

March 2007 Financial Results

Current Business Performance

Management Policy : Approach to FY2007

Update on Main R&D activities

May 15,2007

KYORIN Co.,Ltd.



Outline of Consolidated Financial Results for the Year Ended March 31, 2007



Consolidated Financial Results for the Year Ended March 31, 2007

As results from the steady sales of domestic ethical drugs, full contribution of sales from KYORIN Rimedio (generic drug business) and Dr. Program (consumer healthcare business) throughout year and the termination of overseas ethical drug Tequin sales, consolidated sales increased to ¥77.1 billion (up by 4.1% from the previous year), while operating profit and net profit decreased to ¥8.4 billion (-6.4%) and ¥4.8 billion (-7.4%), respectively.

Compared with our forecast (reported at mid-term financial results), consolidated sales, operating profit and net profit increased for ¥0.4 billion, ¥2.1 billion and ¥1.2 billion, respectively. The annual dividend per share is ¥30 (the estimated annual dividend for this financial year was ¥20).

Consolidated Financial Results Forecast for the Year Ending March 31, 2008

The consolidated sales for FY2007 is projected to increase to ¥83.6 billion (up by 8.4% from this year) due to the steady progress in the sales of main domestic ethical drugs and the launch of new drug Uritos. As for profit, the consolidated operating profits are projected to be ¥8.5 billion (+1.0%), the consolidated net profits are projected to be ¥5.0 billion (+3.3%) due to the increase of R&D and sales expenses.

Units: Millions of yen	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	YoY change (%)	Year ending March 31, 2008 (forecast)	YoY change (%)
Net sales	65,061	66,296	74,054	77,093	4.1%	83,600	8.4%
Operating income	8,766	5,866	8,989	8,413	-6.4%	8,500	1.0%
Ordinary income	8,597	6,430	9,465	8,655	-8.6%	9,100	5.1%
Net income	5,692	2,013	5,228	4,842	-7.4%	5,000	3.3%
EPS (yen)	68.76	26.48	69.74	64.97	-6.8%	66.78	2.8%
Total assets	121,355	109,234	121,044	124,039	2.5%	—	—
Total equity	91,856	90,544	94,752	98,178	—	—	—

*Consolidated financial results until March 31, 2006 are for KYORIN Pharmaceutical Co., Ltd.
Consolidated financial results until March 31, 2007 and Forecasts for the year ending March 31, 2008 apply to KYORIN Co., Ltd.

Consolidated Financial Results Forecast for the Year Ending March 31, 2008



Units: Billions of yen			
	Year ended March 31, 2007	Year ended March 31, 2008 (forecast)	Change
Net sales (total)	77.1	83.6	+6.5
◆ Sales of new ethical drugs	63.0	67.3	+4.3
Japan	57.2	63.1	+5.9
Overseas	5.8	4.2	-1.6
◆ Generic drugs	5.7	6.4	+0.7
◆ Consumer healthcare business	7.3	8.7	+1.4
◆ Other businesses	1.1	1.2	+0.1
Operating income	8.4	8.5	+0.1
Ordinary income	8.7	9.1	+0.4
Net income	4.8	5.0	+0.2

■ Net sales	¥83.6 billion	Change (+6.5)
● Sales of new ethical drugs in Japan	¥63.1 billion	(+5.9)
Year ended March 31, 2007	Year ended March 31, 2008 (forecast)	
• Kipres	15.0 → 16.3	(+1.3)
• Pentasa	8.0 → 8.9	(+0.9)
• Mucodyne	20.4 → 21.0	(+0.6)
* The estimated sales of Uritos will be disclosed after the determination of the price.		
* Milestone income due to the transfer of Hespander business is expected		
● Sales of new ethical drugs overseas	¥ 4.2 billion	(-1.6)
• Gatifloxacin	3.2 → 3.0	(-0.2)
* The ophthalmic solution product "Zymar" (\$95million actual place)		
* Reduction of milestone income due to the agreement of out-licensing compound		
● Generic drugs	¥6.4 billion	(+0.7)
● Consumer healthcare business	¥8.7 billion	(+1.4)
• Milton	2.1 → 2.2	(±0.1)
• Dr. Program Co., Ltd	2.8 → 4.1	(+1.3)
● Other business	¥1.2 billion	(+0.1)
◆ Cost of sales ratio: down 1 percentage points		
* Factors for decrease:		
decrease in depreciation costs associated with Noshiro plant, etc		
◆ R&D ratio: up 2.0 percentage points (11.2% → 13.2%)		
* R&D expenses expected to increase from ¥8.6 billion to ¥11.0 billion, up ¥2.4 billion		
◆ SG&A expenses ratio (excluding R&D expenses): almost the same level as the previous fiscal year		
* The sales expense increases because of the promotion of new drug Uritos, while SG&A expenses ratio is estimated to be unchanged due to the increase of sales		
■ Operating income	¥8.5 billion	(+0.1)
* The operating income margin decreased 0.7 percentage points, to 10.2%		
■ Net income	¥5.0 billion	(+0.2)
■ Cash dividends ¥30.00 (forecast)		
* Distribution policy: Targeted 50% dividend pay-out ratio		

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

New Corporate Image and Identity

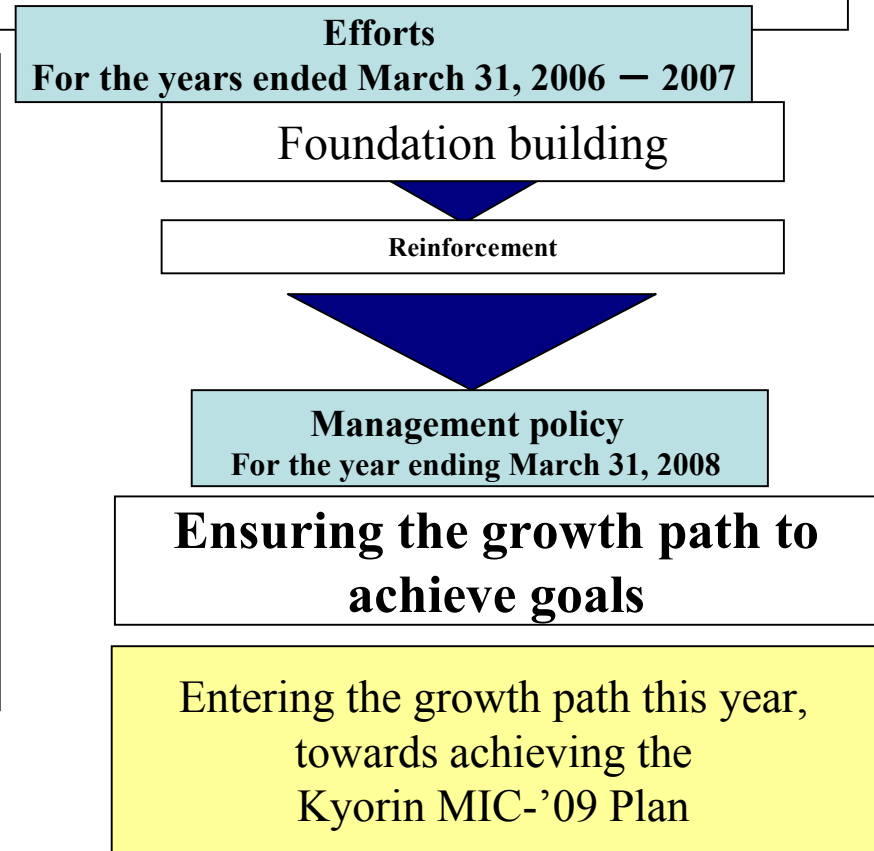
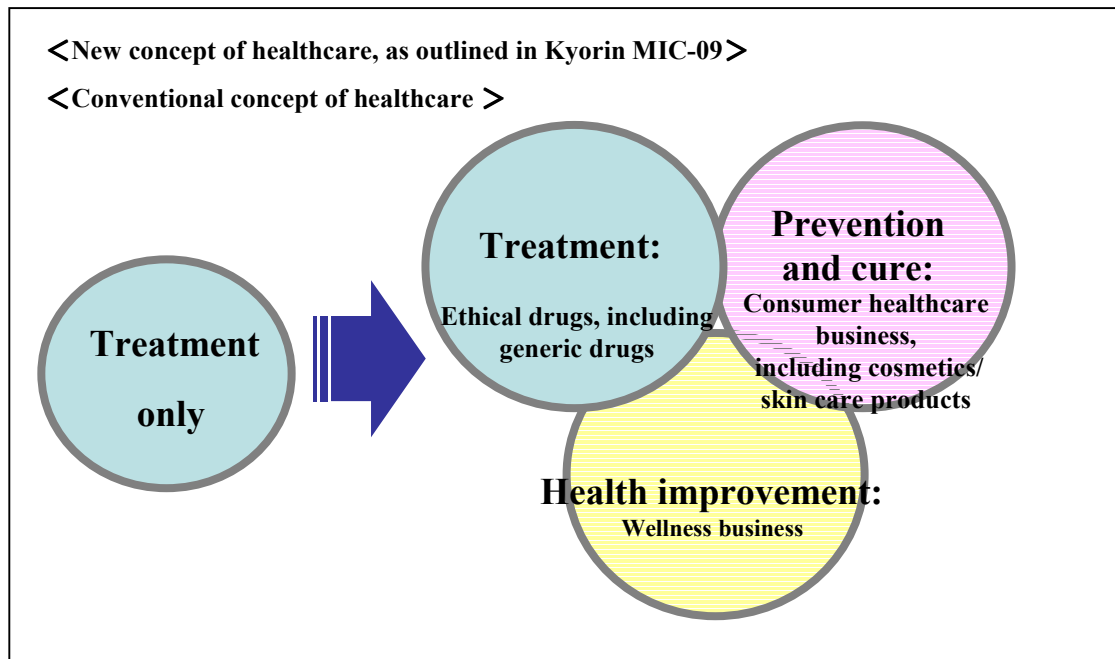
**A distinguished and integrated healthcare company based on
reliableness with the core business in global drug creation.**

