

September 26, 2007

Kyorin Co., Ltd.
Nisshin Seifun Group Inc.

**Merger between Kyorin Pharmaceutical Co., Ltd. and
Nisshin Kyorin Pharmaceutical Co., Ltd.**

We announce that Kyorin Co., Ltd. (“Kyorin”) and Nisshin Seifun Group Inc. (“Nisshin-Seifun”), and Kyorin Pharmaceutical Co., Ltd. of Kyorin’s wholly owned subsidiary (“Kyorin-Pharmaceutical”) and Nisshin Pharma Inc. of Nisshin-Seifun’s wholly owned subsidiary (“Nisshin-Pharma”), at the respective Boards of Directors held on September 26, 2007, passed a resolution to dissolve the joint venture established as Nisshin Kyorin Pharmaceutical Co., Ltd. (“Nisshin-Kyorin”) and to merge Nisshin-Kyorin into Kyorin-Pharmaceutical on October 1, 2008.

1. Background and Purposes of the Merger

Nisshin-Kyorin was established in April 1996 as the joint venture by Kyorin-Pharmaceutical* and Nisshin Flour Milling Co., Ltd.** and eleven years have passed since the commencement of the joint venture. During that period, Nisshin-Kyorin has strengthened its capacity of research, development and marketing of pharmaceutical products, and has expanded the sales of its pharmaceutical products, among others, “Pentasa” as a therapeutic drug for ulcerative colitis and Crohn’s disease. As a result of those, Nisshin-Kyorin achieved the sales of thirteen billion yen and the recurring profit of 1.3 billion yen in the fiscal year ending March 2007.

On the other hand, we recognize that expanding of our business to a certain scale and strengthening of business foundation are vital to survive in the pharmaceutical industry increasing competition and escalating expenses for the research and development activities for ethical drug while the medical-care system reform with the implementation of the restrictive measures of healthcare cost is continuously in place.

Under those circumstances, Kyorin-Pharmaceutical, Nisshin-Seifun and Nisshin-Pharma judged from long-term prospective that it was the best option to enhance the corporate value of Nisshin-Kyorin not by causing Nisshin-Kyorin to solely operate the pharmaceutical business but by integrating Nisshin-Kyorin into Kyorin-Pharmaceutical, through reinforcements of the capacities of the research and development and the sales force of ethical drugs, and decided to dissolve the joint venture and merge Nisshin-Kyorin into Kyorin-Pharmaceutical.

Kyorin will mobilize the total power of Kyorin’s group and enhance the consolidated financial performance by continuously implementing its effective allocation and utilization of management resources.

2. Outline of the Merger

(1) Schedule

* With the transition to holding company structure, Kyorin-Pharmaceutical became a wholly owned subsidiary of Kyorin in March of 2006.

** With the transition to holding company structure, Nisshin Flour Milling Co., Ltd. changed its corporate name to Nisshin Seifun Group Inc. as well as separated its pharmaceutical business to Nisshin-Pharma.

Approvals by the Boards of Directors on the basic merger agreement: September 26, 2007

Execution of the Merger Agreement: August of 2008 (Planned)

Effective date of the merger: October 1, 2008 (Planned)

Registration of the merger: October 1, 2008 (Planned)

(2) Scheme of the Merger

The merger will be executed by absorption method through simplified merger by Kyorin-Pharmaceutical (merging company) of Nisshin-Kyorin (merged company).

(3) Merger Consideration

The merger consideration is paid in cash without Kyorin-Pharmaceutical's issuing new shares or allocating own shares. The amount of the merger consideration has not yet been decided.

(4) Calculation of Merger Consideration

The amount of the merger consideration will be discussed by concerned parties and calculated in consideration of the amount of the current net assets based on Nisshin-Kyorin's balance sheet at the end of June 2008 and certain future value of Nisshin-Kyorin.

3. Effect of the Merger

Kyorin-Pharmaceutical expects the merger of Nisshin-Kyorin to bring the following merger effects:

(1) Strengthening of Domestic Pharmaceutical Business

Efficient marketing activities

Unification of both parties' "Pentasa" (core product) business will enable Kyorin-Pharmaceutical to expand its efficient marketing activities. By strengthening Kyorin-Pharmaceutical's sales force through the establishment of 750 MR marketing organization, we will bring into view the pharmaceutical company featuring the sales of 10 billion yen.

Expansion of Research Activities

Additional research area of lower digestive tract will enable Kyorin-Pharmaceutical's seeds for drug discovery to be upgraded and expanded and Kyorin-Pharmaceutical's developmental pipeline to be enriched.

(2) Realization of Efficient Management

By consolidating the management functional resources such as functions of headquarters, R&D, marketing and production, and performing the optimization of the business expenses for those functions, we will realize the effective corporate management.

