March 2007 Mid-Term Financial Results

- Current business performance
- Approach to KYORIN Group
- Update on Main R&D activities

November 9,2006

KYORIN Co., Ltd.

Outline of Consolidated Financial Results for the Interim Term Ending in Sep. 2006

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Consolidated Financial Results for the Interim Term Ended September 2006

Consolidated sales reached 35.1 billions yen (4.7% increase on the previous year) as a result of favorable sales of new ethical drugs on the domestic market. Operating income was recorded as 1.9 billions yen (19.3% down on the previous year) and net profits as 0.8 billions yen (42.9% down on the previous year). This decline in profits was due to a 5.5point decrease in the expenses ratio associated with a drop in R&D costs although the sales/cost ratio saw a 7.2 point increase.

Forecast Consolidated Financial Results for the Term Ending March 2007

Although the new drugs sold on the domestic market are affected by the revision of the Price Standard for ethical drugs prescribed under the Health Insurance System, sales are forecast to be in excess of the previous year. Overseas sales are estimated to fall substantially short of the previous year. New companies such as Toyo Pharmar and Dr. Program are expected to achieve better results than last year due to the full contribution of a whole 12 months. As a result, consolidated sales are anticipated to reach 76.7billions yen (3.6% up on the previous year). The profits forecasts are that consolidated operating income will reach 6.3 billions yen (29.9% down on the previous year) and consolidated current net income 3.6 billions yen (31.1% down on the previous year). Dividends are scheduled to be 20 yen for the full year (10 yen for the half-term) per share.

Units: millions of yen

Units: Millions of yen	Sep/04 Interim term	Sep/05 Interim term	Sep/06 Interim term	YoY change (%)	Year ended March 31, 07 (forecast)	YoY change (%)	Year ended March 31,07 (originally expected)
Net sales	31,056	33,511	35,093	4.7%	76,700	3.6%	75,600
Operating income	1,595	2,406	1,940	▲19.3%	6,300	▲29.9%	5,700
Ordinary income	1,974	2,753	2,061	▲25.1%	6,700	▲29.2%	6,400
Net income	1,307	1,459	833	▲42.9%	3,600	▲31.1%	3,500
EPS (yen)	17.59	19.65	11.21	▲43.0%	48.41	—	47.07
Total assets	118,558	116,566	117,915	1.2%	—	—	—
Total equity	91,460	91,483	94,993	—	—	—	—

*Consolidated financial results until September 30, 2005 are for Kyorin Pharmaceutical Co., Ltd.
Consolidated financial results until September 30, 2006 and Forecasts for the year ending March 31, 2007 apply to Kyorin Co., Ltd.

Consolidated Financial Results for the Interim Term Ending in Sep. 2006

Units: Billions of yen

	Sep/05 Interim term (actual)	Sep/06 Interim term (actual)	Change
Net sales (total)	¥33.5	¥35.1	¥+1.6
◆ Sales of new ethical drugs	30.1	28.7	-1.4
Japan	25.9	26.5	+0.6
Overseas	4.2	2.2	-2.0
◆ Generic drugs	1.0	2.6	+1.6
◆ Consumer healthcare business	1.8	3.3	+1.5
◆ Other businesses	0.6	0.5	-0.1
Operating income	2.4	1.9	-0.5
Ordinary income	2.8	2.1	-0.7
Net income	1.5	0.8	-0.7

			Change	Forecast
■ Net sales		¥35.1 billion	(+1.6)	(-0.4)
◆Sales of new ethical drugs in Japan		¥26.5 billion	(+0.6)	(+0.1)
	Sep/05 Interim term	Sep/06 Interim term		
• Kipres	6.1	→ 6.9	(+0.8)	
• Mucodyne	8.5	→ 8.9	(+0.4)	
• Pentasa	3.6	→ 4.0	(+0.4)	
◆Sales of new ethical drugs overseas		¥2.2 billion	(-2.0)	(-0.1)
• Gatifloxacin	3.5	→ 1.8	(-1.7)	

＊Tequin (BMS) Sales discontinued

			Change	Forecast
◆Generic drugs		¥2.6 billion	(+1.6)	(-0.2)

＊Toyo Pharmar Co., Ltd. with a full year's contribution to consolidated results (Shown in the consolidated accounts for only 2 months last year)

			Change	Forecast
◆Consumer healthcare business		¥3.3 billion	(+1.5)	(±0.0)
• Milton	1.1	→ 1.0	(-0.1)	

＊Toyo Pharmar Co., Ltd. and Dr. Program Co., Ltd. with a full year's contribution to consolidated results(Not shown in the consolidated accounts last year.)

			Change	Forecast
◆Other businesses		¥0.5 billion	(-0.1)	(-0.2)

●Cost of sales ratio: up 7.2 percentage points (34.2% → 41.4%)

＊Factors for increase: Main reason due to increase in cost of sales ratio at Kyorin Pharmaceutical Co., Ltd. – (Revision of Price Standard for Ethical Drugs, increase in depreciation costs associated with startup of new Noshiro pharmaceutical plant, etc.)
Other factors: Toyo Pharmar Co., Ltd.became a consolidated subsidiary, etc.

●R&D ratio: down 6.6 percentage points (17.9% → 11.3%)

＊R&D expenses fell from ¥6.0 billion to ¥4.0 billion, a decline of ¥2.0 billion. In the previous year, placed an application for the addition of a further indication (benefit) for KIPRES (Adult allergic rhinitis).

●SG&A expenses ratio (excluding R&D expenses):up 1.1 percentage point (40.7% → 41.8%)

＊Factors for increase: Increase in S&GA expenses ratio as Kyorin Pharmaceutical Co., Ltd.'s overseas sales dropped. Dr. Program Co., Ltd. became a consolidated subsidiary. (Not shown in the consolidated accounts last year.)