Keynote: Evolution & Innovation II

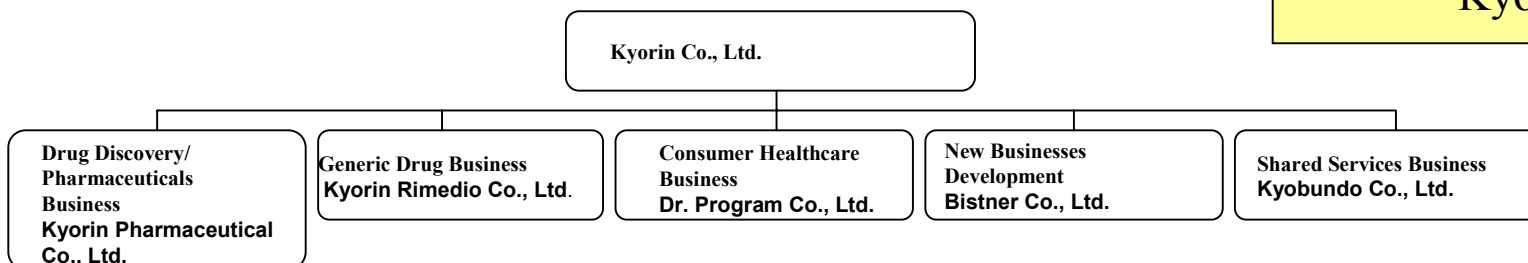
Targeted Corporate Image and Positioning For the Year Ending March 31, 2008

New Corporate Image and Identity

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



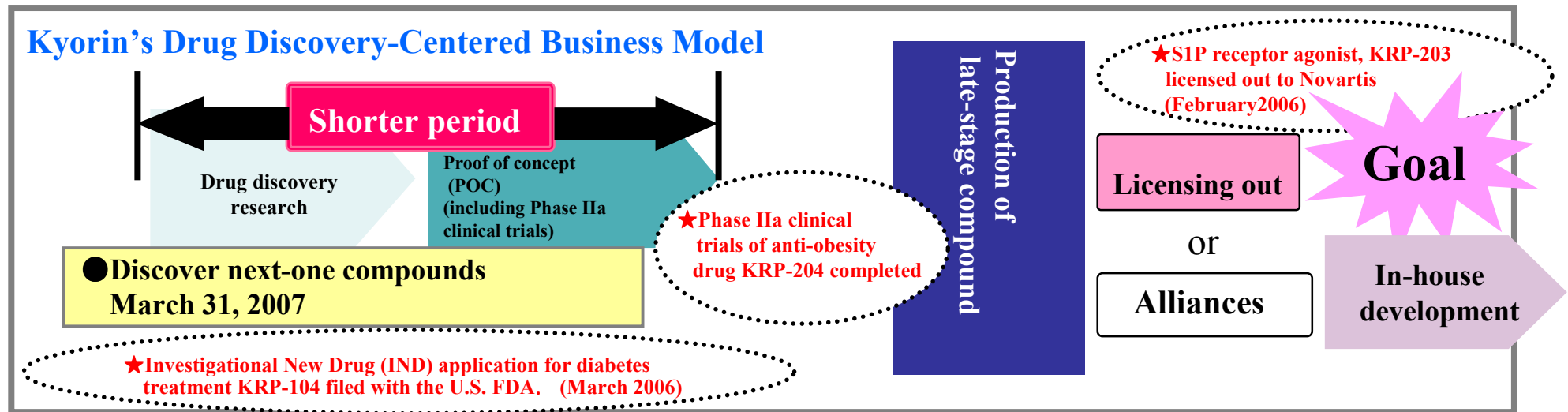
Kyorin Group System: Holding Company System



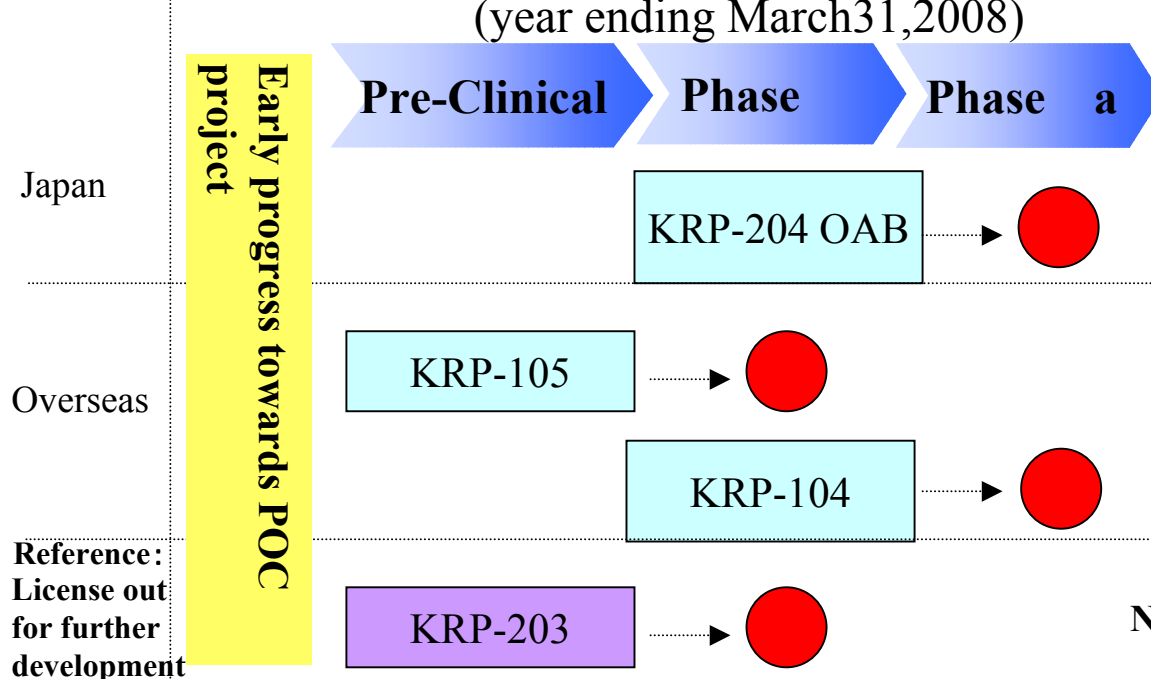
Basic Strategy:

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



Pipeline progress for compound development in late stages (year ending March 31, 2008)



Management strategy
For the year ending March 31, 2008

◆ Producing results in pharmaceuticals business

Kyorin MIC-'09 plan

Target: Compound in the late stage: one per year

Note: ● is advancing to the next stage by the year ending March 31, 2008.

