailing to the target doctors and convincing them to prescribe one or more product)
- Introduce measures to strengthen our business in Franchise Customer 3 (FC3) areas—respiratory internal medicine, otolaryngology and urology
(For example, organizing open lectures for the public)
- Develop an effective product lifecycle management (PLM) program for our key products (Kipres, Mucodyne, Gatiflo and Ketas)

Develop more effective strategies to strengthen ties with wholesalers



Steadily Increase Our Sales Capabilities

★ Changes in sales volume of new ethical drugs in Japan

(excluding sales to other companies and one-time payments)

	Year ended March 31, 2006	Year ending March 31, 2007 (forecast)	YoY change
Year ended March 31, 2005	+9%	+5%	+9%

Note: For purposes of comparison, figures for each year have been recalculated based on NHI prices in the year ended March 31, 2004.

Expand sales of existing products and launch new pharmaceuticals to overcome the effects of falling NHI prices

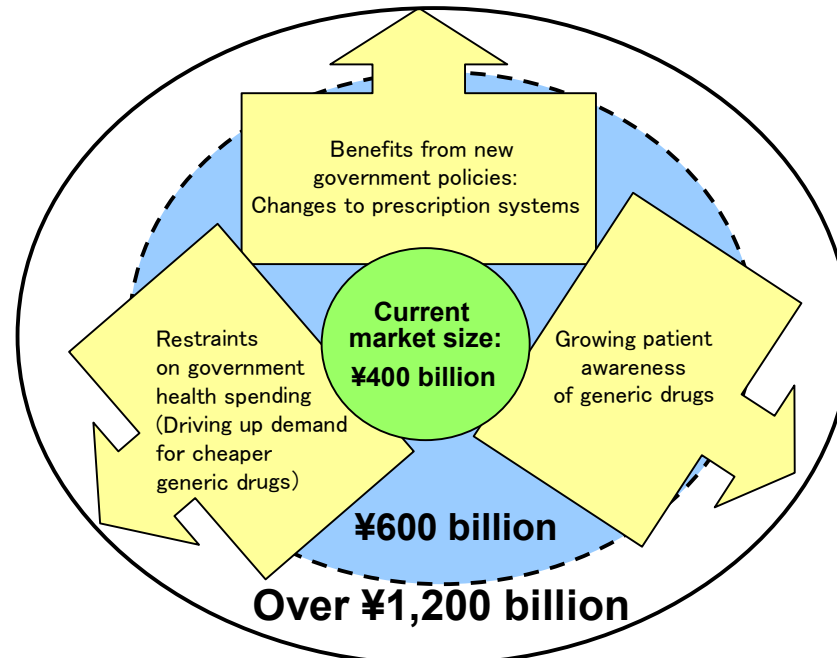
Develop New Businesses that Will Build on the Foundations of the Pharmaceuticals Business and Contribute to Future Growth

(1) Generic Drug Business that Provides Reliable Products

● Forecasts for generic drug market

Maximum potential: Over ¥1,200 billion
Most long-term listed drugs are expected to be replaced by generic drugs

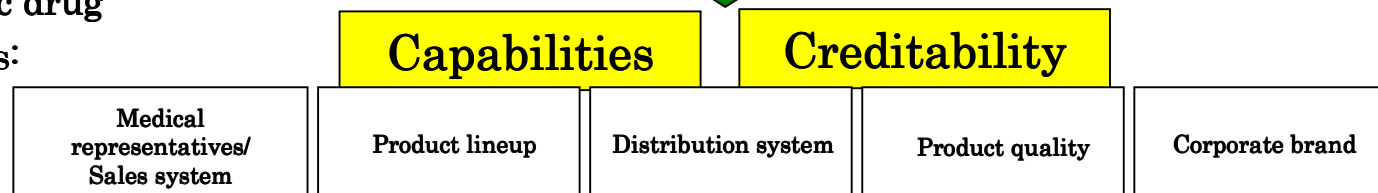
Current potential: ¥600 billion
Market expected to maintain current growth rates of between 5 - 10%



Challenges: Overcome competition from overseas companies

- Secure products with every same formulation and dosage form as those of original drugs
- Develop the capability to ensure a stable supply of generic drugs for over five years