		Change	Forecast
■ Operating income	¥1.9billion	(-0.5)	(+0.4)

＊The operating income margin decreased 1.7 percentage points,to5.5%

		Change	Forecast
■ Net income	¥0.8 billion	(-0.7)	(+0.1)

■ Cash dividends ¥10.00

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	¥76.7	¥+2.6
◆ Sales of new ethical drugs	64.3	62.3	-2.0
Japan	55.7	57.4	+1.7
Overseas	8.6	4.9	-3.7
◆ Generic drugs	3.5	5.9	+2.4
◆ Consumer healthcare business	5.0	7.3	+2.3
◆ Other businesses	1.2	1.2	±0.0
Operating income	9.0	6.3	-2.7
Ordinary income	9.5	6.7	-2.8
Net income	5.2	3.6	-1.6

		Change	Originally Forecast
■ Net sales	¥76.7 billion	(+2.6)	(+1.1)
◆Sales of new ethical drugs in Japan	¥57.4 billion	(+1.7	(+1.0)

	Year ended March 31, 2006		Year ending March 31, 2007 (forecast)	
• Kipres	13.4	→	14.6	(+1.2)
• Mucodyne	19.9	→	21.0	(+1.1)

∗Although the Revision of the Price Standard for Ethical Drugs is having an effect the goal is to achieve a roughly 9% increase on a quantity basis. – Sales of Rapid Tester are expected to reach several hundreds of millions of yen. – Uritos is due to be marketed next fiscal year.

◆Sales of new ethical drugs overseas ¥ 4.9 billion (-3.7) (±0.0)

• Gatifloxacin 6.7 → 3.3 (-3.4)

∗Tequin (BMS) Sales discontinued

◆Generic drugs ¥5.9 billion (+2.4) (-0.1)

∗Toyo Pharmar Co., Ltd. with a full year's contribution to consolidated resul

◆Consumer healthcare business ¥7.3 billion (+2.3) (+0.5)

• Milton 2.1 → 2.0 (-0.1)

∗Dr. Program Co., Ltd. is successfully expandig sales. Toyo Pharmar Co., Ltd. and Dr. Program Co., Ltd. have made a full year's contribution to consolidated results

◆Other businesses ¥1.2 billion (±0.0) (-0.2)

●Cost of sales ratio: up approximately 5 percentage points

∗Factors for increase: Main reason due to increase in cost of sales ratio at Kyorin Pharmaceutical Co., Ltd. – (Revision of Price Standard for Ethical Drugs, increase in depreciation costs associated with startup of new Noshiro pharmaceutical plant, etc.)
Other factors: Toyo Pharmar Co., Ltd. became a consolidated subsidiary, etc.

●R&D ratio: down 2.0 percentage point (13.6% → 11.6%)

∗R&D expenses expected to decrease from ¥10.1 billion to ¥8.9 billion, down ¥1.2 billion. (Timing for R&D costs deferred)

●SG&A expenses ratio (excluding R&D expenses): up approximately 1 percentage point

∗Factors for increase: Increase in S&GA expenses ratio as Kyorin Pharmaceutical Co., Ltd.'s overseas sales dropped

■ Operating income ¥6.3 billion (-2.7) (+0.6)

∗The operating income margin is expected to decrease 3.9 percentage points, to 8.2%.)

■ Net income ¥3.6 billion (-1.6) (+0.1)

■ Cash dividends ¥20.00 (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

1.Adoption of Holding Company System

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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

Consumer Healthcare Business that is Supported by Physician Recommendations
Dr. Program

Core Business:
Drug Discovery Business
Pharmaceuticals Business
Kyorin Pharmaceutical

Generic Drug Business that Provides Reliable Products
Toyo Pharmar

Wellness Business that is Based on Cooperation with Physicians

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

Kyorin Co., Ltd.

- Drug Discovery/ Pharmaceuticals Business
  Kyorin Pharmaceutical Co., Ltd.
- Generic Drug Business
  Toyo Pharmar Co., Ltd.
- Consumer Healthcare Business
  Dr. Program Co., Ltd.
- New Businesses Development
  Bistner Co., Ltd.
- Shared Services Business
  Kyobundo Co., Ltd.

December 20, 2006: Became a wholly-owned subsidiary through exchange of shares

February 1, 2007: Change of trade name to Kyorin Rimedio

2.Approach on Basic Strategy

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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

1.Establish Kyorin as a Global Drug Creation Company

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Efforts made in this interim term

(1)Strengthening cooperation by transferring the Discovery Reseach Laboratories and Research Center to the Research Headquarters.

(2) Steady expansion on to the overseas clinical market (KRP-104) through a Development Base stationed in ActivX

(3) Considering the effective utilization of the Kyorin Scotland Research Center after roughly 6 years Progress of POC Projects (5 items)

ＰＯＣ Projects Progress of POC Projects (5 items)

◆ＫＲＰ－１０４（Anti-diabetes agent）

・PhI trials underway in the US (Completion scheduled in 2006) – PhI trials initiated in Japan (July 2006)

◆ＫＲＰ－２０４（Anti-obesity）

・June 2006: Presentaion of Ph II a results at ADA – Licensing activities in progress.

Point
Target: Type II diabetes mellitus/obese subjects
Number of cases: 89
Administration：１２-week
＊A significant reduction of internal fat area was identified
＊Tendency to a reduction in weight and girth has been confirmed.

◆ＫＲＰ－２０３ (Immuno modulatar)

・Licensing agreement with Novartis

・PhI trials due to commence in FY2006

◆ＫＲＰ－１０１、ＫＲＰ－１０５（Anti-dyslipidemia）

・Development undertaken by giving KRP-105 priority as a PPARα agonist.