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

Year ending March 31, 2008 Policy: Show the true value of FC strategy

FC Strategy: Efficient and effective strategy in the domestic pharmaceutical market

Concentration of marketing resources in FC areas

Consolidate

Cooperation with the wholesale trade

Achieving the sales target for new drugs without decreasing the sales of existing products

Expected launches of Uritos & Kipres fine granules

Success in launching new drugs

Continuous increase of major products

Year ended March 31, **2007**: Achieved about 10% increase in sales quantity

Year ending March 31, **2008**: Aiming at 3% or greater increase in sales quantity.

Increase domestic sales of new drugs

Overactive Bladder Treatment Drug URITOS

Current Status: Approved in April 2007 (To be listed on National Health Insurance (NHI) Drug List in June)

Features: (1) Twice-daily administration, to ease the urgency, frequent urination, and urge incontinence caused by overactive bladder.
(2) High bladder selectivity and less sensation of dry mouth.

**Target: Over 1 billion yen in the 1st year (Sales plan is to be disclosed after being listed on NHI Drug List)
: 8-10% market share targeted (solely by Uritos) year ended March 31,2009**

Current status

Market overview

Develop them to be long life-cycle products

Spread of guideline

Scale of domestic market in the order of 35.0 billions yen (as of March 2007)

By March 2010, market is expected to grow to 60.0 billions yen or above

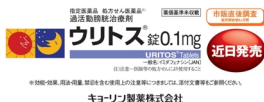
Promote consultation for untreated patients

Efforts

**Show the true value of FC strategy
Early penetration in the market, especially urology**

1st Year Positioning Uritos

- Penetration based on product features
- Secure no. of locations adopting



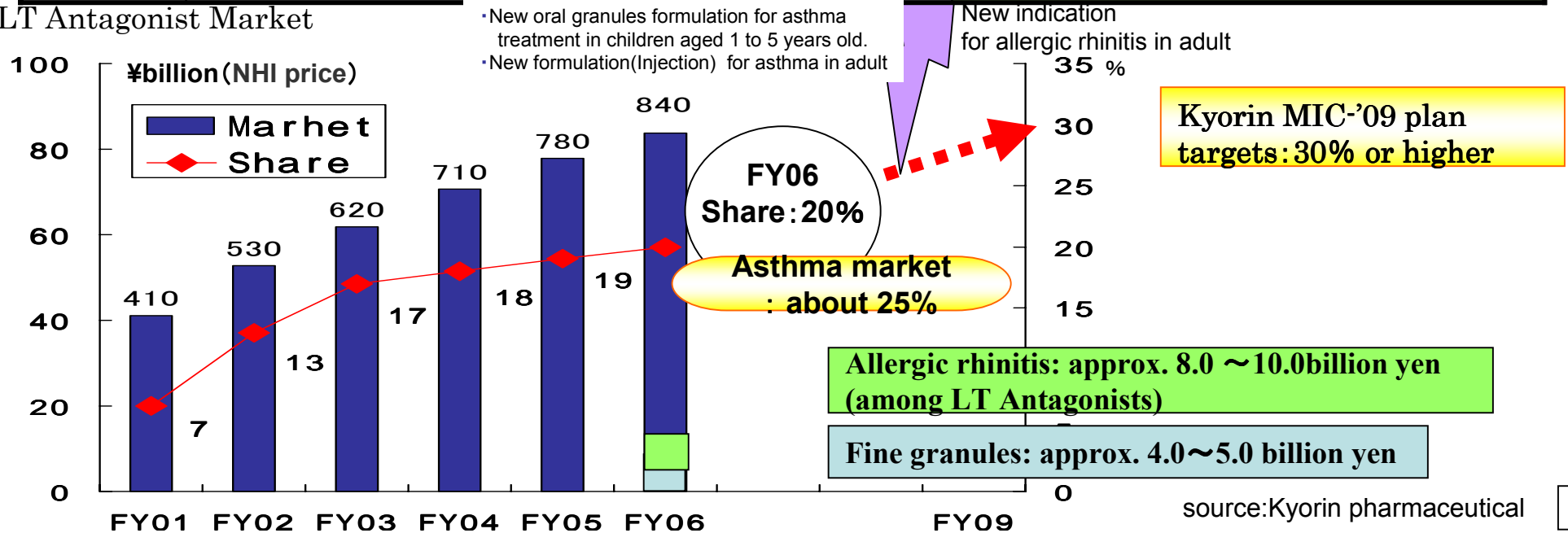
LT Antagonists Kipres

1. Promote Lifecycle Management

():the number of asthma patients source:Ministry of Health, Labour and Welfare data

	From ages 1 to 5 (180 thousand)	From ages 6 to 14 (240 thousand)	15 years old or more (740 thousand)
Asthma	(Fine granules 4mg) • Filed(7/04) • Aim for approval in first half of FY07	Chewable tablets	Tablets
			Injection: PhⅢ (2/07) * Aim for application in FY07
Allergic rhinitis			(New indication for allergic rhinitis in adult) • Filed(8/05) • Aim for approval in FY07

2.LT Antagonist Market

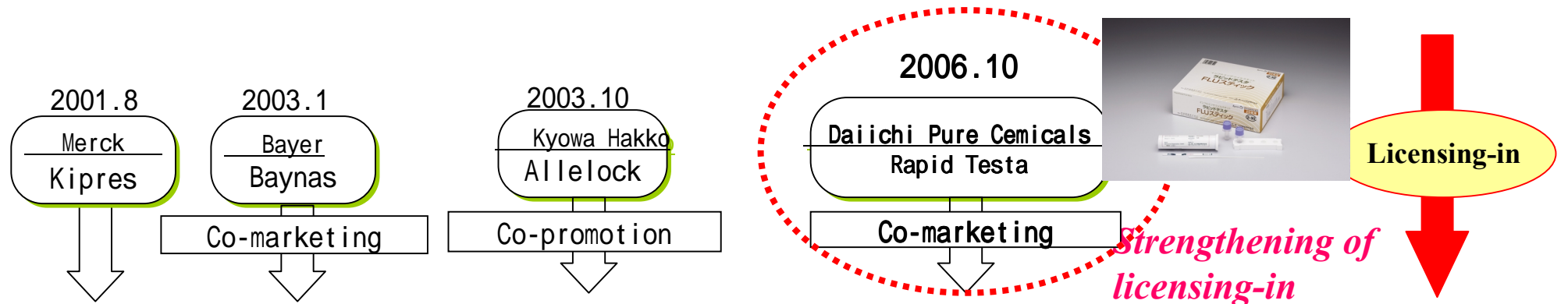


Further Strengthening of FC Fields

Strengthening of FC3 section through alliance strategies

Introduction of products that can be used in the FC fields (incl. diagnostic drugs, equipment and utensils)

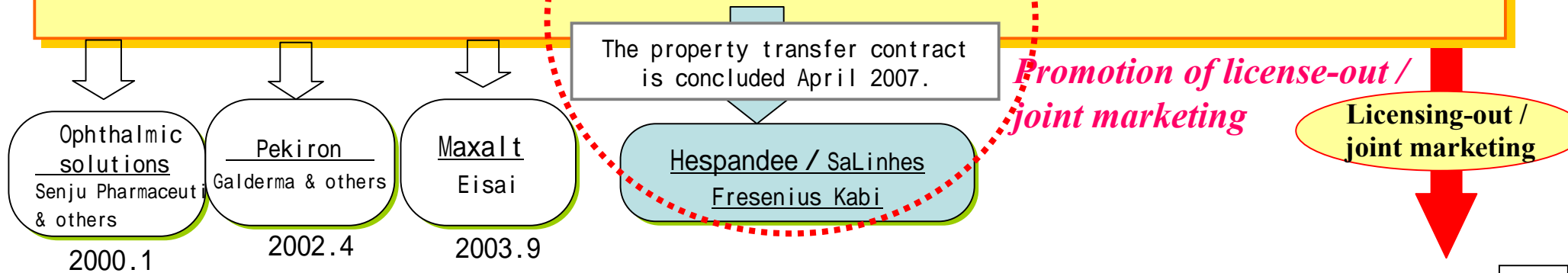
License-out products that are mainly prescribed outside the FC fields



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.



