

## **Kyorin Pharmaceutical to Acquire Toyo Pharmar Stock to Establish a Subsidiary**

Kyorin Pharmaceutical Co., Ltd. (Tokyo; President: Ikuo Ogihara) and Toyo Pharmar Co., Ltd. (Ishikawa; President: Hajime Nakayama) have executed an agreement on Kyorin's acquisition of a majority of shares in Toyo Pharmar, which will allow it to operate as a subsidiary of Kyorin.

The issue was resolved at a Board of Directors' meeting held today, March 31, 2005, when the acquisition agreement was concluded.

### Statement

#### 1. Purpose of the Stock Acquisition

The acceleration of demographic aging coupled with a declining birthrate has been creating a severe financial burden on the Japanese medical insurance system. For this reason, in an effort to reduce medical and drug expenses, the system has implemented reforms and other measures. Conversely, this generates challenges and opportunities for the pharmaceutical industry.

Under such circumstances, Kyorin has anticipated that the domestic ethical drug market will have plenty of room for growth of generic drugs and their social importance will be greater in the future. Also, as a pharmaceutical company, whose core business is drug discovery, Kyorin has determined that because drug discovery is a "high-risk and high-return" business model, it should consider such a model in combination with a short cycle business in order to maintain stable growth. Given these concerns, Kyorin has decided to acquire the majority of Toyo Pharmar stock, a generic drug maker, to obtain a stepping stone to generic business and to create a new project for the contribution of human health.

Toyo Pharmar believes its collaboration with Kyorin can help to increase profitability, since Kyorin has capabilities in research, development and marketing, along with financial resources. In addition, the government has been encouraging expansion of generic products. With this background in mind, the company has decided to join the Kyorin group.

Toyo Pharmar, which was established in 1947, started with manufacturing and selling of injection drugs and household healthcare products and is now mainly involved in the generic drug business. Last year, the company undertook a capital investment in its pharmaceutical factories in order to enhance productivity and contract manufacturing opportunities. As a result, it has secured a solid status in its business fields.

#### 2. Terms of the Agreement

Based on the schedule below, Kyorin is expecting to acquire more than 50% of the issued shares of Toyo Pharmar and will operate the company as a subsidiary after the closing.

The stock acquisition has been agreed upon by the present management of Toyo Pharmar.

Closing Date of Stock Acquisition: 2005/05/11 (Date of Stock Transfer)

### 3. Outline of the Company to be Acquired

Toyo Pharmar's corporate profile is as follows:

- (1) Company Name: Toyo Pharmar Co., Ltd.
- (2) Lines of Business: manufacturing and selling of pharmaceutical products
- (3) Established: October, 1947
- (4) Head Office: 287-1, Shimocho, Moroemachi, Kanazawa-shi, Ishikawa
- (5) President: Hajime Nakayama
- (6) Paid-in Capital: 542.84 million yen
- (7) Number of Shares Issued: 4,867,600 shares
- (8) Stockholders' Equity: 3,842 million yen (FY2004/5)
- (9) Total Assets: 8,456 million yen (FY2004/5)
- (10) Fiscal Year-end: May 31
- (11) Number of Employees: 205
- (12) Pharmaceutical Product Distributor/Wholesaler
- (13) Main Banks: Hokuriku Bank, Hokkoku Bank and Mizuho Bank
- (14) Relation with Kyorin Pharmaceutical: Toyo Pharmar has indirect business dealings with Kyorin, but has neither capital nor staff relationships with it

### 4. Toyo Pharmar's Business Results for the Recent Fiscal Years

(Millions of Yen)

	FY2003/5	FY2004/5
Revenue	6,334	6,419
Ordinary income	257	347
Net income	143	202
Total assets	8,217	8,456
Stockholders' equity	3,648	3,842

### 5. Additional Issue

In the future, Kyorin may assign individuals to sit on the Board of Directors of Toyo Pharmar.

### 6. Effect on Business Results

Since the stock acquisition is scheduled to take place in fiscal year 2005, Kyorin's business results for the fiscal year ending March, 2005 will not be affected.