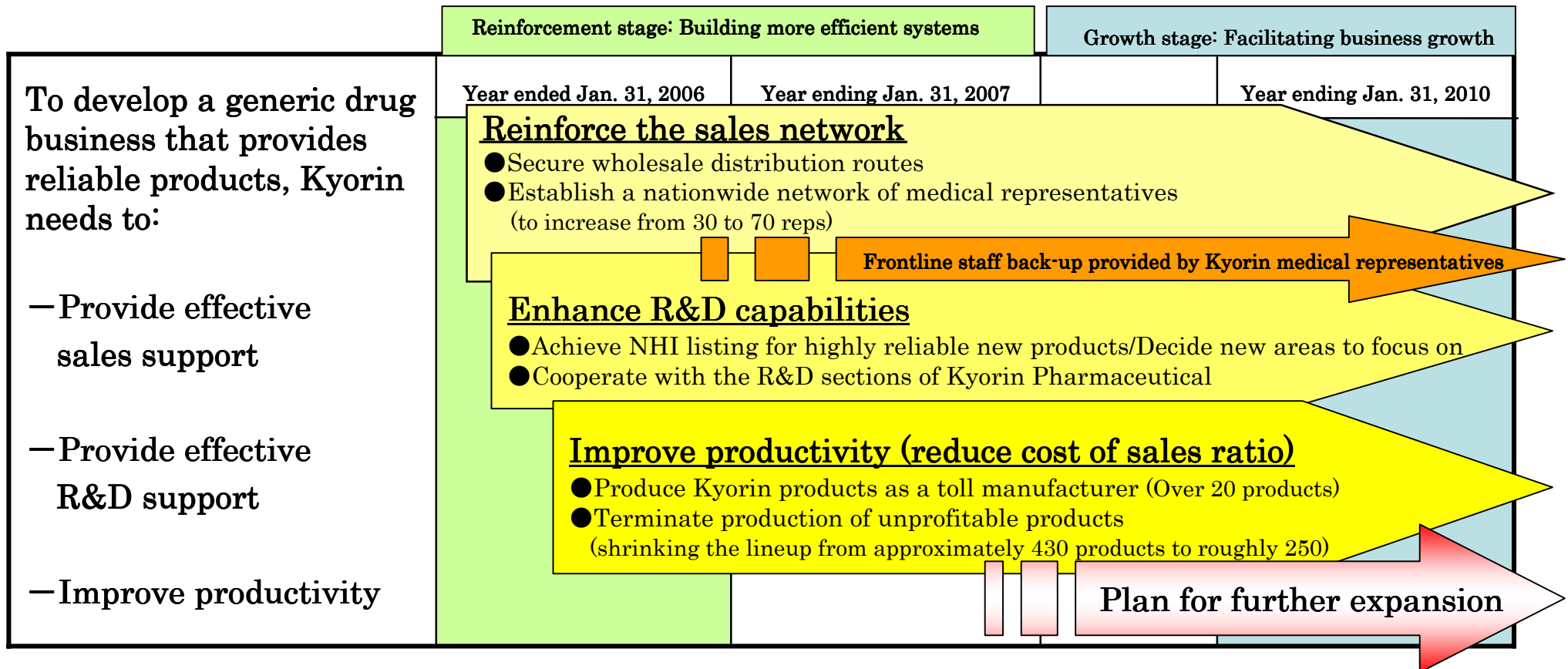
● The success of a generic drug company depends on its:



★As a member of the Kyorin Group, Toyo Pharmar aims to establish itself as one of Japan's top five generic drug companies by providing reliable products that meet health-related needs.

Toyo Pharmar: Business Performance and Strategies

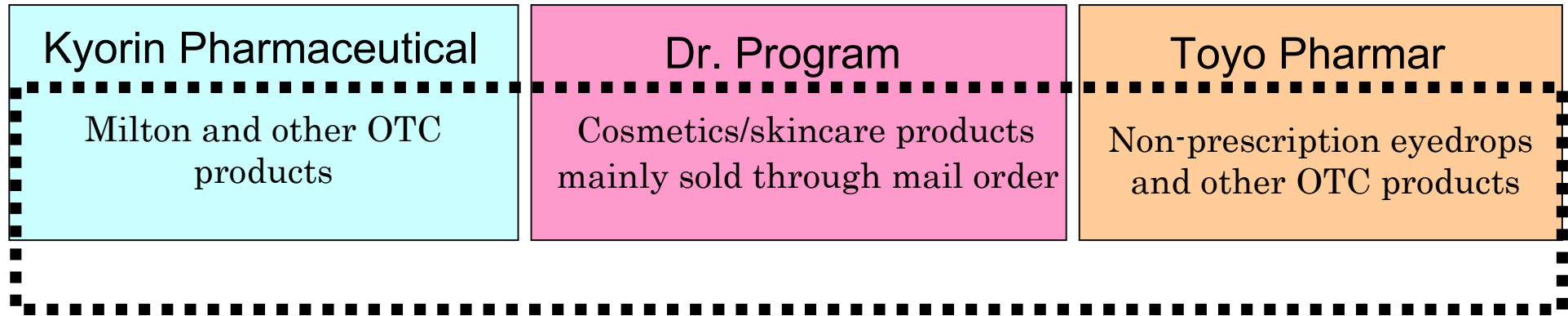
Units: Billions of yen	Year ended May 31, 2005	Year ended Jan. 31, 2006 (only eight months)	Year ending Jan. 31, 2007 (forecast)	Year ending Jan. 31, 2010 (forecast)
Net sales	¥6.5	¥4.4	¥7.2	¥10
Operating income	0	0.3	0.2	1
Net income	-0.1	0.2	0.1	—



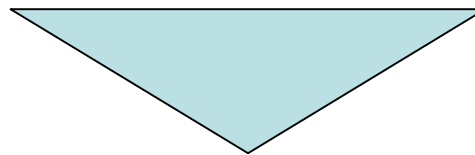
Develop New Businesses that Will Build on the Foundations of the Pharmaceuticals Business and Contribute to Future Growth



(2) Nurture a Consumer Healthcare Business that is Supported by Physician Recommendations



Current Consumer Healthcare Business



Promote the growth of Dr. Program and harness synergies between every business

Dr. Program:

Building a brand for cosmetics with pharmaceutical functions

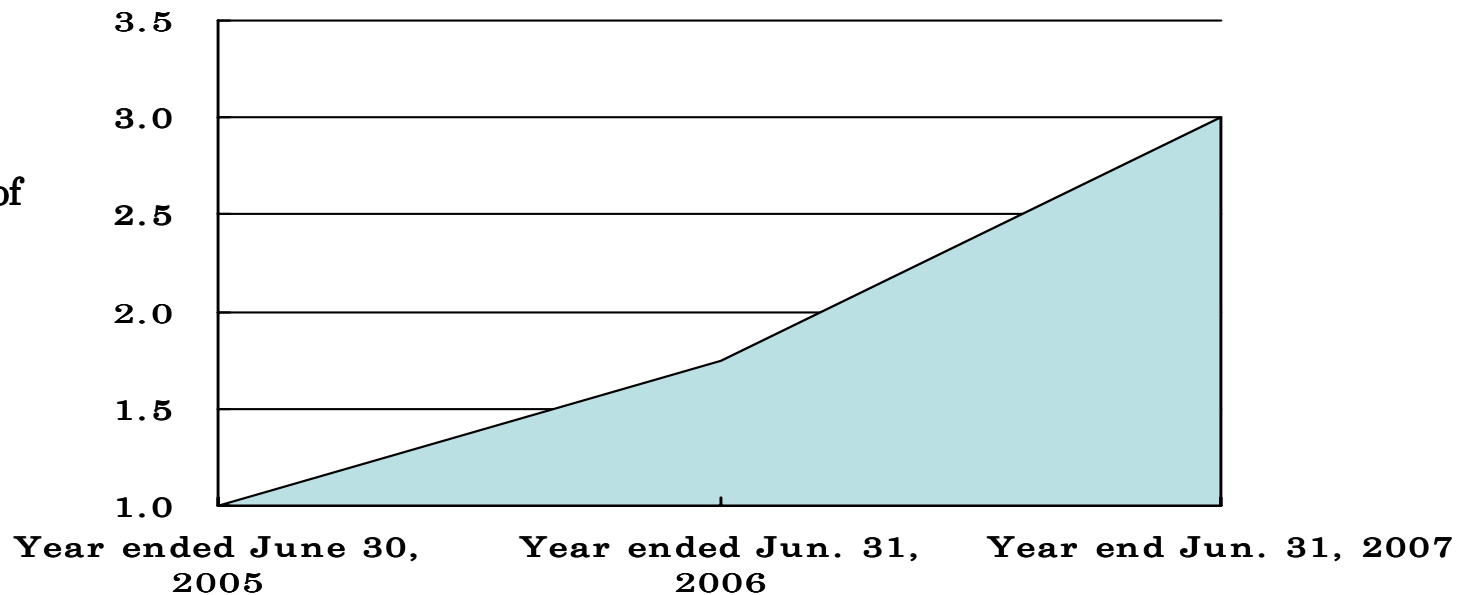


Unit: Billions of yen	Year ended June. 30, 2005	Year ended Jan. 31, 2006 (only eight months)	Year ending Jan. 31, 2007 (forecast)	Year ending Jan. 31, 2010 (forecast)
Net sales	¥0.5	¥0.8	¥2.1	¥5.0
Operating income	0	0	¥0.1	Operating income margin: over 10%



- Capitalize on the Kyorin brand: Larger customer mailing list
- Establish an in-house R&D center to enhance our development capabilities and thereby ensure a steady flow of new products: Broader lineup of products

Customer Index
(Forecast number of customers in each fiscal year divided by number of customers in the year ended June 30, 2005)

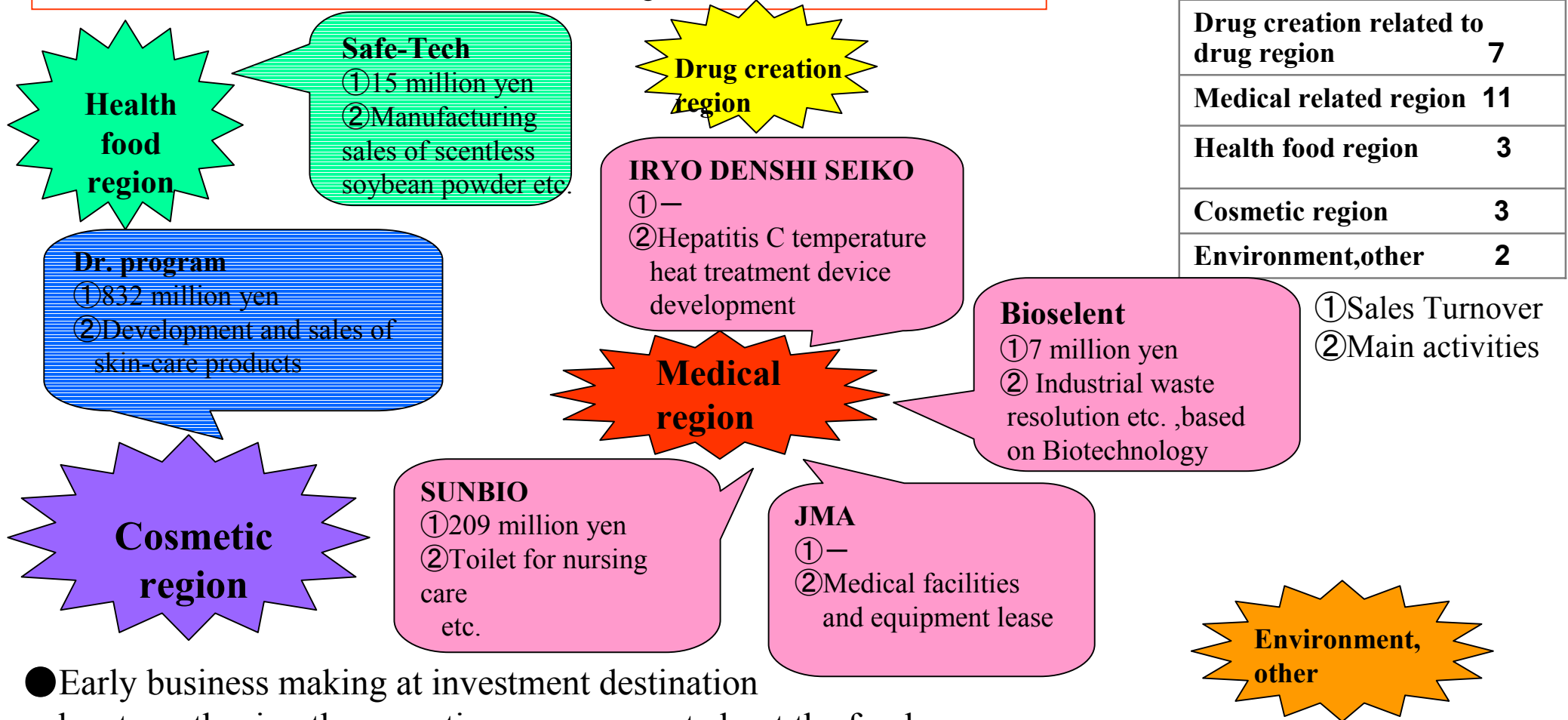


(Forecasts made on June 30, 2005)

BISTNER Co.,Ltd

Update on Bistner business fund

- Start: September 2000
- Investment: ¥5 billion (¥4 billion already paid to Bistner by Kyorin, and Bistner already invested ¥2.6 billion in 26 cases)
- Focus: Pharmaceuticals, Medical Treatment, Nursing, health care



Companies invested	
Drug creation related to drug region	7
Medical related region	11
Health food region	3
Cosmetic region	3
Environment, other	2

- ① Sales Turnover
- ② Main activities

- Early business making at investment destination by strengthening the operation management about the fund.
- Selection of investment region centering on health care and wellness region.