2. Increase the Competitive Strength of Our Pharmaceuticals Business to Support Investments for Drug Creation

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Domestic sales strategy	Commitment for interim term	Interim term achievement
Promote the Franchise Customer Strategy Product strategy ・Strengthening the products in the FC fields ・Promotion of Lifecycle Management	①Up regular visits frequency to physicians ・Interview rate: 96% (Target 100%) ・Frequency of interviews up 30%/MR ②Strengthening relations with specialists ・Continued commitment to scientific society/research meeting ③Further strengthening of FC fields ・Introduction of Rapid Tester * Market launch: October 2, 2006] ・Support for market release of new drugs	Prescription rate: 91% (Target: 100%) Domestic ethical drugs +9.8% Increase (In quantity terms)
Develop more effective strategies to strengthen ties with wholesalers	①Strengthening relations with major wholesalers ②Use of promotion support fee ・Measures to establish a cooperation system with MS	

●Strengthening of FC3 section through alliance strategies
①Introduction of products that can be used in the FC fields (incl. diagnostic drugs, equipment and utensils)
②License-out products that are mainly prescribed outside the FC fields

2001.8
Merck
Kipres

2003.1
Bayer
Baynas
Co-marketing

2003.10
Kyowa Hakko
Allelock
Co-promotion

2006.10
Daiichi Pure Cemicals
Rapid Testa
Co-marketing

Licensing-in

Strengthening of licensing-in

Strengthen Products that are Mainly prescribed within the FC fields

Strengthening the product lineup in the respiratory field through the introduction of the Rapid Testa
＊Potential synergy effect from expanded Mucodyne and Gatiflo prescription.

Ophthalmic solutions
Senju Pharmaceutical & others
2000.1

Pekiron
Galderma & others
2002.4

Maxalt
Eisai
2003.9

Promotion of license-out / joint marketing

Licensing-out / joint marketing

＊Rapid Testa
- Influenza virus diagnosis kit
- Easy to use and capable of measurement on 3 – 10 minutes
- Discrimination between A and B type influenza is possible.

Progress in Market Launch Approach of the Overactive Bladder Treatment Drug URITOS

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1.Expected Launch :Due to be marketed in the first half of FY2007

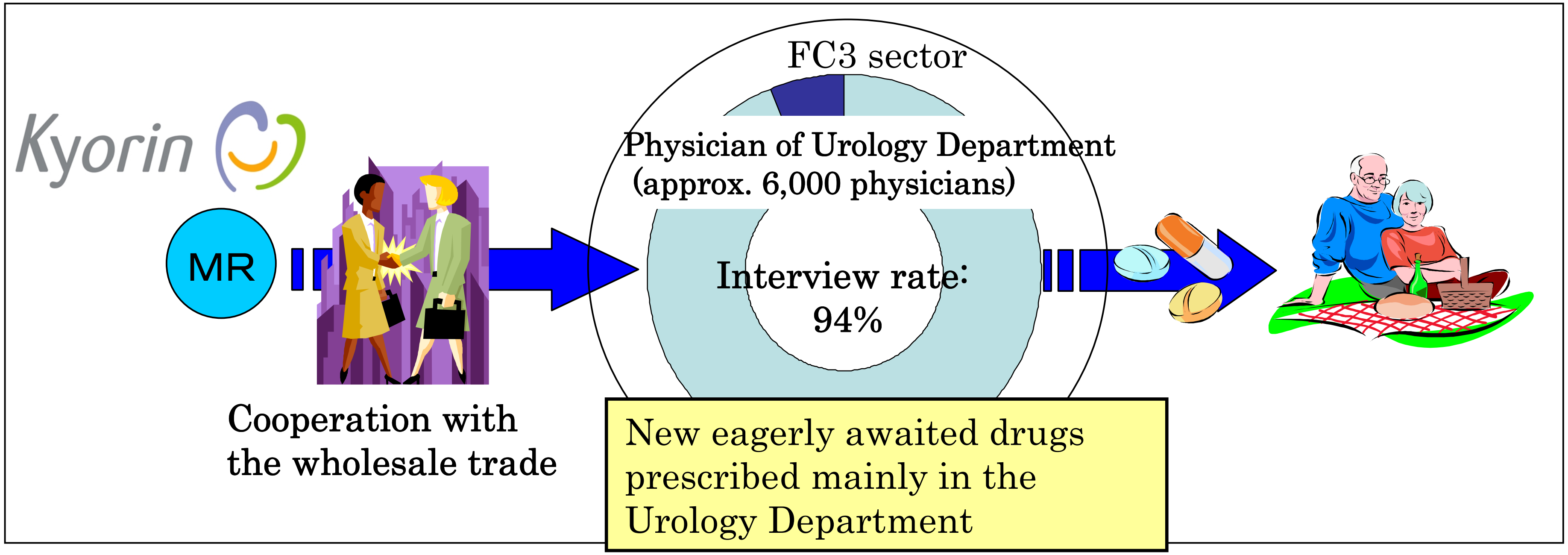
2.Features : Overactive bladder (OAB) treatment drug that shows high bladder selectivity, low dry mouth,long-term control of symptoms

3. Market overview : Scale of domestic market in the order of 33.0 billions yen (as of September 2006) – By March 2010, market is expected to grow to 60.0 billions yen or above

4. Target : 8-10% Share Targeted(solely by Uritos) FY'10

5. Future efforts:Prioritized approach focusing the urological sector, the company's area of strength.

*Continuing the practice of regular visits and strengthening relations as a means of achieving greater market penetration smoothly.



Startup of Kyorin Pharmaceuticals New Noshiro Pharmaceutical Plant

Policy: Pursuite of low-cost operation

- The new production outfit is to integrate 3 plants with 2 production bases.
- In-house production of bulk products or technically advanced products
- Outsourcing of other products
  (Products that can be made by Toyo Pharmar will be produced by Toyo Pharmar.)

Date commissioned: April 1, 2006 –

Items produced: Main oral solid drugs

Mucodyne – Kipres – Ketas – Gatiflo – Aplace – (Uritos)

Features

① Plant to international standard complying with the FDA's GMP Standards

②Upgrading productivity through the introduction of state-of-the-art equipment

③A plant friendly to the human operator and to the global environment

③Establishment of New Business to Assure the Future After the Pharmaceutical Business
Toyo Pharmar Co., Ltd.: Efforts made in Interim Term Ended September 2006.