Establishment of New Business to Assure the Future After the Pharmaceutical Business

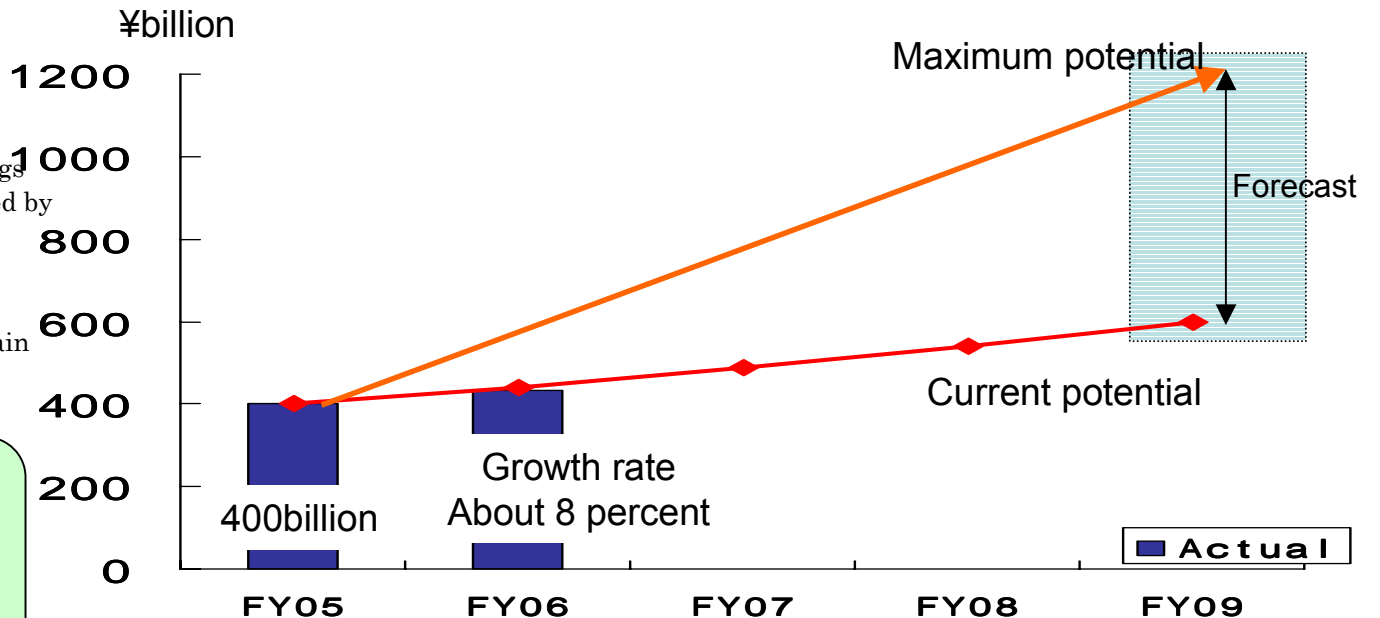
(1) Generic Drug Business that Provides Reliable Products

● 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%

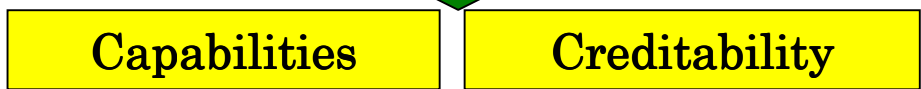
- ◆ Restraints on government health spending (Driving up demand for cheaper generic drugs)
- ◆ Benefits from new government policies: Changes to prescription systems
- ◆ Growing patient awareness of generic drugs



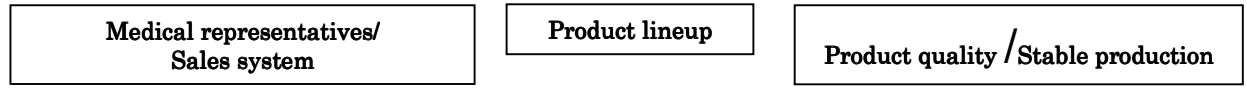
Challenges: Overcome competition from overseas companies

- 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:



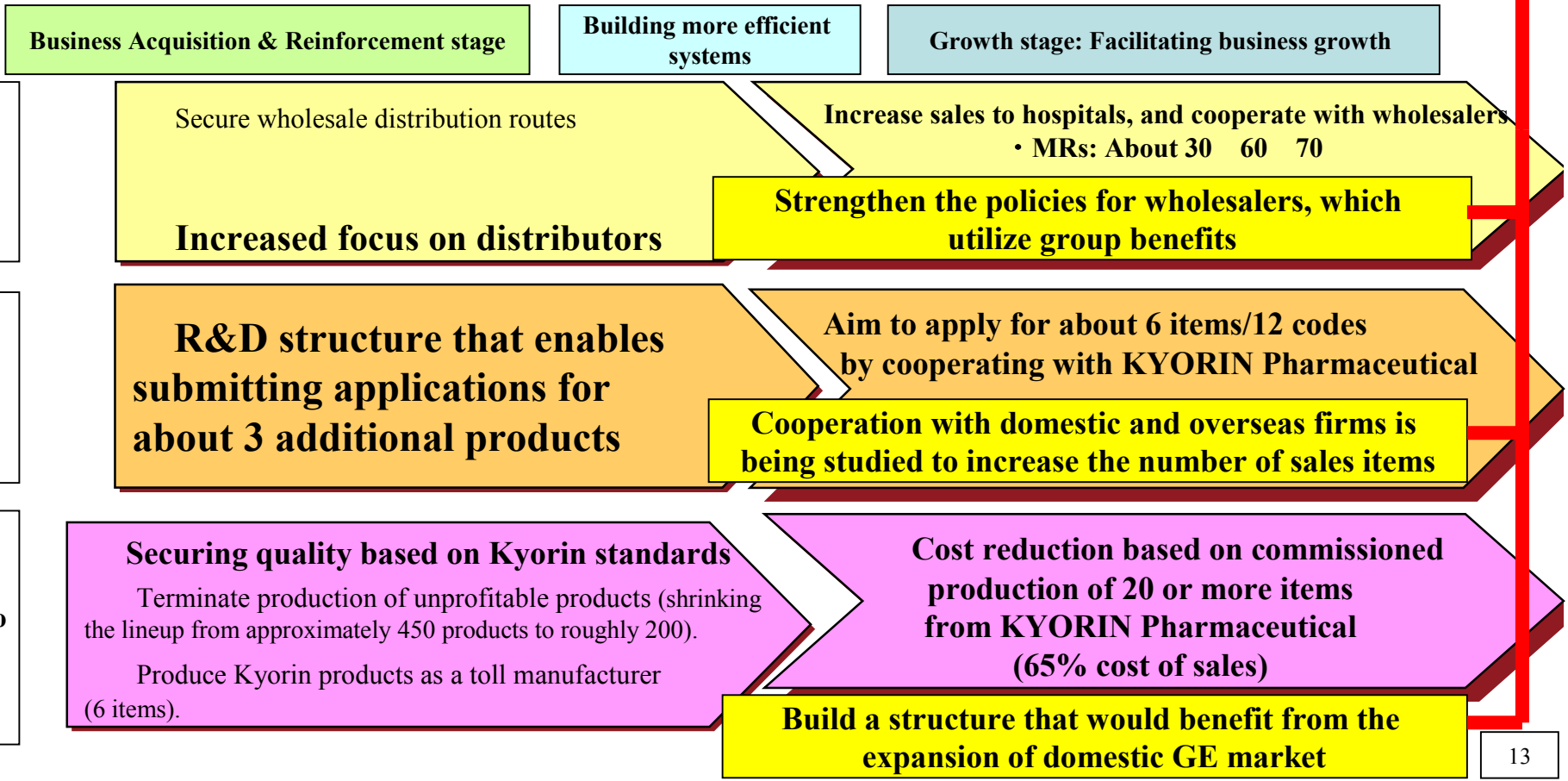
★As a member of the Kyorin Group, KYORIN Rimedio aims to establish itself as one of Japan's top five generic drug companies by providing reliable products that meet health-related needs.