Kyorin Pharmaceutical Co., Ltd.

Main R&D Activities

Main R&D Activities① (May 15 , 2006 Release)

Application

* : Describe the latest changes

Stage		Compound/ Code	Efficacy	Origin	Features	Comments
Domestic	Overseas					
Filed (10/04)	Ph I	URITOS KRP-197 (Tablets)	Urinary incontinence treatment	In-house	Potent anti-cholinergic agent, little dry mouth	Overseas:Licensing agreement with LGLS Domestic: Co development,Co-Marketing with ONO (Plan)
Filed (7/04)	(Launched Merck)	KIPRES Fine Granules 4mg Montelukast	Anti-bronchial asthma agent	Merck (US)	New oral granules formulation for asthma treatment in children aged 1 to 5 years old.	○ Additional formulation ○ New indication and dosage -Co-development with Banyu
Filed (8/05)	(Launched Merck)	KIPRES Tablets Montelukast	Anti-bronchial asthma agent Allergic Rhinitis	Merck (US)	New indication for allergic rhinitis in adult. The once daily dosing of montelukast, an LTD4 receptor antagonist, is expected to improve symptoms of allergic rhinitis. Moreover it is expected to exert less sedation/sleepiness than other marketed therapies.	○ Additional indication -Co-development with Banyu

Main R&D Activities② (May 15 , 2006 Release)

POC Project, Ph II ~ III		* : Describe the latest changes				
Stage		Compound/ Code	Efficacy	Origin	Features	Comments
Domestic	Overseas					
Ph III (1/04)	(Galderma)	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	Agreement with Maruho for joint development
Ph II / III (10/05)	(Merck Ph III)	Montelukast (Injection)	Anti-bronchial asthma agent	Merck (US)	New formulation(Injection) for asthma in adult.	•Co-development with Banyu
	Ph II (10/04)	KRP-204 N-5984 (Tablets)	Anti-obesity	Nisshin Flour Milling	A highly selective beta3-antagonist that may improve obesity and have less cardiac effect in comparison to previous compounds.	Developed with Nisshin Flour Milling
Ph II (3/05)	(Dainippon Sumitomo) Ph III	AS-3201 (Tablets)	Diabetic neuropathy	Dainippon Sumitomo	The sorbitol accumulation in the cell is controlled by strongly obstructing the Alders reductase, and a diabetic neurological disorder is improved.	•Co-development with Dainippon Sumitomo
	Ph II (6/04)	KRP-101 (Tablets)	Anti-dyslipidemia with anti-diabetes	In-house	A PPAR-alpha agonist. It may have an effect on diabetes in addition to lipid metabolism improvement including reduction of neutral fat.	
	*Ph I (3/06)	*KRP-104	Anti-diabetes agent	In-house	A DPP4 inhibitor to reduce blood glucose through suppression of the degradation of insulin- releasing hormone. Diabetic therapy with fewer side effects is expected than existing treatments.	
	Pre - clinical	*KRP-203	Transplantation and anti- Autoimmune Diseases	In-house	An immunosuppressant with novel mechanism called S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunosuppressants.	Licensing agreement with Novartis *
	Pre - clinical	*KRP-105	Anti-dyslipidemia	In-house	A highly selective PPAR α agonist. In addition to lipid metabolism improvement, KRP-105 increased adiponectin, reduced leptin, and suppressed weight gain in animal models, suggesting potential to be a unique and ant-dyslipidemia agent.	

Main R&D Activities③ (May 15 , 2006 Release)

Licensing development (preclinical)

* : Describe the latest changes

Product name・Code	Stage	Licensee・Collaborative research	Efficacy	Origin	Comments
To be determined	-	Merck (US)	Synthetic Antimicrobial	In-house Merck (US)	<ul style="list-style-type: none"> Collaborative research Entered into an exclusive license(7/04)
Alphagan/ Alphagan P	Ph I (4/05)	Senju Seiyaku	Glaucoma	Allergan (US)	<ul style="list-style-type: none"> Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution) License-out to Senju (5/04)
Ketas	Ph II (8/05)	MediciNova (US)	Cerebrovascular disorders	In-house	<ul style="list-style-type: none"> KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan,China, South Korea and Taiwan to develop, manufacture and sell the compound and products for the multiple sclerosis indication.(10/04)
KCA-757	Ph II (Anti-bronchial Asthma: 1/05) (interstitial cystitis: 5/05)	MediciNova (US)	Anti-bronchial asthma and interstitial cystitis agent	In-house	<ul style="list-style-type: none"> KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan,China, South Korea and Taiwan to develop, manufacture and sell the compound and products

Reference

P&L summary : Consolidated-1



(Units: ¥ millions)

	Mar/05		Mar/06			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	66, 296	100.0%	74, 054	100.0%	11.7%	7, 757
Sales of new ethical drugs	61, 308	92.5%	64, 281	86.8%	4.8%	2, 973
Japan	52, 470	79.1%	55, 705	75.2%	6.2%	3, 235
Overseas	8, 838	13.3%	8, 575	11.6%	▲3.0%	▲263
Generic drugs	349	0.5%	3, 488	4.7%	897.1%	3, 138
Consumer healthcare business	3, 280	4.9%	5, 035	6.8%	53.5%	1, 755
Other businesses	1, 357	2.0%	1, 248	1.7%	▲8.0%	▲109