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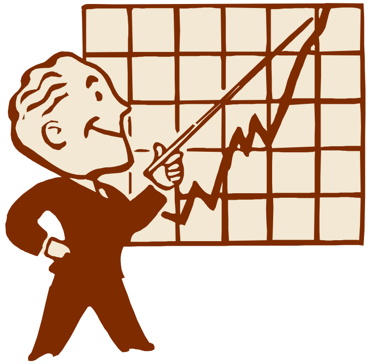


GOAL ：Being among the Best Five in the GE Company.

Target Figures of MIC09 Plan: Sales 10.0 billions yen/Operating Income 1.0 billions yen
Commitment: Establishment (– FY2006) and Growth (FY 2007 – Fiscal 2009) of System

The goal is to be a GE Company that meets social needs and receives trust and to grow in the expanding GE market.

– FY2006 Establishment of system –

Reinforcing group power and strengthening business

Generating trust

Research and development

●Construction of new research related facilities (Completion scheduled for June 2007)
●Additional products 3-Component 5-Standard sales

Target for fiscal 2009:
7-Component 12-Standards

Production

●**Upgrading quality:**
• Rearrangement of product offering
Only products consistent with Kyorin standards will continue to be sold
(Interim term: Reduction by 180 items)
●Commissioned manufacture of Kyorin products
• Validation of 6 items

Sales

●**Fuller commitment to information provision**
• Increase in MR staff
(Sent from Kyorin Pharmaceutical)
• Information provisions using IT
• Cooperation with Kyorin Pharmaceutical
(Due to start in specific areas)
●**Stable supply**
• Starting to trade with wide-area wholesalers
●**Establishment of a sales network**
• Selecting key sales companies in each area
(Approx. 200 companies in 60 areas)

For further growth: Change of trade name to **KYORIN Rimedio.**

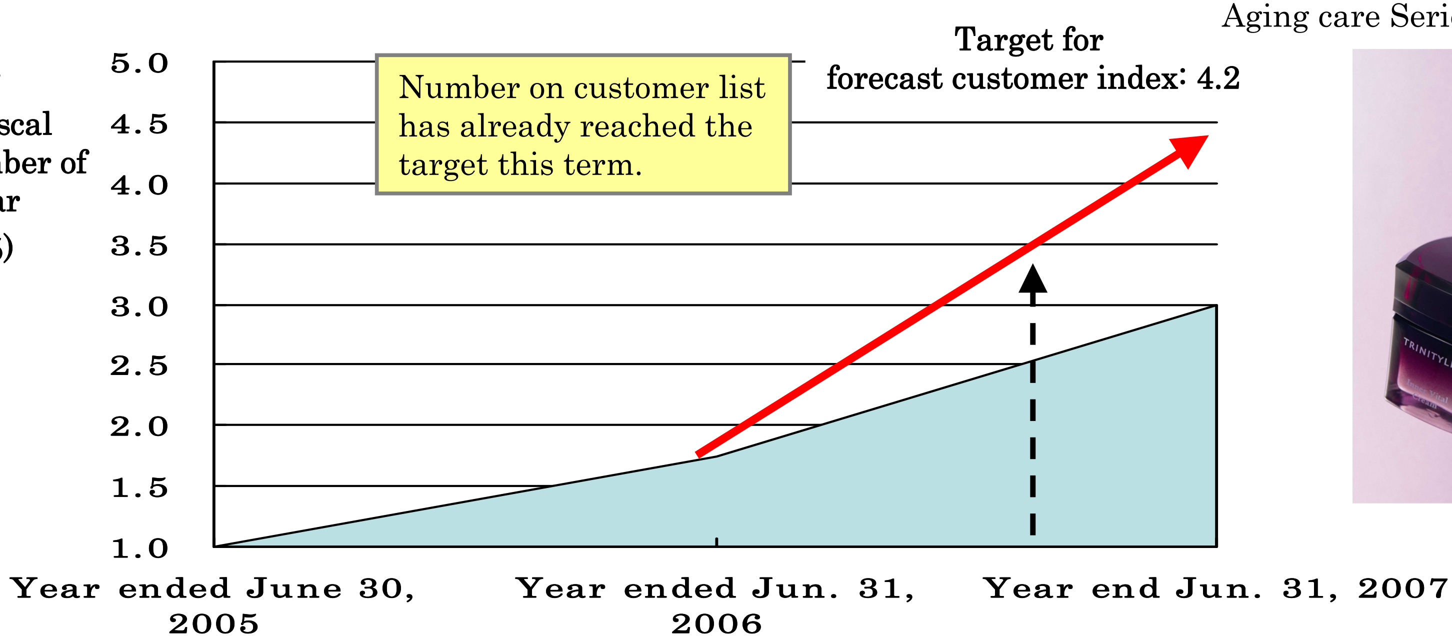
3.Develop New Businesses that Will Build on the Foundation of the Pharmaceuticals Business and Contribute to Future Growth

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 (originally forecast)	Year ending Jan. 31, 2007 (forecast)	Year ending Jan. 31, 2010 (forecast)
Net sales	¥0.5	¥0.8	¥2.1	¥2.5	¥5.0
Operating income	0	0	¥0.1	¥0.3	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)



Aging care Series newly marketed.

(Forecasts made on June 30, 2005)

Update on Bistner business fund

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・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

Health food region

Safe-Tech
①98 million yen
②Manufacturing sales of scentless soybean powder etc.