KYORIN Rimedio: Business Performance and Strategies



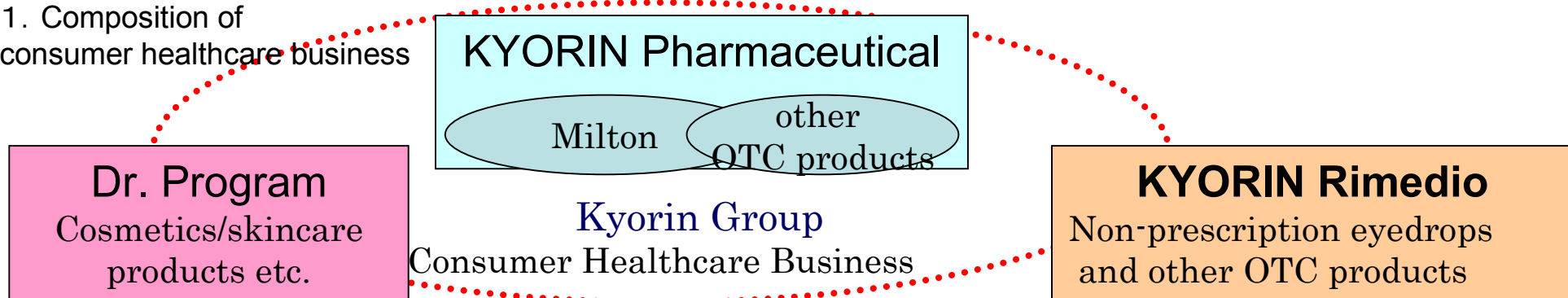
Unit: Billions of yen	Year ended June. 30, 2005	Year ended Jan. 31, 2006 (only eight months)	Year ended Jan. 31, 2007	Year ending Jan. 31, 2008 (forecast)	Year ending Jan. 31, 2010 (forecast)
Net sales	6.5	4.4	6.9	7.6	10.0 ~15.0
Operating income	0	0.3	0.2	0.4	1.0
Net income	△0.1	0.2	0	1	



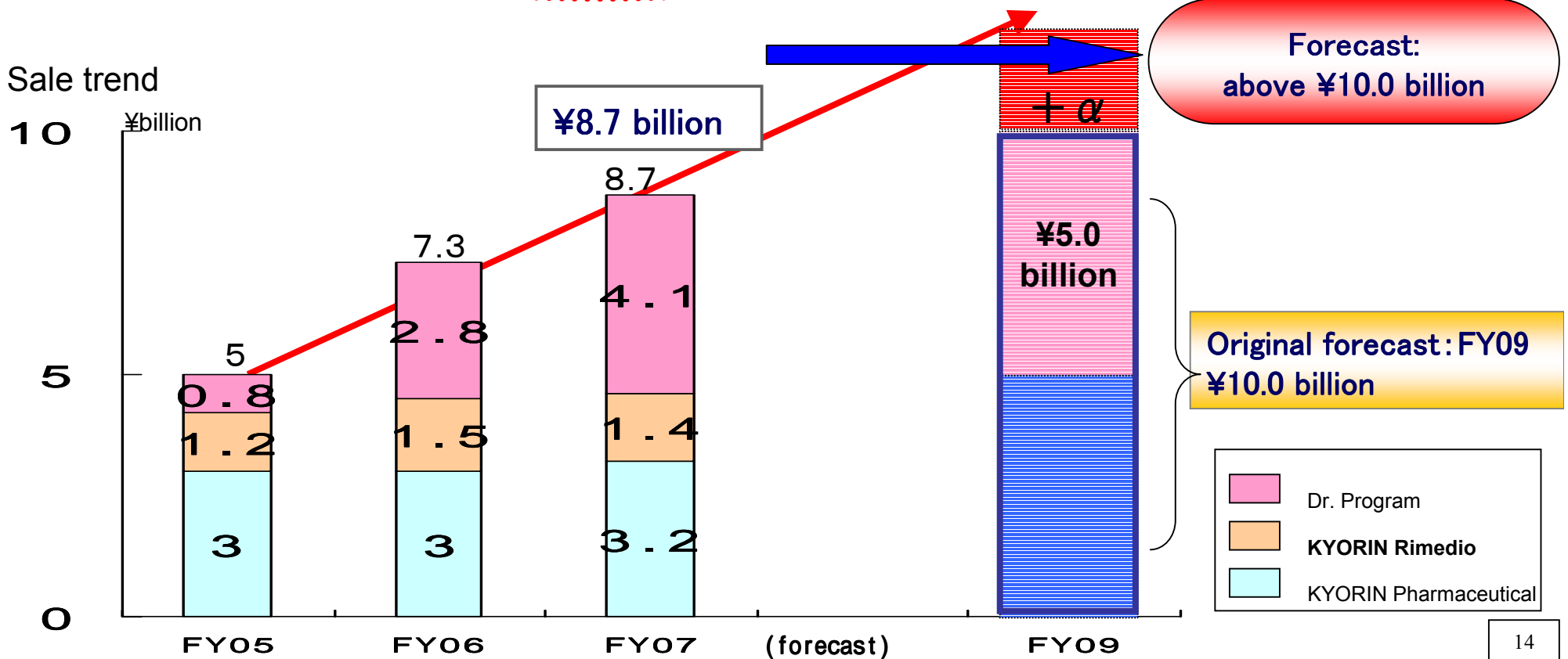
3. Develop New Businesses that Will Build on the Foundation of the Pharmaceuticals Business and Contribute to Future Growth

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

1. Composition of consumer healthcare business



2. Sale trend



Dr.Program : Business Performance and Strategies

Unit: Billions of yen	Year ended June. 30, 2005	Year ended Jan. 31, 2006 (only seven months)	Year ended Jan. 31, 2007	Year ending Jan. 31, 2008 (forecast)	Year ending Jan. 31, 2010 (forecast)
Net sales	0.5	0.8	2.8	4.1	5.0
Operating income	0	0	0.3	0.4	Operating income margin: over 10%
Net income	0	0	0.2	0.2	

**Focus on acquiring
client list**

**Targeted number
of clients achieved**

Solidify the foundation for rapid growth

- (1) Target existing clients
- (2) Increase conversion rate from samples to standard products

Efforts for the year ending march 31,2008

◆ Launch of new products

- Renew all the skincare items, applying new technology
- Ten or more new items, particularly in aging care series

◆ Strengthen marketing

- Actions to strengthen brand
- Enrich newsletter, etc.



KYORIN Pharmaceutical Co., Ltd.

Main R&D Activities

Main R&D Activities① (May 14 , 2007 Release)

Application

* : Describe the latest changes

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
* Approved (6/07)	Ph I	URITOS (Tablets)	Overactive bladder	In-house	Potent anti-cholinergic agent, low dry mouth	Overseas:Licensing agreement with LGLS Domestic: Co development,Co-Marketing with ONO
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 14 , 2007 Release)

POC Project, Ph II ~ III

* : Describe the latest changes

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
	(Galderma, Launched)	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	
* Ph III (2/07)	(Merck, Ph III)	Montelukast (Injection)	Anti-asthmatic agent	Merck (US)	New formulation(Injection) for asthma in adult.	Co-development with Banyu
	Ph II (10/04)	KRP-204 (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.	Co-development with Nisshin Flour Milling
* Ph II (3/07)		KRP-204 (Tablets)	Overactive bladder	Nisshin Flour Milling	A highly selective beta3-antagonist that may relax bladder smooth muscle and improve urine storage dysfunction by activating beta3 receptor on bladder.	Co-development with Nisshin Flour Milling
Ph II (3/05)	(Dainippon Sumitomo, Ph III)	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
	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 (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.	

Main R&D Activities③ (May 14 , 2007 Release)

POC Project

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
	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 (2/06)
	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 anti-dyslipidemia agent.	