Consolidated companies (8) Kyobundo, Bistner, Kyorin USA,

Bistner Fund No.1,
Kyorin Europe GmbH
ActivX Biosciences, Inc.
Toyo Pharmar
Dr. Program

Affiliated companies (2) Nisshin Kyorin Pharmaceutical,

Nihon Rikagaku Yakuhin

(Units: ¥ billions)
Change

Net sales ¥74.1 billion (+7.8)

Sales of new ethical drugs in Japan
¥55.7 billion (+3.2)

Year ended March 31, 2005 Year ended March 31, 2006

• Kipres	1.8	13.4	(+1.6)
• Mucodyne	19.0	19.9	(+0.9)
• Pentasa	6.4	7.3	(+0.9)

Sales of new ethical drugs overseas

¥8.6 billion (-0.2)

• Gatifloxacin	8.0	6.7	(-1.3)
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* (Result reflects weaker sales of Tequin)

Generic drugs ¥3.5 billion (+3.2)

* Eight months of revenue from recently consolidated Toyo Pharmar boosted sales.

Consumer healthcare business

¥5.0 billion (+1.7)

• Milton	2.3	2.1	(-0.2)
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* Toyo Pharmar's sales of OTC drugs and seven months of revenue from recently consolidated Dr. Program boosted sales.

Other businesses ¥1.2 billion (-0.2)

P&L summary : Consolidated-2

(Units: ¥ millions)

	Mar/05		Mar/06			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	66, 296	100.0%	74, 054	100.0%	11.7%	7, 757
COGS	22, 682	34.2%	26, 515	35.8%	16.9%	3, 833
Gross profit	43, 614	65.8%	47, 538	64.2%	9.0%	3, 924
SG&A (of which R&D)	37, 747 (12, 698)	57.0% 19.2%	38, 549 (10, 107)	52.1% 13.6%	2.1% (▲20.4%)	801 (▲2, 591)
Operating profit	5, 866	8.8%	8, 989	12.1%	53.2%	3, 123
Non-op income	818	1.3%	863	1.2%	5.4%	44
Non-op expense	254	0.4%	387	0.5%	52.0%	132
Recurring profit	6, 430	9.7%	9, 465	12.8%	47.2%	3, 035
Extraordinary profits	1, 847	2.8%	260	0.3%	▲85.9%	▲1, 587
Extraordinary losses	4, 266	6.4%	1, 259	1.7%	▲70.5%	▲3, 006
Pretax profit	4, 012	6.1%	8, 466	11.4%	111.0%	4, 454
Corporate, inhabitants and enterprise taxes	147	0.2%	2, 539	3.4%	1626.4%	2, 392
Tax adjustments	1, 851	2.8%	653	0.9%	▲64.7%	▲1, 198
Net profit	2, 013	3.1%	5, 228	7.1%	159.7%	3, 215

Cost of sales ratio: up 1.6 percentage points
(34.2% 35.8%)

* Factor contributing to increase: Consolidation of Toyo Pharmar

* Factor contributing to decrease: Strong sales in Japan by Kyorin Pharmaceutical

R&D ratio: down 5.6 percentage points
(19.2% 13.6%)

* R&D expenses fell from ¥12.7 billion to ¥10.1 billion, a decline of ¥2.6 billion.

SG&A expenses ratio (excluding R&D expenses): up 0.6 percentage point
(37.8% 38.4%)

* The improvement in sales of new ethical drugs in Japan was accompanied by higher sales and general expenses.

Operating income ¥9 billion (+3.1%)

* The operating income margin rose 3.3 percentage points, to 12.1%.)

Net income ¥5.2 billion (+3.2%)

Cash dividends ¥30.00

Payout ratio 43.0

(Kyorin Pharmaceutical interim cash dividend + Kyorin Co., Ltd., end-of-year dividend)

P&L summary : Parent-1(Kyorin pharmaceutical)



(Units: ¥ millions)

	Mar/05		Mar/06			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	64, 938	100.0%	67, 357	100.0%	3.7%	2, 418
Sales of new ethical drugs	61, 308	94.4%	64, 036	95.1%	4.4%	2, 728
Japan	52, 470	80.8%	55, 705	82.7%	6.2%	3, 235
Overseas	8,838	13.6%	8,331	12.4%	▲5.7%	▲507
Generic drugs	349	0.5%	351	0.5%	0.3%	2
Consumer healthcare business	3, 280	5.1%	2, 969	4.4%	▲9.5%	▲311

Net sales	¥67.4 billion	Change (+2.5)
Sales of new ethical drugs	¥64.0 billion	(+2.7)
	Year ended March 31, 2005	Year ended March 31, 2006
• Kipres	1.8	13.4 (+1.6)
• Mucodyne	19.0	19.9 (+0.9)
• Pentasa	6.4	7.3 (+0.9)
Sales of new ethical drugs overseas	¥8.3 billion	(-0.5)
• Gatifloxacin	8.0	6.7 (-1.3)
* (Result reflects weaker sales of Tequin)		
Generic drugs	¥0.4 billion	(±0)
Consumer healthcare business	¥3.0 billion	(-3.0)
• Milton	2.3	2.1 (-0.2)

P&L summary : Parent-2(Kyorin pharmaceutical)



(Units: ¥ millions)