Dr. program
①832 million yen
②Development and sales of skin-care products

Cosmetic region

Drug creation region

IRYO DENSHI SEIKO
①—
②Development of heat treatment equipment for Hepatitis C virus infection

Medical region

Bioselent
①78 million yen
② Industrial waste resolution etc. ,based on Biotechnology

JMA
①—
②Medical facilities and equipment lease

Environment, other

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

①Sales Turnover
②Main 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 (November 7 , 2006 Release)

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Application

＊ : Describe the latest changes

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
Filed (10/04)	Ph Ⅰ	URITOS KRP－197 （Tablets）	Overactive bladder	In-house	Potent anti-cholinergic agent, low 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 (November 7 , 2006 Release)

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POC Project, PhⅡ～Ⅲ

＊ : Describe the latest changes

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
PhⅢ (1/04)	(Galderma, Launched)	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	＊Basic Agreement on Joint Research with MARUHO canceled.
PhⅡ/Ⅲ (10/05)	(Merck, PhⅢ)	Montelukast (Injection)	Anti-asthmatic agent	Merck (US)	New formulation(Injection) for asthma in adult.	･Co-development with Banyu
	PhⅡ (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
PhⅡ (3/05)	(Dainippon Sumitomo, PhⅢ)	AS－3201 (Tablets)	Diabetic neuropathy	Dainippon Sumitomo	Aldose reductase inhibitor to reduce the sorbitol accumulation in the cell, and improve diabetic neulopathy	･Co-development with Dainippon Sumitomo
	PhⅡ (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 (7/06)	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 Autoimmune Diseases treatment	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 PPARα 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（November 7 , 2006 Release）

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Licensing development（preclinical）

＊ : Describe the latest changes

Product name・Code	Stage	Licensee・Collaborative research	Therapy area/ Action	Origin	Comments
To be determined	－	Merck (US)	Synthetic Antimicrobial	In-house Merck (US)	・Collaborative research ・Entered into an exclusive license(7/04)
Alphagan/ Alphagan P	Ph Ⅰ（4/05）	Senju Seiyaku	Glaucoma	Allergan (US)	・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	・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	・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

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（Units: ¥ millions）

	Sep/05 Interim term		Sep/06 Interim term			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	33，511	100.0%	35，093	100.0%	4.7%	1，582
Sales of new ethical drugs	30，109	89.8%	28，704	81.8%	▲4.7%	▲1，405
Japan	25，904	77.3%	26，477	75.4%	2.2%	572
Overseas	4，205	12.5%	2，227	6.4%	▲47.0%	▲1，977
Generic drugs	969	2.9%	2，591	7.4%	167.4%	1，622
Consumer healthcare business	1，844	5.5%	3，298	9.4%	78.9%	1，454
Other businesses	588	1.8%	499	1.4%	▲15.1%	▲88

Consolidated companies (9)Kyorin pharmaceutical, Kyobundo, Bistner,Kyorin USA, Kyorin Europe GmbH,Bistner Fund No.1, ActivX Biosciences,Inc.,Toyo Pharmar,Dr.Program

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

				Change
■ Net sales			¥35.1 billion	(+1.6)
◆Sales of new ethical drugs in Japan			¥26.5 billion	(+0.6)
	Sep/05 Interim term		Sep/06 Interim term	
• Kipres	6.1	→	6.9	(+0.8)
• Mucodyne	8.5	→	8.9	(+0.4)
• Pentasa	3.6	→	4.0	(+0.4)
◆Sales of new ethical drugs overseas			¥2.2 billion	(-2.0)
• Gatifloxacin	3.5	→	1.8	(-1.7)

＊Tequin (BMS) Sales discontinued

◆Generic drugs ¥2.6 billion (+1.6)

＊Toyo Pharmar Co., Ltd. with a full year's contribution to consolidated results
(Shown in the consolidated accounts for only 2 months last year)

◆Consumer healthcare business ¥3.3 billion (+1.5)

• Milton 1.1 → 1.0 (-0.1)

＊Toyo Pharmar Co., Ltd. and Dr. Program Co., Ltd. with a full year's contribution to consolidated results
(Not shown in the consolidated accounts last year.)

◆Other businesses ¥0.5 billion (-0.1)

P&L summary ： Consolidated-2

Kyorin
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(Units: ¥ millions)

	Sep/05 Interim term		Sep/06 Interim term			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	33, 511	100.0%	35, 093	100.0%	4.7%	1, 582
COGS	11, 450	34.2%	14, 513	41.4%	26.8%	3, 063
Gross profit	22, 061	65.8%	20, 580	58.6%	▲6.7%	▲1, 480
SG&A (of which R&D)	19, 655 (6, 001)	58.6% 17.9%	18, 639 (3, 982)	53.1% 11.3%	▲5.2% (▲33.6%)	▲1, 015 (▲2, 018)
Operating profit	2, 406	7.2%	1, 940	5.5%	▲19.3%	▲465
Non-op income Non-op expense	451 103	1.3% 0.3%	481 361	1.4% 1.0%	6.7% 247.2%	31 258
Recurring profit	2, 753	8.2%	2, 061	5.9%	▲25.1%	▲692
Extraordinary profits Extraordinary losses	53 75	0.1% 0.2%	149 450	0.4% 1.3%	180.0% 495.1%	96 374
Pretax profit	2, 731	8.1%	1, 760	5.0%	▲35.5%	▲970
Corporate,inhabitants and enterprise taxes	104	0.3%	788	2.2%	654.3%	683
Tax adjustments	1, 137	3.4%	144	0.4%	▲87.3%	▲992
Minority interests in net income and expenses	29	0.0%	▲6	▲0.0%	—	▲35
Net profit	1, 459	4.4%	833	2.4%	▲42.9%	▲625

●Cost of sales ratio: up 7.2 percentage points (34.2% → 41.4%)

＊Factors for increase: Main reason due to increase in cost of sales ratio at Kyorin Pharmaceutical Co., Ltd.
– (Revision of Price Standard for Ethical Drugs, increase in depreciation costs associated with startup of new Noshiro pharmaceutical plant, etc.)
Other factors: Toyo Pharmar Co., Ltd.became a consolidated subsidiary, etc.

●R&D ratio: down 6.6 percentage points (17.9% → 11.3%)

＊R&D expenses fell from ¥6.0 billion to ¥4.0 billion, a decline of ¥2.0 billion. In the previous year, placed an application for the addition of a further indication (benefit) for KIPRES (Adult allergic rhinitis).