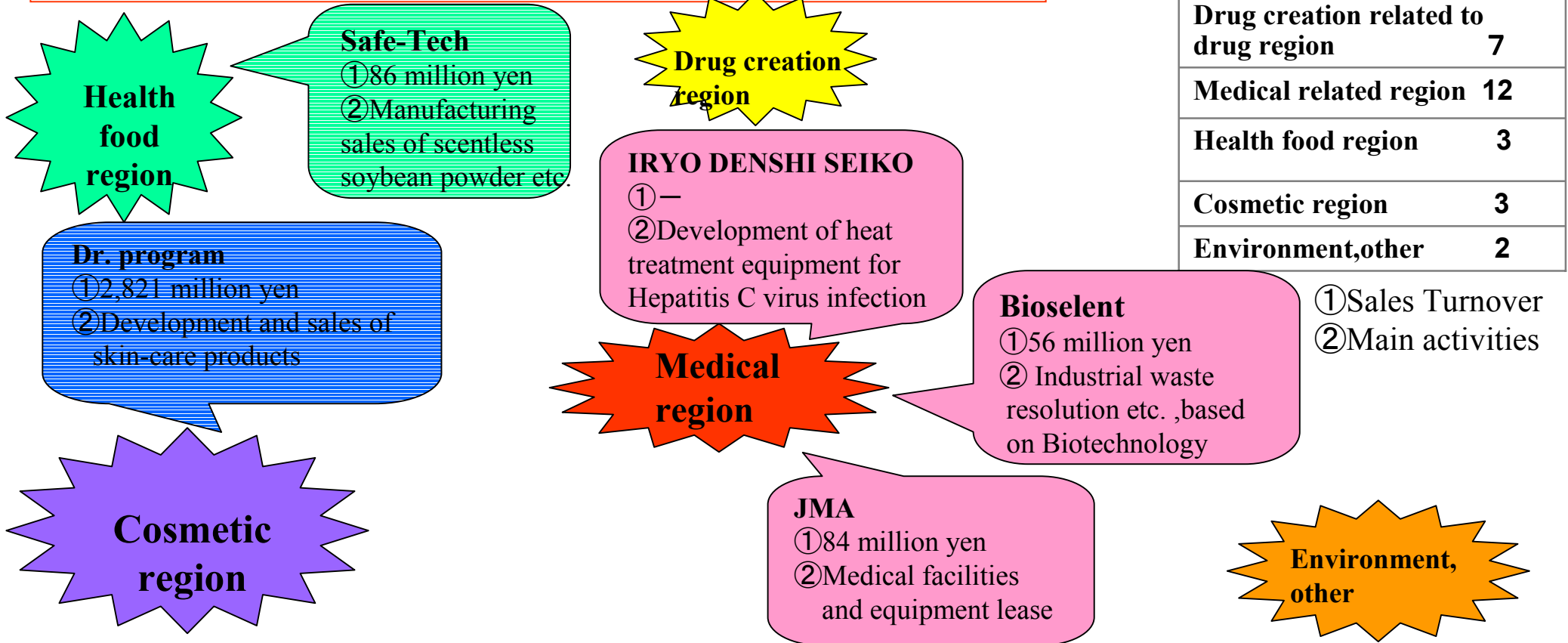
Main R&D Activities④ (May 14 , 2007 Release)

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)	<ul style="list-style-type: none"> Collaborative research Entered into an exclusive license(7/04)
Alphagan/Alphagan P	Domestic Ph II (4/06)	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) * Ph II ended in March 2007.
Ketas	Overseas 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) * Interim result of Ph II was reported in March 2007.
KCA-757	Overseas Ph III (Anti-bronchial Asthma:11/06) Ph II / III (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 * Interstitial cystitis:Results of Ph II / III was reported in January 2007
KRP-203	Overseas Pre-clinical	Novartis (Switzerland)	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.(2/06)

Reference

Update on Bistner business fund

- Start: September 2000
- Investment: ¥5 billion (¥4.2 billion already paid to Bistner by KYORIN, and Bistner already invested ¥2.7 billion in 27 cases)
- Focus: Pharmaceuticals, Medical Treatment, Nursing, health care



- 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.

Actual and Forecast of Main Subsidiary Company

KYORIN pharmaceutical	3 / 06	3 / 07	3 / 08 (forecast)	(Units: ¥ billion)
Sales	67.4	66.1	70.6	
Operating profit	8.8	7.6	7.3	
Net profit	4.8	4.7	4.5	
KYORIN Rimedio	1 / 06 (Eight months of revenue)	1 / 07	1 / 08 (forecast)	
Sales	4.4	6.9	7.6	
Operating profit	0.3	0.2	0.4	
Net profit	0.2	0	0.1	
Dr.Program	1 / 06 (Seven months of revenue)	1 / 07	1 / 08 (forecast)	
Sales	0.8	2.8	4.1	
Operating profit	0	0.3	0.4	
Net profit	0	0.2	0.2	

P&L summary : Consolidated-1



(Units: ¥ million)

	M a r /06		M a r /07			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	74, 054	100.0%	77, 093	100.0%	4.1%	3, 038
Sales of new ethical drugs	64, 281	86.8%	62, 951	81.7%	▲2.1%	▲1, 330
Japan	55, 705	75.2%	57, 188	74.2%	2.7%	1, 483
Overseas	8, 575	11.6%	5, 762	7.5%	▲32.8%	▲2, 813
Generic drugs	3, 488	4.7%	5, 734	7.4%	64.4%	2, 245
Consumer healthcare business	5, 035	6.8%	7, 273	9.4%	44.4%	2, 237
Other businesses	1, 248	1.7%	1, 133	1.5%	▲9.2%	▲114

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

Affiliated companies (2) Nisshin Kyorin Pharmaceutical,

Nihon Rikagaku Yakuhin

Change

Net sales 77, 093 million (+ 3, 038 million)

Sales of new ethical drugs in Japan

57, 188 million (+ 1, 483 million)

(Units: ¥ billion)

Year ended March 31, 2006

Year ended March 31, 2007

- Kipres 13.4 15.0 (+ 1.6)
- Pentasa 7.3 8.0 (+ 0.7)
- Mucodyne 19.9 20.4 (+ 0.5)

Sales of new ethical drugs overseas

5, 762 million (2, 813 million)

- Gatifloxacin 6.7 3.2 (3.5)

* Result reflects weaker sales of Tequin

* Milestone income due to the agreement of out-licensing compound etc.

Generic drugs

5, 734 million (+ 2, 245 million)

Consumer healthcare business

7, 273 million (+ 2, 237 million)

- Milton 2.1 2.1 (± 0)
- Dr. Program 0.8 2.8 (+ 2.0)

Other businesses

1, 133 million (114 million)

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Consolidated financial results until March 31, 2007 are for KYORIN Co., Ltd.

P&L summary : Consolidated-2

(Units: ¥ million)

	M a r /06		Mar/07			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	74,054	100.0%	77,093	100.0%	4.1%	3,038
COGS	26,515	35.8%	30,620	39.7%	15.5%	4,104
Gross profit	47,538	64.2%	46,473	60.3%	▲2.2%	▲1,065
SG&A (of which R&D)	38,549 (10,107)	52.1% 13.6%	38,059 (8,609)	49.4% 11.2%	▲1.3% (▲14.8%)	▲489 (▲1,497)
Operating profit	8,989	12.1%	8,413	10.9%	▲6.4%	▲575
Non-op income	863	1.2%	902	1.2%	4.5%	38
Non-op expense	387	0.5%	660	0.9%	70.6%	273
Recurring profit	9,465	12.8%	8,655	11.2%	▲8.6%	▲810
Extraordinary profits	260	0.3%	626	0.8%	140.9%	366
Extraordinary losses	1,259	1.7%	1,027	1.3%	▲18.5%	▲232
Pretax profit	8,466	11.4%	8,255	10.7%	▲2.5%	▲211
Corporate, inhabitants and enterprise taxes	2,539	3.4%	3,100	4.0%	22.1%	561
Tax adjustments	653	0.9%	324	0.4%	▲50.3%	▲328
Net profit	5,228	7.1%	4,842	6.3%	▲7.4%	▲386

Cost of sales ratio: up 3.9 percentage points
(35.8% 39.7%)

* Factor contributing to 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 2.4 percentage points
(13.6% 11.2%)

* R&D expenses fell from ¥10.1 billion to ¥8.6 billion, a decline of ¥1.5 billion.

The payment of R&D expense with co-developing compound is delayed to FY2007.

SG&A expenses ratio (excluding R&D expenses): down 0.2 percentage point
(38.4% 38.2%)

Operating income ¥8,413 million (575 million)

* The operating income margin decreased 1.2 percentage points, to 10.9%.

Net income ¥4,842 million (386 million)

Cash dividends ¥30.00
Payout ratio 46.2

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Consolidated financial results until March 31, 2007 are for KYORIN Co., Ltd.