	Mar/05		Mar/06			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	64,938	100.0%	67,357	100.0%	3.7%	2,418
COGS	21,653	33.3%	21,821	32.4%	0.8%	167
Gross profit	43,285	66.7%	45,536	67.6%	5.2%	2,251
SG&A (of which R&D)	37,373 (12,698)	57.6% 19.6%	36,762 (10,013)	54.6% 14.9%	▲1.6% (▲21.1%)	▲611 (▲2,685)
Operating profit	5,911	9.1%	8,773	13.0%	48.4%	2,862
Non-op income	502	0.8%	570	0.8%	13.6%	68
Non-op expense	689	1.1%	966	1.4%	40.2%	277
Recurring profit	5,723	8.8%	8,377	12.4%	46.4%	2,653
Extraordinary profits	1,792	2.8%	194	0.3%	▲89.1%	▲1,597
Extraordinary losses	3,975	6.1%	787	1.2%	▲80.2%	▲3,187
Pretax profit	3,540	5.5%	7,784	11.5%	119.9%	4,243
Corporate, inhabitants and enterprise taxes	75	0.1%	2,462	3.7%	3,180.6%	2,387
Tax adjustments	1,850	2.8%	550	0.8%	▲70.2%	▲1,299
Net profit	1,615	2.5%	4,771	7.0%	195.4%	3,155

Cost of sales ratio: down 0.9 percentage points
(33.3% 32.4%)

* Factor contributing to decrease: Strong sales in Japan by Kyorin Pharmaceutical

R&D ratio: down 4.7 percentage points
(19.6% 14.9%)

* R&D expenses fell from ¥12.7 billion to ¥10.0 billion, a decline of ¥2.7 billion.

SG&A expenses ratio (excluding R&D expenses): up 1.7 percentage point
(38.0% 39.7%)

* The improvement in sales of new ethical drugs in Japan was accompanied by higher sales and general expenses.

Operating income ¥8.8 billion (+2.9)

* The operating income margin rose 3.9 percentage points, to 13.0%.)

Net income ¥4.8 billion (+3.2)

BS summary:Consolidated

(Units: ¥ millions)

	Mar/05		Mar/06		
	actual	%total	actual	%total	Amt chg
Current assets	51,782	47.4%	59,416	49.1%	7,633
Cash, deposits	8,760		14,265		
A/R, notes receivable	24,655		26,756		
Mk securities	3,010		111		
Inventory	10,152		13,767		
Other	5,202		4,514		
Fixed assets	57,452	52.6%	61,627	50.9%	4,175
Tangible assets	16,997		21,363		
Intangible assets	5,571		5,708		
Investments	34,883		34,555		
Current liabilities	11,220	10.3%	18,196	15.0%	6,976
A/P, notes payable	5,827		6,590		
Other	5,392		11,606		
Non-current liab.	7,470	6.8%	7,478	6.2%	8
Total liabilities	18,690	17.1%	25,675	21.2%	6,984
Common stock	4,317	3.9%	4,317	3.6%	
Capital surplus	949	0.9%	949	0.8%	
Retained earnings Net	105,294	96.4%	88,260	72.9%	
Unrealized(losses)gains of securities	713	0.7%	1,182	1.0%	
Foreign currency adjustment account	▲6	▲0.0%	42	0.0%	
Treasury stock	▲20,724	▲19.0%	-	-	
Total shareholders' eq.	90,544	82.9%	94,752	78.3%	4,207
Total Liabilities & sh/s eq.	109,234	100.0%	121,044	100.0%	11,809

■ Current assets(up ¥7,633 million yoy)

- Cash,deposits (up ¥5,505 million yoy)
- A/R, notes receivable (up ¥2,100 million yoy)
- Mk securities (down ¥2,899 million yoy)
- Inventory(up ¥3,615 million)

■ Fixed assets (up¥4,175 million yoy)

- Tangible assets(up ¥4,366 million yoy)
- Intangible assets(up ¥137 million yoy)
- Investments (down ¥327 million yoy)

■ Current liabilities (up ¥6,976 million yoy)

- Income taxes payable etc. (up ¥2,390 million yoy)

BS summary : Parent(Kyorin pharmaceutical)

(Units: ¥ millions)

	Mar/05		Mar/06		
	actual	%total	actual	%total	Amt chg
Current assets	49,096	46.2%	50,721	45.3%	1,624
Cash, deposits	6,823		10,754		
Notes receivable	251		0		
Accounts receivable	23,955		23,862		
Mk securities	2,899		0		
Inventory	10,181		12,108		
Other	4,986		3,995		
Fixed assets	57,168	53.8%	61,256	54.7%	4,088
Tangible assets	16,623		18,636		
Intangible assets	5,569		4,552		
Investments	34,975		38,068		
Current liabilities	10,082	9.5%	13,677	12.2%	3,595
Notes payable	1,236		1,224		
Trade accounts payable	4,083		2,803		
Other	4,762		9,649		
Non-current liab.	7,342	6.9%	5,774	5.2%	▲1,567
Total liabilities	17,425	16.4%	19,452	17.4%	2,027
Common stock	4,317	4.1%	4,317	3.9%	
Capital surplus	949	0.9%	949	0.8%	
Retained earnings Net	103,625	97.5%	86,189	77.0%	
Unrealized(losses)gains of securities	667	0.6%	1,068	0.9%	
Treasury stock	▲20,720	▲19.5%	-	-	
Total shareholders' eq.	88,839	83.6%	92,525	82.6%	3,685
Total liabilities & sh/s eq.	106,264	100.0%	111,978	100.0%	5,713

■ Current assets(up ¥1,624 million yoy)

- Cash,deposits (up ¥3,931 million yoy)
- Mk securities (down ¥2,899 million yoy)
- Inventory(up ¥1,927 million)
- Other (down ¥990 million yoy)

■ Fixed assets (up¥4,088 million yoy)

- Tangible assets(up ¥2,012 million yoy)
- Intangible assets(down ¥1,016 million yoy)
- Investments (up ¥3,092 million yoy)

■ Current liabilities (up ¥3,595 million yoy)

- Trade accounts payable(down ¥1,279 million yoy)
- Other (up ¥4,887 million yoy)

