

March 2008 Financial Results

- Summary of Performance and Basic Policies under the New Administration

Kyorin MIC-'09 Plan and Business Policy for FY 2008

- Current Business Performance and Forecast

Consolidated Financial Results for the Year Ended

March 2008 and prospect for March 2009, and Expected

Effect of Merger with Nissin Kyorin Pharmaceutical

- Activity of ActivX

May 15, 2008

KYORIN Co.,Ltd.



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May 15, 2008
KYORIN Co., Ltd.
President Itaru Kojo



Outline of Consolidated Financial Results for the Year Ended March 31, 2008



Consolidated Financial Results for the Year Ended March 31, 2008

In terms of sales, sales of domestic ethical drugs performed well due to new product launches, additional indications and efficacy for main product, and greater lump-sum income. Consolidated sales rose 5.2% year on year to 81.1 billion yen.

In terms of profits, although sales grew, increased R&D costs and sales costs accompanying new drug launches, etc. contributed to a rise of SG&A expenses. As a result, operating income declined 25.7% year on year to 6.3 billion yen, and net income declined 54.8% year on year to 2.2 billion yen.

Consolidated Financial Results Forecast for the Year Ending March 31, 2009

In terms of sales, sales expansion of main ethical drugs are forecast in Japan, and the planned October 2008 merger with Nisshin Kyorin Pharmaceutical Co., Ltd. is also forecast to boost sales. We expect consolidated sales to grow 11.5% year on year to 90.4 billion yen.

In terms of profits, while we are working to hold down sales costs and to achieve cost reductions through the merger with Nisshin Kyorin Pharmaceutical Co., Ltd., we expect a lower SG&A expenses ratio excluding R&D costs. As a result, we expect consolidated operating income to grow 28.0% year on year to 8 billion yen, and net income to grow 123.8% to 4.9 billion yen.

Units: Millions of yen	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	YoY change (%)
Net sales	66,296	74,054	77,093	81,070	5.2%
Operating income	5,866	8,989	8,413	6,251	▲25.7%
Ordinary income	6,430	9,465	8,655	6,643	▲23.2%
Net income	2,013	5,228	4,842	2,189	▲54.8%
EPS (yen)	26.48	69.74	64.97	29.26	▲55.0%
Total assets	109,234	121,044	124,039	122,398	▲1.3%
Total equity	90,544	94,752	98,178	97,184	▲1.0%

Year ending March 31, 2009 (forecast)	YoY change (%)
90,400	11.5%
8,000	28.0%
8,400	26.4%
4,900	123.8%
65.49	123.8%
—	—
—	—

*Consolidated financial results until March 31, 2006 are for KYORIN Pharmaceutical Co., Ltd.
Consolidated financial results until March 31, 2008 and Forecasts for the year ending March 31, 2009 apply to KYORIN Co., Ltd.

The Basic Policies under the new Administration of Kyorin Group

Corporate Philosophy: *Your Health is Kyorin's Mission*

Nurturing a spirit that celebrates life and benefits society by contributing to the good health of people everywhere

New Corporate Image and Identity

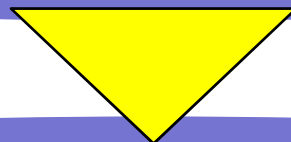
A distinguished and integrated healthcare company based on reliableness with the core business in global drug creation.

Mid-term Management Plan「Kyorin MIC-'09 Plan」

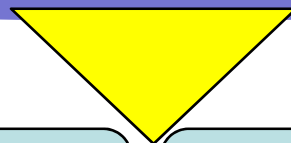
- Continue the Kyorin MIC Plan currently being promoted
“Working for more fair and transparent management”

The Basic Position of the New President

Foster employee will and spirit,
working to build an energetic and creative business

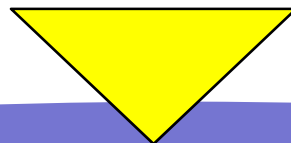


Sales and profit expansion by the customer intention



Improvement in stock price

Improvement of
corporate value



Management promotion of stockholder valuing

(FY05~FY09)