●SG&A expenses ratio (excluding R&D expenses) :up 1.1 percentage point (40.7% → 41.8%)

＊Factors for increase: Increase in S&GA expenses ratio as Kyorin Pharmaceutical Co., Ltd.'s overseas sales dropped. Dr. Program Co., Ltd. became a consolidated subsidiary.
(Not shown in the consolidated accounts last year.)

■ Operating income ¥1.9billion

＊The operating income margin down 1.7 percentage points, to 5.5%.

■ Net income ¥0.8 billion

■ Cash dividends ¥10.00

BS summary:Consolidated

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(Units: ¥ millions)

	Mar/06			Sep/06		
	actual	%total		actual	%total	Amt chg
Current assets	59, 719	49.2%		57, 380	48.7%	▲2, 338
Cash, deposits A/R, notes receivable Mk securities Inventory Other	14, 593 26, 752 111 13, 767 4, 493			11, 280 25, 715 111 15, 794 4, 477		
Fixed assets	61, 634	50.8%		60, 534	51.3%	▲1, 099
Tangible assets Intangible assets Investments	21, 363 5, 720 34, 550			21, 097 4, 855 34, 581		
Current liabilities	18, 367	15.1%		16, 725	14.2%	▲1, 641
A/P, notes payable Other	6, 590 11, 777			8, 646 8, 078		
Non-current liab.	7, 478	6.2%		6, 196	5.2%	▲1, 282
Total liabilities	25, 845	21.3%		22, 921	19.4%	▲2, 923
Owner's equity	93, 667	77.2%		92, 962	78.8%	▲704
Net unrealized gain and translation adjustments	1, 223	1.0%		1, 394	1.2%	170
Minority interests	616	0.5%		636	0.6%	19
Total equity	95, 507	78.7%		94, 993	80.6%	▲514
Total liabilities and equity	121, 353	100.0%		117, 915	100.0%	▲3, 438

■Current assets(down ¥2,338 million yoy)

- Cash,deposits (down ¥3, 312 million yoy)
- A/R, notes receivable (down ¥1,036 million yoy)
- Inventory (up ¥2,026 million yoy)

■Fixed assets (down¥1,099 million yoy)

- Tangible assets (down ¥265 million yoy)
- Intangible assets (down ¥865 million yoy)
- Investments (up ¥ 30 million yoy)

■Current liabilities (down ¥1,641 million yoy)

- Income taxes payable etc. (up ¥ 2,056 million yoy)
- other (down ¥3,698million yoy)

■Non-current liabilities (down ¥1,282 million yoy)

- other (down ¥719million yoy)

R&D, capex & depreciation ＜ Consolidated＞

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（Units: ¥ millions）

	9／03	9／04	9／05	9／05 actual	9／05 YoY	3／07 (Forecast)	3／07 (originally expected)
R&D expense	3，577	5，972	6，001	3，982	▲33.6%	8，900	10，200
Capex (book base)	3，564	3，281	982	1，223	＋24.5%	2，600	3，400
Depreciation expense	1，655	1，789	1，660	2，304	＋38.8%	4，600	4，700

＜ Capital expenditure（Result／Forecast)＞

	3／06 actual	3／07 Interim term (actual)	3／07 Full term (forecast)
(actual)			
Noshiro preparation plant and other production machine (each plant)	¥3.6 billion		
Equipment for control, sales activities	¥0.3 billion		
Equipment for research	¥0.7 billion		
(Result/Forecast)			
Investment in facilities of Noshiro plant and other production machine (each plant)		¥0.9 billion	¥1.9 billion
Equipment for control, sales activities		¥0.2 billion	¥0.4 billion
Equipment for research		¥0.1 billion	¥0.3 billion

Product sales update

(Units: ¥ billions)

		9／03	9／04	9／05	9／06 actual	9／06 YoY	3／07 (Forecast)	3／07 (originally expected)
Sales of new ethical drugs (japan)	Kipres (LT receptor antagonist)	4.3	5.2	6.1	6.9	12.3%	14.6	14.2
	Gatiflo (Kyorin) (Antibacterial agent)	0.6	0.9	1.1	1.1	2.5%	2.6	3.0
	Mucodyne (Mucuregulant)	7.8	7.7	8.5	8.9	4.4%	21.0	20.9
	Baccidal (Antibacterial agent)	0.4	0.3	0.3	0.3	▲8.7%	0.5	0.5
	Ketas (For bronchial asthma and cerebrovasculas disorders)	3.5	3.2	3.2	2.9	▲8.0%	5.9	6.2
	Aplace (Anti-ulcer agent)	1.5	1.3	1.2	1.0	▲13.1%	2.0	2.0
	Rocaltrol (Osteoporosis remedy)	1.4	1.2	1.1	1.0	▲11.7%	1.9	1.9
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	3.0	3.1	3.6	4.0	10.3%	8.0	7.9
Sales of new ethical drugs (over seas)	Total	3.6	5.1	4.2	2.2	▲47.0%	4.9	4.9
	Gatifloxacin (Bulk • Royalty)	3.0	4.8	3.5	1.8	▲49.0%	3.3	2.5
	Norfloxacin (Bulk • Royalty)	0.6	0.2	0.2	0.2	1.9%	0.3	0.3
	Foreign sales ratio (%)	11..9%	16.7%	12.6%	6.3%	—	6.4%	6.5%
Consumer Healthcare business	Milton (Effervescent disinfectant)	1.4	1.2	1.1	1.0	▲9.5%	2.0	2.2

Financial summary (Consolidated)

(Units: ¥ millions)