■ Non-current liab (down ¥1,567 million yoy)

- Accrued pension cost (up ¥325 million yoy)
- Money unpaid when retirement supply system shifts (down ¥1,870 million yoy)

R&D, capex & depreciation < Consolidated >

(Units: ¥ millions)

	3 / 02	3 / 03	3 / 04	3 / 05	3 / 06		3 / 07 (Forecast)
					actual	YoY	
R&D expense	6,031	7,009	8,219	12,698	10,107	▲20.4%	10,200
Capex (book base)	2,507	3,301	5,670	6,172	4,605	▲25.4%	3,400
Depreciation expense	3,213	3,637	4,774	3,894	3,646	▲6.4%	4,700

	3 / 06	3 / 07
	actual	Full term (forecast)
(Result) Noshiro preparation plant and other production machine (each plant) Equipment for control, sales activities Equipment for research	¥3.6 billion ¥0.3 billion ¥0.7 billion	
(Result/Forecast) Investment in facilities of Noshiro plant and other production machine (each plant) Equipment for control, sales activities Equipment for research		¥2.8 billion ¥0.3 billion ¥0.3 billion

Product sales update

(Units: ¥ billions)



		3 / 02	3 / 03	3 / 04	3 / 05	3 / 06		3 / 07 (Forecast)
						actual	YoY	
Sales of new ethical drugs (japan)	Kipres (LT receptor antagonist)	3.1	6.4	9.8	11.8	13.4	13.6%	14.2
	Gatiflo (Kyorin) (Antibacterial agent)	—	4.7	1.7	2.3	2.5	9.3%	3.0
	Mucodyne (Mucuregulant)	17.5	17.1	18.0	19.0	19.9	4.7%	20.9
	Baccidal (Antibacterial agent)	1.7	1.2	0.9	0.7	0.6	▲13.6%	0.5
	Ketas (For bronchial asthma and cerebrovasculas disorders)	7.5	7.0	7.0	6.6	6.3	▲4.9%	6.2
	Aplace (Anti-ulcer agent)	4.3	3.4	2.9	2.6	2.4	▲9.9%	2.0
	Rocaltrol (Osteoporosis remedy)	3.8	3.0	2.7	2.4	2.2	▲7.8%	1.9
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	4.5	5.3	6.0	6.4	7.3	13.8%	7.9
Sales of new ethical drugs (over seas)	Total	12.1	9.0	8.5	8.8	8.6	▲ 3.0%	4.9
	Gatifloxacin (Bulk · Royalty)	9.8	5.1	7.1	8.0	6.7	▲16.0%	2.5
	Norfloxacin (Bulk · Royalty)	1.8	1.5	1.1	0.4	0.3	▲27.4%	0.3
	Foreign sales ratio (%)	19.4%	13.2%	13.1%	13.3%	11.6%	—	6.5%
Consumer Healthcare business	Milton (Effervescent disinfectant)	2.9	3.0	2.7	2.3	2.1	▲10.1%	2.2
In-house ratio (%)		82.2%	85.0%	81.6%	80.5%	72.5%	—	68.6%

Financial summary (Consolidated)



(Units: ¥ millions)

	3 / 02	3 / 03	3 / 04	3 / 05	3 / 06	3 / 07 (forecast)
Sales (Exports)	62,395 (12,127)	68,618 (9,024)	65,061 (8,533)	66,296 (8,838)	74,054 (8,575)	75,600 (4,900)
COGS Ratio to sales(%)	19,336 (31.0%)	21,205 (30.9%)	22,389 (34.4%)	22,682 (34.2%)	26,515 (35.8%)	
SGA Ratio to sales(%)	31,101 (49.8%)	35,045 (51.1%)	33,905 (52.1%)	37,747 (57.0%)	38,549 (52.1%)	
R&D expense Ratio to sales(%)	6,031 (9.7%)	7,009 (10.2%)	8,219 (12.6%)	12,698 (19.2%)	10,107 (13.6%)	10,200 (13.5%)
Operating profit Ratio to sales(%)	11,957 (19.2%)	12,367 (18.0%)	8,766 (13.5%)	5,866 (8.8%)	8,989 (12.1%)	5,700 (7.5%)
Recurring profits Ratio to sales(%)	12,210 (19.6%)	12,805 (18.6%)	8,597 (13.2%)	6,430 (9.7%)	9,465 (12.8%)	6,400 (8.5%)
Net profit Ratio to sales(%)	4,117 (6.6%)	4,120 (6.0%)	5,692 (8.7%)	2,013 (3.1%)	5,228 (7.1%)	3,500 (4.6%)
EPS (¥)	60.55	47.21	68.76	26.48	69.74	47.07
Capital	4,317	4,317	4,317	4,317	4,317	700
Assets	134,472	139,961	121,355	109,234	121,044	
Shareholders' equity	102,356	105,318	91,856	90,544	94,752	
BPS (¥)	1,187.30	1,222.61	1,234.80	1,218.22	1,275.15	
ROE (%)	4.1%	4.0%	5.8%	2.2%	5.6%	
Equity ratio (%)	76.1%	75.2%	75.7%	82.9%	78.3%	
Employee	1,731	1,719	1,652	1,703	1,823	
Capital expenditure	2,507	3,301	5,670	6,172	4,605	3,400
Depreciation expense	3,213	3,637	4,774	3,894	3,646	4,700

*Consolidated financial results until March 31, 2006 are for Kyorin Pharmaceutical Co., Ltd. Forecasts for the year ending March 31, 2007 apply to Kyorin Co., Ltd.