New Corporate Image and Identity

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

Keynote: Evolution & Innovation II

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

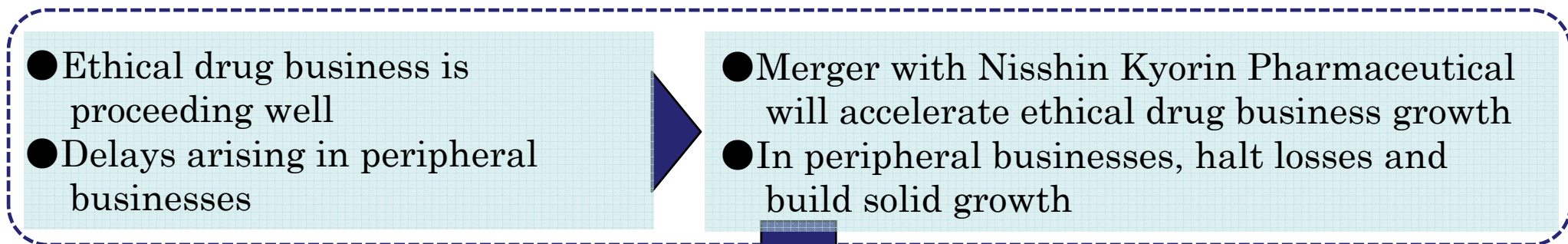
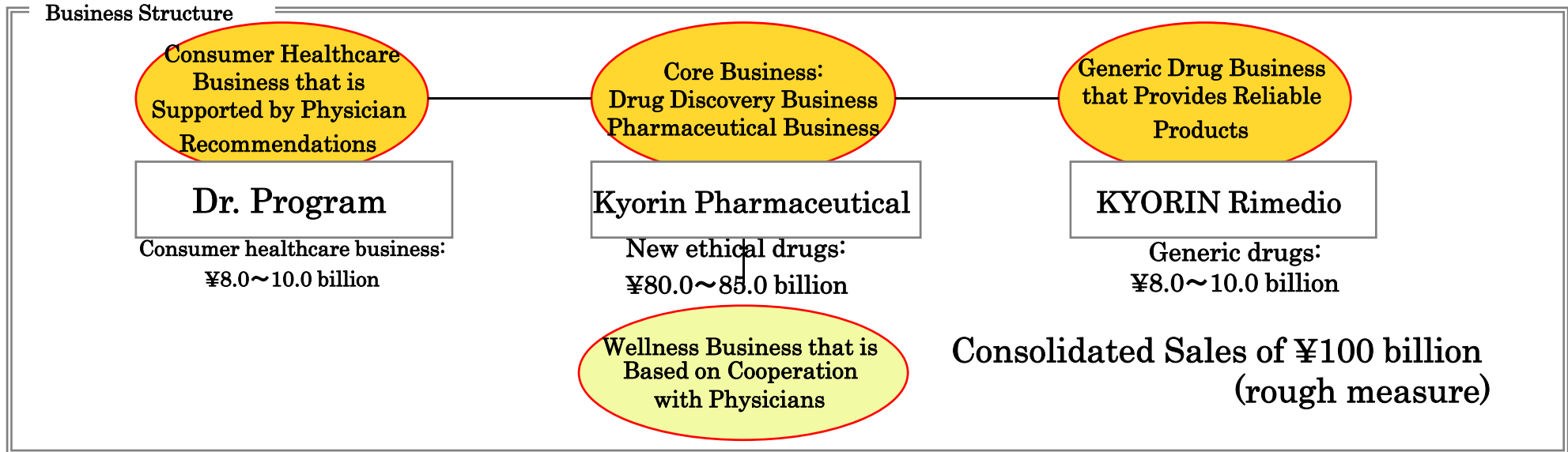
Target

ROE:7%

Compound in the late stage:one per year

Kyorin MIC-'09 Targeted Corporate Image *Kyorin*

健康はキョーリンの願いです。



Towards achieving goals of the Kyorin MIC-'09 Plan, FY08 is the year to correct issues which became clear in FY05-07

FY2008 Management Policies

Building new road ensures growth

- Accelerate growth of ethical drug business, and develop potential of peripheral businesses –