	9／04	9／05	9／06	3／06	3／07 (forecast)	3／07 (originally expected)
Sales (Exports)	31,056 (5,172)	33,511 (4,206)	35,093 (2,246)	74,054 (8,593)	76,700 (4,900)	75,600 (4,900)
COGS Ratio to sales(%)	11,311 (36.4%)	11,450 (34.2%)	14,513 (41.4%)	26,515 (35.8%)	—	—
SGA Ratio to sales(%)	18,149 (58.5%)	19,655 (58.6%)	18,639 (53.1%)	38,549 (52.1%)	—	—
R&D expense Ratio to sales(%)	5,972 (19.2%)	6,001 (17.9%)	3,982 (11.3%)	10,107 (13.6%)	8,900 (11.6%)	10,200 (13.5%)
Operating profit Ratio to sales(%)	1,595 (5.1%)	2,406 (7.2%)	1,940 (5.5%)	8,989 (12.1%)	6,300 (8.2%)	5,700 (7.5%)
Recurring profits Ratio to sales(%)	1,974 (6.4%)	2,753 (8.2%)	2,061 (5.9%)	9,465 (12.8%)	6,700 (8.7%)	6,400 (8.5%)
Net profit Ratio to sales(%)	1,307 (4.2%)	1,459 (4.4%)	833 (2.4%)	5,228 (7.1%)	3,600 (4.7%)	3,500 (4.6%)
EPS (¥)	17.59	19.65	11.21	69.74	48.41	47.07
Capital	4,317	4,317	700	4,317		
Assets	118,558	116,566	117,915	121,044		
Shareholders' equity	91,460	91,483	–	94,752		
Total equity	–	–	94,993	–		
BPS (¥)	1,230.45	1,231.80	1,268.91	1,275.15		
ROE (%)	1.4%	1.6%	0.9%	5.6%		
Equity ratio (%)	77.1%	78.5%	80.0%	78.3%		
Employee	1,700	1,947	1,927	1,823人		
Capital expenditure	3,281	982	1,223	4,605	2,600	3,400
Depreciation expense	1,794	1,660	2,304	3,646	4,600	4,700

*Consolidated financial results until September 30, 2005 are for Kyorin Pharmaceutical Co., Ltd.
Consolidated financial results until September 30, 2006 and Forecasts for the year ending March 31, 2007 apply to Kyorin Co., Ltd.

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

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（ Units: ¥ millions ）

	Sep/05 Interim term		Sep/06 Interim term			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	31，609	100.0%	30，268	100.0%	▲4.2%	▲1，341
Sales of new ethical drugs	29，948	94.7%	28，700	94.8%	▲4.2%	▲1，247
Japan	25，904	81.9%	26，477	87.5%	2.2%	572
Overseas	4，043	12.8%	2，223	7.3%	▲45.0%	▲1，820
Generic drugs	175	0.6%	191	0.6%	9.2%	16
Consumer healthcare business	1，486	4.7%	1，376	4.5%	▲7.4%	▲109

				Change
■ Net sales			¥30.3 billion	(-1.3)
◆Sales of new ethical drugs in Japan			¥26.5 billion	(+0.6)
	Sep/05 Interim term		Sep/06 Interim term	
• Kipres	6.1	→	6.9	(+0.8)
• Mucodyne	8.5	→	8.9	(+0.4)
• Pentasa	3.6	→	4.0	(+0.4)
◆Sales of new ethical drugs overseas			¥2.2 billion	(-1.8)
• Gatifloxacin	3.5	→	1.8	(-1.7)
＊Tequin (BMS) Sales discontinued				
◆Generic drugs			¥0.2 billion	(±0)
◆Consumer healthcare business			¥1.4 billion	(-0.1)
• Milton	1.1	→	1.0	(-0.1)

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

Kyorin
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(Units: ¥ millions)

	Sep/05 Interim term		Sep/06 Interim term			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	31, 609	100.0%	30, 268	100.0%	▲4.2%	▲1, 341
COGS	10, 100	32.0%	11, 385	37.6%	12.7%	1, 285
Gross profit	21, 509	68.0%	18, 882	62.4%	▲12.2%	▲2, 626
SG&A (of which R&D)	19, 282 (5, 979)	61.0% 18.9%	17, 110 (3, 808)	56.5% 12.6%	▲11.3% (▲36.3%)	▲2, 172 (▲2, 170)
Operating profit	2, 226	7.0%	1, 772	5.9%	▲20.4%	▲ 454
Non-op income Non-op expense	328 177	1.1% 0.6%	452 558	1.5% 1.9%	37.8% 215.3%	124 381
Recurring profit	2, 378	7.5%	1, 666	5.5%	▲29.9%	▲ 711
Extraordinary profits Extraordinary losses	32 75	0.1% 0.2%	139 42	0.4% 0.1%	329.6% ▲43.4%	106 ▲32
Pretax profit	2, 335	7.4%	1, 762	5.8%	▲24.5%	▲572
Corporate, inhabitants and enterprise taxes	35	0.1%	578	1.9%	1,515.7%	543
Tax adjustments	1, 121	3.6%	230	0.7%	▲79.5%	▲891
Net profit	1, 178	3.7%	953	3.2%	▲19.1%	▲224

●Cost of sales ratio: up 5.6 percentage points (32.0% → 37.6%)

＊Factors for increase: Revision of Price Standard for Ethical Drugs, increase in depreciation costs associated with startup of new Noshiro pharmaceutical plant, etc.)

●R&D ratio: down 6.3 percentage points (18.9% → 12.6%)

＊R&D expenses fell from ¥6.0 billion to ¥3.8 billion, a decline of ¥2.2 billion.

●SG&A expenses ratio (excluding R&D expenses) :up 1.8 percentage point (42.1% → 43.9%)

＊Factors for increase: Increase in S&GA expenses ratio as overseas sales dropped.

■ Operating income ¥1.8billion

＊The operating income margin down 1.1 percentage points, to 5.9%.