Financial summary :Parent(Kyorin pharmaceutical)



(Units: ¥ millions)

	3 / 02	3 / 03	3 / 04	3 / 05	3 / 06	3 / 07 (forecast)
Sales (Exports)	61,131 (12,127)	67,293 (9,024)	63,589 (8,533)	64,938 (8,838)	67,357 (8,331)	64,500 (4,600)
COGS Ratio to sales(%)	18,376 (30.1%)	20,230 (30.1%)	21,273 (33.5%)	21,653 (33.3%)	21,821 (32.4%)	
SGA Ratio to sales(%)	30,889 (50.5%)	34,698 (51.6%)	33,515 (52.7%)	37,373 (57.6%)	36,762 (54.6%)	
R&D expense Ratio to sales(%)	6,031 (9.9%)	7,009 (10.4%)	8,219 (12.9%)	12,698 (19.6%)	10,013 (14.9%)	9,800 (15.2%)
Operating profit Ratio to sales(%)	11,865 (19.4%)	12,364 (18.3%)	8,799 (13.8%)	5,911 (9.1%)	8,773 (13.0%)	5,400 (8.4%)
Recurring profits Ratio to sales(%)	11,816 (19.3%)	12,241 (18.1%)	8,376 (13.2%)	5,723 (8.8%)	8,377 (12.4%)	5,800 (9.0%)
Net profit Ratio to sales(%)	3,785 (6.2%)	3,633 (5.3%)	5,512 (8.7%)	1,615 (2.5%)	4,771 (7.0%)	3,100 (4.8%)
EPS (¥)	55.67	41.63	66.59	21.19	63.64	41.74
Capital	4,317	4,317	4,317	4,317	4,317	4,317
Assets	133,427	138,484	119,604	106,264	111,978	
Shareholders' equity	101,703	104,191	90,543	88,839	92,525	
BPS (¥)	1,179.73	1,209.54	1,217.09	1,195.26	1,245.22	
ROE (%)	3.8%	3.5%	5.7%	1.8%	5.3%	
Equity ratio (%)	76.2%	75.2%	75.7%	83.6%	82.6%	
Employee	1,671	1,658	1,597	1,619	1,502	
Capital expenditure	2,507	3,301	5,668	6,171	4,455	1,800
Depreciation expense	3,207	3,626	4,763	3,883	3,307	4,300

P&L summary : Parent-1(Kyorin)

	Jun/05		Mar/06	
	actual	% sales	actual	% sales
Sales	83	100.0%	-	-
Revenue from operations	-	-	366	100.0%
Gross profit	69	82.5%	-	-
SGA	14	17.5%	-	-
SG&A	89	106.9%	-	-
G&A	-	-	223	61.1%
Operating income	▲75	▲89.4%	142	38.9%
Non-op income	284	338.5%	2	0.6%
Non-op expense	36	43.5%	139	38.1%
Ordinary income	172	205.6%	4	1.4%
Extraordinary profits	0	0.3%	20	5.7%
Extraordinary losses	-	-	3	1.1%
Income before income taxes	172	205.9%	21	6.0%
Corporate, inhabitants and enterprise taxes	3	3.7%	1	0.5%
Tax adjustments	▲86	▲103.5%	1	0.5%
Net income	259	309.4%	20	5.5%

(Units: ¥ millions)

BS summary : Parent(Kyorin)

(Units: ¥ millions)

	Jun/05		Mar/06		
	actual	%total	actual	%total	Amt chg
Current assets	183	5.9%	365	0.5%	182
Cash, deposits	64		327		
Mk securities	102		-		
Prepaid expenses	-		28		
Other	16		10		
Fixed assets	2, 943	94.1%	80, 161	99.5%	77,218
Investments	2, 943		80, 161		
Current liabilities	140	4.5%	191	0.2%	50
Short-term loans	126		-		
Accounts payable	12		173		
Other	2		17		
Non-current liab.	1, 172	37.5%	-	-	▲1, 172
Total liabilities	1, 313	42.0%	191	0.2%	▲1, 122
Common stock	13	0.5%	700	0.9%	
Capital surplus	488	15.6%	78, 420	97.4%	
Retained earnings	1,309	41.9%	1, 220	1.5%	
Net Unrealized (losses)gains of securities	1	0.0%	-	-	
Treasury stock	-	-	▲4	▲0.0%	
Total shareholders' eq.	1, 813	58.0%	80, 336	99.8%	78, 523
Total liabilities & sh/s eq.	3, 126	100.0%	80, 527	100.0%	77, 400

BS summary:Consolidated(Kyorin)

(Units: ¥ millions)

	Mar/06	
	actual	% sales
Current assets	59, 719	49.2%
Cash, deposits	14, 593	
A/R, notes receivable	26, 752	
Mk securities	111	
Inventory	13, 767	
Other	4, 493	
Fixed assets	61, 634	50.8%
Tangible assets	21, 363	
Intangible assets	5, 720	
Investments	34, 550	
Current liabilities	18, 367	15.1%
A/P, notes payable	6, 590	
Other	11, 777	
Non-current liab.	7, 478	6.2%
Total liabilities	25, 845	21.3%
Common stock	700	0.6%
Capital surplus	4, 761	3.9%
Retained earnings Net	88, 256	72.7%
Unrealized(losses)gains of securities	1, 181	1.0%
Foreign currency adjustment account	42	0.0%
Treasury stock	▲50	▲0.0%
Total shareholders' eq.	94, 891	78.2%
Total Liabilities & sh/s eq.	121, 353	100.0%

Financial Results Forecast for the FY06

(Units: ¥ billions)

Kyorin pharmaceutical	3 / 06	3 / 07 (forecast)
Sales	67. 4	64. 5
Operating profit	8. 8	5. 4
Net profit	4. 8	3. 1

Toyo Pharmar	1 / 06 (Eight months of revenue)	1 / 07 (forecast)
Sales	4. 4	7. 2
Operating profit	0. 3	0. 2
Net profit	0. 2	0. 1

Dr.Program	1 / 06 (Seven months of revenue)	1 / 07 (forecast)
Sales	0. 8	2. 1
Operating profit	0	0. 1
Net profit	0	0