Focus Points

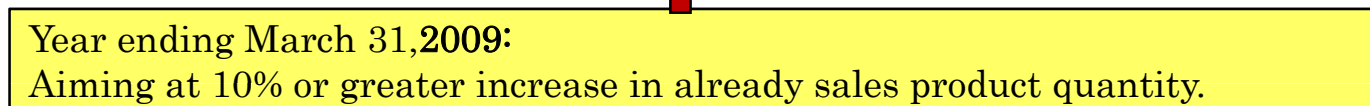
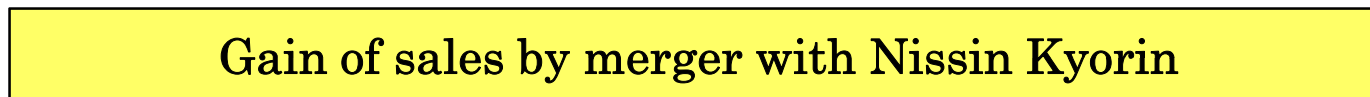
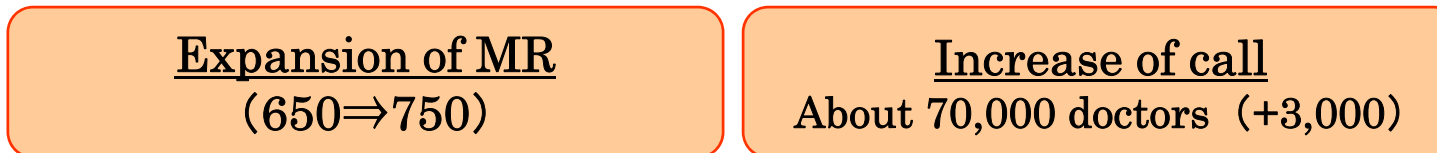
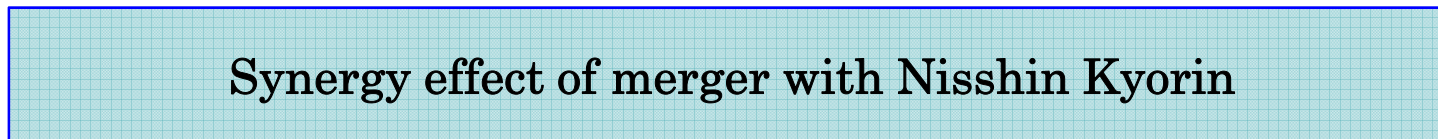
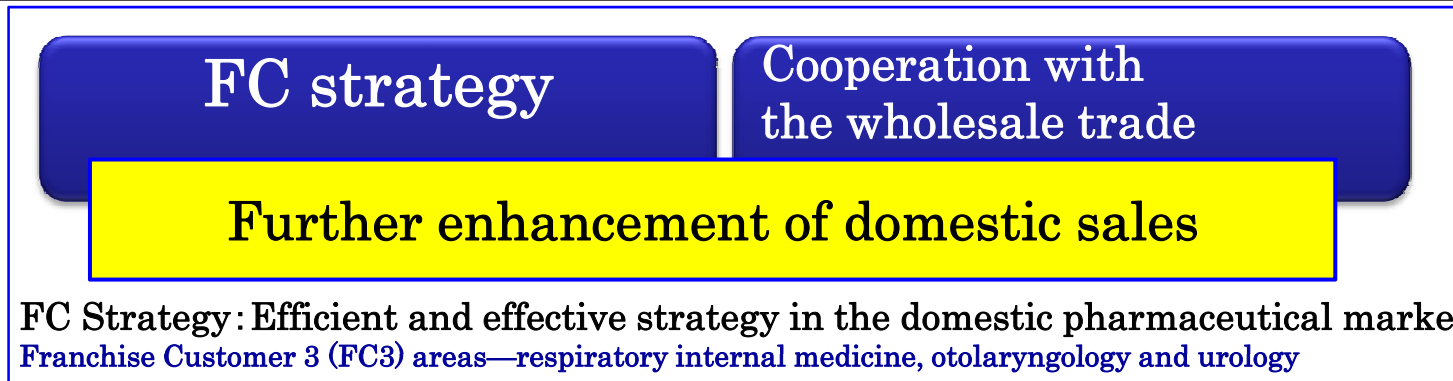
■ Promote management which emphasizes brands

- Work to foster united group spirit

■ Maximize merger effects

1. Work to strengthen the business foundations of Kyorin Pharmaceutical, to enhance and accelerate growth
2. Enhanced support for group companies to strengthen their business activities and business foundations
3. Produce synergy effects from merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

Acceleration of New Drug Business (1)



Acceleration of New Drug Business (2)