■ Net income ¥1.0 billion

BS summary： Parent(Kyorin pharmaceutical)

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（Units: ¥ millions）

	Mar/06			Sep/06		
	actual	%total		actual	%total	Amt chg
Current assets	50, 721	45.3%		47, 088	43.5%	▲3, 633
Cash, deposits Accounts receivable Inventory Other	10, 754 23, 862 12, 108 3, 995			6, 540 22, 659 13, 836 4, 050		
Fixed assets	61, 256	54.7%		61, 164	56.5%	▲92
Tangible assets Intangible assets Investments	18, 636 4, 552 38, 068			18, 274 3, 777 39, 112		
Current liabilities	13, 677	12.2%		12, 046	11.1%	▲1, 631
Notes payable Trade accounts payable Other	1, 224 2, 803 9, 649			1, 413 4, 544 6, 088		
Non-current liab.	5, 774	5.2%		4, 729	4.4%	▲1, 045
Total liabilities	19, 452	17.4%		16, 775	15.5%	▲2, 677
Owner’s equity	91, 456	81.7%		90, 211	83.3%	▲1, 245
Net unrealized gain and translation adjustments	1, 068	0.9%		1, 265	1.2%	196
Total equity	92, 525	82.6%		91, 476	84.5%	▲1, 048
Total liabilities and equity	111, 978	100.0%		108, 252	100.0%	▲3, 725

■Current assets(down ¥3,633 million yoy)
- Cash,deposits （down ¥4，214 million yoy)
- Accounts receivable (down ¥1,202 million yoy）
- Inventory(up ¥1,728 million)

■Fixed assets (down¥92 million yoy)
- Tangible assets(down ¥361 million yoy)
- Intangible assets(down ¥775 million yoy)
- Investments (up ¥ 1,044 million yoy)

■Current liabilities (down ¥1,631 million yoy)
- Notes payable(up ¥188 million yoy)
- Trade accounts payable(up ¥1,740 million yoy)
- Other (down ¥3,561 million yoy)

■Non-current liab (down ¥1,045 million yoy)

Financial summary :Parent(Kyorin pharmaceutical)

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(Units: ¥ millions)

	9／03	9／04	9／05	9／06	3／06	3／07 (forecast)	3／07 (originally expected)
Sales (Exports)	30,137 (3,672)	30,423 (5,172)	31,609 (4,043)	30,268 (2,223)	67,357 (8,331)	65,400 (4,600)	64,500 (4,600)
COGS Ratio to sales(%)	9,899 (32.8%)	10,830 (35.6%)	10,100 (32.0%)	11,385 (37.6%)	21,821 (32.4%)	—	—
SGA Ratio to sales(%)	16,854 (55.9%)	17,999 (59.2%)	19,282 (61.0%)	17,110 (56.5%)	36,762 (54.6%)	—	—
R&D expense Ratio to sales(%)	3,577 (11.9%)	5,972 (19.6%)	5,979 (18.9%)	3,808 (12.6%)	10,013 (14.9%)	8,400 (12.8%)	9,800 (15.2%)
Operating profit Ratio to sales(%)	3,383 (11.3%)	1,593 (5.2%)	2,226 (7.0%)	1,772 (5.9%)	8,773 (13.0%)	5,700 (8.7%)	5,400 (8.4%)
Recurring profits Ratio to sales(%)	3,291 (11.0%)	1,790 (5.9%)	2,378 (7.5%)	1,666 (5.5%)	8,377 (12.4%)	5,800 (8.9%)	5,800 (9.0%)
Net profit Ratio to sales(%)	4,614 (15.3%)	1,114 (3.7%)	1,178 (3.7%)	953 (3.2%)	4,771 (7.0%)	3,500 (5.4%)	3,100 (4.8%)
EPS (¥)	53.60	14.99	15.86	12.84	63.64	47.13	41.74
Capital	4,317	4,317	4,317	4,317	4,317	4,317	4,317
Assets	137,391	116,652	107,014	108,252	111,978		
Shareholders' equity	108,337	89,957	89,516	–	92,525		
Total equity	–	–	–	91,476	–		
BPS (¥)	1,258.43	1,210.17	1,205.25	1,231.71	1,245.22		
ROE (%)	4.3%	1.2%	1.3%	1.0%	5.3%		
Equity ratio (%)	78.9%	77.1%	83.6%	84.5%	82.6%		
Employee	1,717	1,646	1,633	1,524	1,502		
Capital expenditure	3,564	3,281	962	967	4,455	1,500	1,800
Depreciation expense	1,655	1,789	1,553	2,074	3,307	4,200	4,300

Financial Results for the FY06（first half）

（ Units: ¥ billions ）

Kyorin pharmaceutical	First half of FY2005	First half of FY2006
Sales	31.6	30.3
Operating profit	2.2	1.8
Net profit	1.2	1.0

Toyo Pharmar	First half of FY2005	First half of FY2006
Sales	1.2	3.2
Operating profit	0.2	0
Net profit	0.1	0

Dr.Program	First half of FY2005	First half of FY2006
Sales	—	1.2
Operating profit	—	0.1
Net profit	—	0.1

Period subject to consolidation FY2005

		First half of FY2005
Toyo Pharmar	P/L	From June to July(two months)
	B/S	○
Dr.Program	P/L	–
	B/S	○

Financial Results Forecast for the FY06

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(Units: ¥ billions)

Kyorin pharmaceutical	3／06	3／07(forecast)	3／07(originally expected)
Sales	67.4	65.4	64.5
Operating profit	8.8	5.7	5.4
Net profit	4.8	3.5	3.1

Toyo Pharmar	1／06 (Eight months of revenue)	1／07 (forecast)	1／07(originally expected)
Sales	4.4	7.3	7.2
Operating profit	0.3	0.2	0.2
Net profit	0.2	0	0.1

Dr.Program	1／06 (Seven months of revenue)	1／07 (forecast)	1／07 (originally expected)
Sales	0.8	2.5	2.1
Operating profit	0	0.3	0.1
Net profit	0	0.1	0

Period subject to consolidation FY2005

		First half of FY2005	Second half of FY2005
Toyo Pharmar	P/L	From June to July(two months)	From August to January(six months)
	B/S	○	○
Dr.Program	P/L	–	From July to January(seven months)
	B/S	○	○