Consolidated Financial Results Forecast for the Year Ending March 31, 2008



(Units: ¥ million)

	Mar /07		Mar /08 (Forecast)			
	actual	% sales	Actual	% sales	YoY	Amt chg
Sales	77,093	100.0%	83,600	100.0%	8.4%	6,507
Sales of new ethical drugs	62,951	81.7%	67,300	80.5%	6.9%	4,349
Japan	57,188	74.2%	63,100	75.5%	10.3%	5,912
Overseas	5,762	7.5%	4,200	5.0%	▲27.1%	▲1,562
Generic drugs	5,734	7.4%	6,400	7.7%	11.6%	666
Consumer healthcare business	7,273	9.4%	8,700	10.4%	19.6%	1,427
Other businesses	1,133	1.5%	1,200	1.4%	5.9%	67
Operating profit	8,413	10.9%	8,500	10.2%	1.0%	87
Recurring profit	8,655	11.2%	9,100	10.9%	5.1%	445
Net profit	4,842	6.3%	5,000	6.0%	3.3%	158

Change

Net sales 83,600 million (+6,507 million)

Sales of new ethical drugs in Japan

63,100 million (+5,912 million)

(Units: ¥ billions)

Year ended March 31, 2007

Year ending March 31, 2008

• Kipres	15.0	16.3 (+1.3)
• Pentasa	8.0	8.9 (+0.9)
• Mucodyne	20.4	21.0 (+0.6)

* The estimated sales of Uritos will be disclosed after the determination of the price.

Sales of new ethical drugs overseas

4,200 million (1,562 million)

• Gatifloxacin	3.2	3.0 (0.2)
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* Reduction of milestone income due to the agreement of out-licensing compound

Generic drugs

6,400 million (+ 666 million)

Consumer healthcare business

8,700 million (+ 1,427 million)

• Milton	2.1	2.2 (± 0.1)
• Dr. Program	2.8	4.1 (+ 1.3)

Other businesses 1,200 million (+ 67 million)

Operating income 8,500 million (87 million)

Cost of sales ratio:down 1 percentage points

R&D ratio:up 2.0 percentage points(11.2%→13.2%)

* R&D expenses expected to increase from ¥8.6 billion to ¥11.0 billion, up ¥2.4 billion

SG&A expenses ratio(excluding R&D expenses): almost the same level as the previous fiscal year

Net income 5,000 million (+ 158 million)

Cash dividends ¥30.00 (forecast)

BS summary:Consolidated

	Mar/06		Mar/07		
	actual	%total	actual	%total	Amt chg
Current assets	59,719	49.2%	64,860	52.3%	5,141
Cash, deposits	14,593		12,749		
A/R, notes receivable	26,752		31,514		
Mk securities	111		1,111		
Inventory	13,767		14,614		
Other	4,493		4,871		
Fixed assets	61,634	50.8%	59,179	47.7%	▲2,455
Tangible assets	21,363		19,637		
Intangible assets	5,720		4,116		
Investments	34,550		35,424		
Assets	121,353	100.0%	124,039	100.0%	2,686
Current liabilities	18,367	15.1%	19,941	16.1%	1,574
A/P, notes payable	6,590		9,687		
Other	11,777		10,253		
Non-current liab.	7,478	6.2%	5,920	4.7%	▲1,558
Total liabilities	25,845	21.3%	25,861	20.8%	15
Owner's equity	93,667	77.2%	96,922	78.2%	3,255
Net unrealized gain and translation adjustments	1,223	1.0%	1,256	1.0%	32
Minority interests	616	0.5%	—	—	▲616
Total equity	95,507	78.7%	98,178	79.2%	2,670
Total liabilities and equity	121,353	100.0%	124,039	100.0%	2,686

(Units: ¥ million)

- Current assets (up ¥5,141 million yoy)
 - Cash, deposits (down ¥1,844 million yoy)
 - A/R, notes receivable (up ¥4,762 million yoy)
 - Mk securities (up ¥999 million)
 - Inventory (up ¥846 million)
 - Other (up ¥377 million yoy)
- Fixed assets (down ¥2,455 million yoy)
 - Tangible assets (down ¥1,726 million yoy)
 - Intangible assets (down ¥1,603 million yoy)
 - Investments (up ¥874 million yoy)
- Current liabilities (up ¥1,574 million yoy)
 - A/P, notes payable (up ¥3,097 million yoy)
 - Other (down ¥1,532 million yoy)
- Non-current liab (down ¥1,558 million yoy)

R&D, capex & depreciation < Consolidated >

(Units: ¥ million)

	3/03	3/04	3/05	3/06	3/07	
					actual	YoY
R&D expense	7,009	8,219	12,698	10,107	8,609	▲14.8%
Capex (book base)	3,301	5,670	6,172	4,605	2,954	▲35.9%
Depreciation expense	3,637	4,774	3,894	3,646	4,544	+24.6%

3/08 (Forecast)
11,000
2,800
4,600

< Capital expenditure (Actual/Forecast) >

(Actual)

Plant facilities(KYORIN Rimedio center etc.)
 Equipment for control, sales activities
 Equipment for research

3/07

¥2.0 billion
 ¥0.5 billion
 ¥0.4 billion

3/08

(Forecast)

Plant facilities
 Equipment for control, sales activities
 Equipment for research

¥1.9 billion
 ¥0.5 billion
 ¥0.4 billion

Product sales update

(Units: ¥ billion) 

		3 / 03	3 / 04	3 / 05	3 / 06	3 / 07		3 / 08 (Forecast)
						actual	YoY	
Sales of new ethical drugs (japan)	Kipres (LT receptor antagonist)	6.4	9.8	11.8	13.4	15.0	12.1%	16.3
	Gatiflo (Kyorin) (Antibacterial agent)	4.7	1.7	2.3	2.5	2.5	▲0.8%	2.3
	Mucodyne (Mucuregulant)	17.1	18.0	19.0	19.9	20.4	2.5%	21.0
	Baccidal (Antibacterial agent)	1.2	0.9	0.7	0.6	0.6	▲6.9%	0.5
	Ketas (For bronchial asthma and cerebrovasculas disorders)	7.0	7.0	6.6	6.3	5.8	▲8.3%	5.8
	Aplace (Anti-ulcer agent)	3.4	2.9	2.6	2.4	2.0	▲13.2%	1.9
	Rocaltrol (Osteoporosis remedy)	3.0	2.7	2.4	2.2	1.9	▲12.5%	1.8
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	5.3	6.0	6.4	7.3	8.0	10.3%	8.9
Sales of new ethical drugs (over seas)	Total	9.0	8.5	8.8	8.6	5.8	▲32.8%	4.2
	Gatifloxacin (Bulk · Royalty)	5.1	7.1	8.0	6.7	3.2	▲51.9%	3.0
	Norfloxacin (Bulk · Royalty)	1.5	1.1	0.4	0.3	0.4	12.2%	0.2
	Foreign sales ratio (%)	13.2%	13.1%	13.3%	11.6%	7.5%	—	5.0%
Consumer Healthcare business	Milton (Effervescent disinfectant)	3.0	2.7	2.3	2.1	2.1	▲2.7%	2.2

Financial summary (Consolidated)



(Units: ¥ million)

	3/03	3/04	3/05	3/06	3/07	3/08 (Forecast)
Sales (Exports)	68,618 (9,024)	65,061 (8,533)	66,296 (8,838)	74,054 (8,575)	77,093 (5,762)	83,600 (4,200)
COGS Ratio to sales(%)	21,205 (30.9%)	22,389 (34.4%)	22,682 (34.2%)	26,515 (35.8%)	30,620 (39.7%)	
SGA Ratio to sales(%)	35,045 (51.1%)	33,905 (52.1%)	37,747 (57.0%)	38,549 (52.1%)	38,059 (49.4%)	
R&D expense Ratio to sales(%)	7,009 (10.2%)	8,219 (12.6%)	12,698 (19.2%)	10,107 (13.6%)	8,609 (11.2%)	11,000 (13.2%)
Operating profit Ratio to sales(%)	12,367 (18.0%)	8,766 (13.5%)	5,866 (8.8%)	8,989 (12.1%)	8,413 (10.9%)	8,500 (10.2%)
Recurring profits Ratio to sales(%)	12,805 (18.6%)	8,597 (13.2%)	6,430 (9.7%)	9,465 (12.8%)	8,655 (11.2%)	9,100 (10.9%)
Net profit Ratio to sales(%)	4,120 (6.0%)	5,692 (8.7%)	2,013 (3.1%)	5,228 (7.1%)	4,842 (6.3%)	5,000 (6.0%)
EPS (¥)	47.21	68.76	26.48	69.74	64.97	66.78
Capital	4,317	4,317	4,317	4,317	700	
Assets	139,961	121,355	109,234	121,044	124,039	
Shareholders' equity	105,318	91,856	90,544	94,752	96,922	
Total equity	-	-	-	-	98,178	
BPS (¥)	1,222.61	1,234.80	1,218.22	1,275.15	1,311.17	
ROE (%)	4.0%	5.8%	2.2%	5.6%	5.0%	
Equity ratio (%)	75.2%	75.7%	82.9%	78.3%	79.2%	
Employee	1,719	1,652	1,703	1,823	1,932	
Capital expenditure	3,301	5,670	6,172	4,605	2,954	2,800
Depreciation expense	3,637	4,774	3,894	3,646	4,544	4,600

*Consolidated financial results until March 31, 2006 are for KYORIN Pharmaceutical Co., Ltd.