(3) Reinforcement of Human Resources

Human resources necessary for the business expansion of Kyorin group will be effectively reinforced and its organizational capacity to adopt changing conditions will be strengthened.

4. Summary of the parties concerned with the Merger

(1) Trade Name	KYORIN Pharmaceutical Co., Ltd. (merging company)	NISSHIN KYORIN Pharmaceutical Co., Ltd. (merged company)
(2) Principal Business	Manufacture, sale and purchase of pharmaceutical products and related general healthcare business	Manufacture, sale and entrusted research of pharmaceutical products
(3) Date of Incorporation	December 4, 1940	April 1, 1996
(4) Representative	Ikuo Ogihara, Representative Director and President	Takashi Matsuda, Representative Director and President

(5) Location of Principal Office	Chiyoda-ku, Tokyo	Chiyoda-ku, Tokyo
(6) Paid-in Capital	4,317 million yen (as of March 31, 2007)	300 million yen (as of March 31, 2007)
(7) Number of Authorized Shares	74,268,150 shares (as of March 31, 2007)	320,000 shares (as of March 31, 2007)
(8) Shareholder's Equity	86,797 million yen (as of March 31, 2007)	4,472 million yen (as of March 31, 2007)
(9) Total Assets	106,042 million yen (as of March 31, 2007)	8,047 million yen (as of March 31, 2007)
(10) Fiscal Year End	March 31	March 31
(11) Number of Employees	1,488 (as of March 31, 2007)	274 (as of March 31, 2007)
(12) Major Customers	Suzuken Co., Ltd. Alfresa Corporation Mediceo Paltac Holdings Co., Ltd. Toho Pharmaceutical Co., Ltd. and others	KYORIN Pharmaceutical Co., Ltd. Mediceo Paltac Holdings Co., Ltd. and others
(13) Major Shareholders and Shareholding Ratios	KYORIN Co., Ltd. 100 % (as of March 31, 2007)	KYORIN Pharmaceutical Co., Ltd. 50 % Nisshin Pharma Inc. 40 % Nisshin Seifun Group Inc. 10 % (as of March 31, 2007)
(14) Main Financing Banks	Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation

(15) Relationship between the Parties

Capital	KYORIN Pharmaceutical Co., Ltd. is a 50% shareholder of NISSHIN KYORIN Pharmaceutical CO., Ltd.
Personnel	A director of KYORIN Pharmaceutical Co., Ltd. doubles a director of NISSHIN KYORIN Pharmaceutical CO., Ltd. and KYORIN Pharmaceutical Co., Ltd. sends on-loan its 25 employees to NISSHIN KYORIN Pharmaceutical CO., Ltd.
Business	KYORIN Pharmaceutical Co., Ltd. sells products to NISSHIN KYORIN Pharmaceutical CO., Ltd. and purchases products from NISSHIN KYORIN Pharmaceutical CO., Ltd.

(As of March 31, 2007)

(16) Financial Results for the Three Latest Fiscal Years

(Unit: million yen)

	KYORIN Pharmaceutical Co., Ltd. (Non-consolidated)			NISSHIN KYORIN Pharmaceutical CO., Ltd. (Non-consolidated)		
End of Fiscal Year	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2005	March 31, 2006	March 31, 2007
Sales	64,938	67,357	66,052	12,112	12,577	13,050
Operating Profit	5,911	8,773	7,613	988	1,114	1,365
Recurring Profit	5,723	8,377	7,615	919	1,093	1,370
Net Income	1,615	4,771	4,697	597	688	858
Net Income per Share	21.19 yen	63.64 yen	63.25 yen	1,865.76	2,152.44	2,684.34
Dividends per Share	18.00 yen	39.00 yen	30.00 yen	0 yen	650.00 yen	0 yen
Shareholder's Equity per Share	1,195.26 yen	1,245.22 yen	1168.71 yen	9,697.91 yen	11,912.53 yen	13,975.01 yen

5. Situation after the Merger

- (1) Trade Name: KYORIN Pharmaceutical Co., Ltd.
- (2) Business: Manufacture, sale and purchase of pharmaceutical products and related general healthcare business
- (3) Location of Principal Office:
5, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo
- (4) Representative: Ikuo Ogihara, Representative Director and President
- (5) Paid-in Capital: 4,317 million yen
- (6) Effect on Financial Results:

The merger is scheduled on October 1, 2008 and has no impact to the respective consolidated financial results of KYORIN Co., Ltd. and Nisshin Seifun Group Inc. in the fiscal year ending March 2008. The forecasts of financial results from fiscal year 2008 onward will be disclosed sequentially.

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