Consolidated financial results until March 31, 2007 and Forecasts for the year ending March 31, 2008 apply to KYORIN Co., Ltd.

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



(Units: ¥ million)

	Mar/06		Mar/07			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	67,357	100.0%	66,052	100.0%	▲1.9%	▲1,304
Sales of new ethical drugs	64,036	95.1%	62,709	94.9%	▲2.1%	▲1,326
Japan	55,705	82.7%	57,188	86.6%	2.7%	1,483
Overseas	8,330	12.4%	5,521	8.3%	▲33.7%	▲2,809
Generic drugs	351	0.5%	383	0.6%	9.1%	31
Consumer healthcare business	2,969	4.4%	2,959	4.5%	▲0.3%	▲9

Change

Net sales **66,052 million (1,304 million)**

Sales of new ethical drugs in Japan

57,188 million (+1,483 million)

(Units: ¥ billion)

	Year ended March 31, 2006	Year ended March 31, 2007
• Kipres	13.4	15.0 (+1.6)
• Pentasa	7.3	8.0 (+0.7)
• Mucodyne	19.9	20.4 (+0.5)

Sales of new ethical drugs overseas

5,521 million (2,809 million)

• Gatifloxacin 6.7 3.2 (3.5)

* Result reflects weaker sales of Tequin

* Milestone income due to the agreement of out-licensing compound etc.

Generic drugs

383 million (+31 million)

Consumer healthcare business

2,959 million (9 million)

• Milton 2.1 2.1 (± 0)

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



(Units: ¥ million)

	M a r /0 6		M a r /0 7			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	67,357	100.0%	66,052	100.0%	▲1.9%	▲1,304
COGS	21,821	32.4%	23,815	36.1%	9.1%	1,994
Gross profit	45,536	67.6%	42,237	63.9%	▲7.2%	▲3,298
SG&A (of which R&D)	36,762 (10,013)	54.6% 14.9%	34,623 (8,216)	52.4% 12.4%	▲5.8% (▲17.9%)	▲2,139 (▲1,796)
Operating profit	8,773	13.0%	7,613	11.5%	▲13.2%	▲1,159
Non-op income	570	0.8%	761	1.2%	33.5%	191
Non-op expense	966	1.4%	760	1.2%	▲21.4%	▲206
Recurring profit	8,377	12.4%	7,615	11.5%	▲9.1%	▲761
Extraordinary profits	194	0.3%	583	0.9%	199.5%	388
Extraordinary losses	787	1.2%	300	0.5%	▲61.9%	▲487
Pretax profit	7,784	11.5%	7,898	11.9%	1.5%	113
Corporate, inhabitants and enterprise taxes	2,462	3.7%	2,853	4.3%	15.9%	391
Tax adjustments	550	0.8%	347	0.5%	▲37.0%	▲203
Net profit	4,771	7.0%	4,697	7.1%	▲1.5%	▲73

Cost of sales ratio: up 3.7 percentage points
(32.4% 36.1%)

* Factor contributing to 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 2.5percentage points
(14.9% 12.4%)

* R&D expenses fell from ¥10.0billion to ¥8.2billion, a decline of ¥1.8billion.

The payment of R&D expense with co-developing compound is delayed to FY2007.

SG&A expenses ratio (excluding R&D expenses): up 0.3 percentage point
(39.7% 40.0%)

Operating income ¥7,613million (1,159 million)

* The operating income margin decreased 1.5 percentage points, to 11.5%.

Net income ¥4,697 million (73 million)

BS summary : Parent(KYORIN pharmaceutical)

(Units: ¥ million)

	Mar/06		Mar/07		
	actual	%total	actual	%total	Amt chg
Current assets	50,721	45.3%	55,296	52.1%	4,575
Cash, deposits	10,754		9,337		
Accounts receivable	23,862		27,570		
Mk securities	0		999		
Inventory	12,108		12,596		
Other	3,995		4,791		
Fixed assets	61,256	54.7%	50,745	47.9%	▲10,510
Tangible assets	18,636		16,055		
Intangible assets	4,552		2,864		
Investments	38,068		31,825		
Assets	111,978	100.0%	106,042	100.0%	▲5,935
Current liabilities	13,677	12.2%	14,655	13.8%	977
Notes payable	1,224		1,670		
Trade accounts payable	2,803		4,844		
Other	9,649		8,139		
Non-current liab.	5,774	5.2%	4,589	4.3%	▲1,185
Total liabilities	19,452	17.4%	19,244	18.1%	▲208
Owner's equity	91,456	81.7%	85,706	80.8%	▲5,750
Net unrealized gain and translation adjustments	1,068	0.9%	1,091	1.1%	23
Total equity	92,525	82.6%	86,797	81.9%	▲5,727
Total liabilities and equity	111,978	100.0%	106,042	100.0%	▲5,935

- Current assets(up ¥4,575 million yoy)
 - Cash,deposits (down ¥1,416 million yoy)
 - Accounts receivable (up ¥3,708 million yoy)
 - Mk securities(up ¥999 million)
 - Inventory(up ¥487 million)
 - Other(up ¥796 million yoy)
- Fixed assets (down¥10,510 million yoy)
 - Tangible assets(down ¥2,580 million yoy)
 - Intangible assets(down ¥1,687 million yoy)
 - Investments(up ¥ 6,242 million yoy)
- Current liabilities (up ¥977 million yoy)
 - Notes payable (up ¥446 million yoy)
 - Trade accounts payable(up ¥2,041 million yoy)
 - Other(down ¥1,510 million yoy)
- Non-current liab (down ¥1,185 million yoy)

Financial summary :Parent(KYORIN pharmaceutical)



	3/03	3/04	3/05	3/06	3/07	3/08 (Forecast)
Sales (Exports)	67,293 (9,024)	63,589 (8,533)	64,938 (8,838)	67,357 (8,331)	66,052 (5,521)	70,600 (4,100)
COGS Ratio to sales(%)	20,230 (30.1%)	21,273 (33.5%)	21,653 (33.3%)	21,821 (32.4%)	23,815 (36.1%)	
SGA Ratio to sales(%)	34,698 (51.6%)	33,515 (52.7%)	37,373 (57.6%)	36,762 (54.6%)	34,623 (52.4%)	
R&D expense Ratio to sales(%)	7,009 (10.4%)	8,219 (12.9%)	12,698 (19.6%)	10,013 (14.9%)	8,216 (12.4%)	10,300 (14.6%)
Operating profit Ratio to sales(%)	12,364 (18.3%)	8,799 (13.8%)	5,911 (9.1%)	8,773 (13.0%)	7,613 (11.5%)	7,300 (10.3%)
Recurring profits Ratio to sales(%)	12,241 (18.1%)	8,376 (13.2%)	5,723 (8.8%)	8,377 (12.4%)	7,615 (11.5%)	7,900 (11.2%)
Net profit Ratio to sales(%)	3,633 (5.3%)	5,512 (8.7%)	1,615 (2.5%)	4,771 (7.0%)	4,697 (7.1%)	4,500 (6.4%)
EPS (¥)	41.63	66.59	21.19	63.64	63.25	
Capital	4,317	4,317	4,317	4,317	4,317	
Assets	138,484	119,604	106,264	111,978	106,042	
Shareholders' equity	104,191	90,543	88,839	92,525	85,706	
Total equity	-	-	-	-	86,797	
BPS (¥)	1,209.54	1,217.09	1,195.26	1,245.22	1,168.71	
ROE (%)	3.5%	5.7%	1.8%	5.3%	5.2%	
Equity ratio (%)	75.2%	75.7%	83.6%	82.6%	81.9%	
Employee	1,658	1,597	1,619	1,502	1,488	
Capital expenditure	3,301	5,668	6,171	4,455	1,322	1,800
Depreciation expense	3,626	4,763	3,883	3,307	3,997	3,900

(Units: ¥ million)