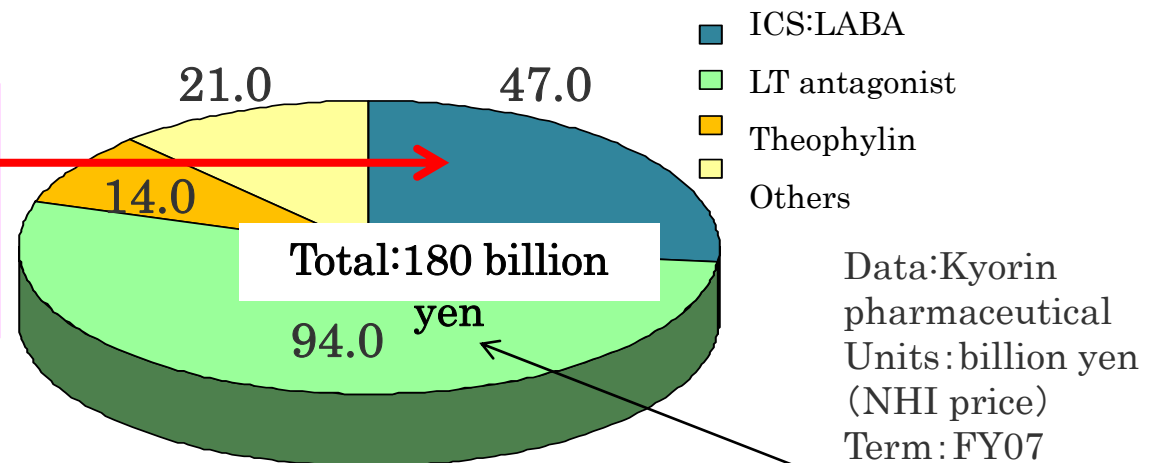
Enhancement of franchise customer³(FC) ~acquirement licensing-in product ~

Licensing in anti-asthmatic treatment Flutiform (KRP-108)

- License agreement with Skyepharma PLC as of April 22, 2008 on flutiform, in Japan
- Onset long-acting beta-agonist with the inhaled steroid

Current of anti-asthmatic treatment market
(Drugs for long-term management)

Develop Flutiform to aim at entering the ICS/LABA market, which is the second largest asthma market



ICS: Inhaled corticosteroid
LABA: Long-acting beta-agonist

Kipres

Aim for further presence in Anti-asthmatic treatment

Support and Strength of Peripheral Business (Generic Business)

KYORIN Rimedio	Term ended May 2005 (Before becoming a subsidiary)	Year ended Jan. 31, 2006 (only eight months)	Year ended Jan. 31, 2007	Year ended Jan. 31, 2008	Term ending Jan. 2009	Unit: Billions of yen
	Net sales	6.5	4.4	6.9	6.0	
Operating income	0	0.3	0.2	▲0.7	0.1	
Net income	▲0.1	0.2	▲0	▲1.4	▲0	

Year ended Jan. 2008

- Net sales were decreased due to product item reorganization (about 450→200 items), decrease in commissioned manufacture, and incomplete of supplement products sales plan.
- Operating income was ▲0.7 billion by uptrend of cost percent and increase of R&D expense.

Effort in years to come	FY 2007	FY 2008 Plan	From FY2009 onwards
Enhance of Sales	<ul style="list-style-type: none"> • Personnel increase from 30 to 42 persons • Adjusting the wholesale sales route 	<ul style="list-style-type: none"> • Secure about 10,000 purchasers, with Kyorin Pharmaceutical plus transfer of Nissin Kyorin Pharmaceutical generic drugs • Establishment of a complement of 70 – 80 personnel • Assure sales channel by recommended companies (Toho Yakuhin, Alfresa) 	Targeted relative share of sales Wholesale/Sales company 30:70
Reduction of cost percent	Production of 3 of the products manufactured by Kyorin will be relocated (aggregate: 6 items)	<ul style="list-style-type: none"> • Start commissioned manufacture of Kyorin pharmaceutical's main product • Raise operation rates by sales increase of main and supplement products. • Cost reduction (approx. 0.1 billion) 	Targeting sales transfer of 20 or more production items of Kyorin Pharmaceutical
Product Line	Launching new product : 1 product 2 standards (Sale: 4 products 7 standards)	<ul style="list-style-type: none"> • Gain of sales (approx. 0.5 billion) by generic product relocation of 3 items of Kyorin pharmaceutical and 12 items of Nissin Kyorin products. • Launch new product:7 items (forecast) 	Targeting the launching new Product of 10 or more items

Acquire stable power by expansion of customers and reduction of cost ratio.
(Aim for returning in the black in Year ended Jun. 2009)

Support and Strength of Peripheral Business (Healthcare Business)

Dr. Program

Unit:
Billions of yen

	Term ended June 2005 (Actual results)	Year ended Jan. 3 (only seven months)	Year ended Jan. 31, 2007	Year ended Jan. 31, 2008	Term ending Jan. 2009
Net sales	0.5	0.8	2.8	3.4	4.0
Operating income	0	0	0.3	▲0.3	0.1
Net income	0	0	0.2	▲0.4	0

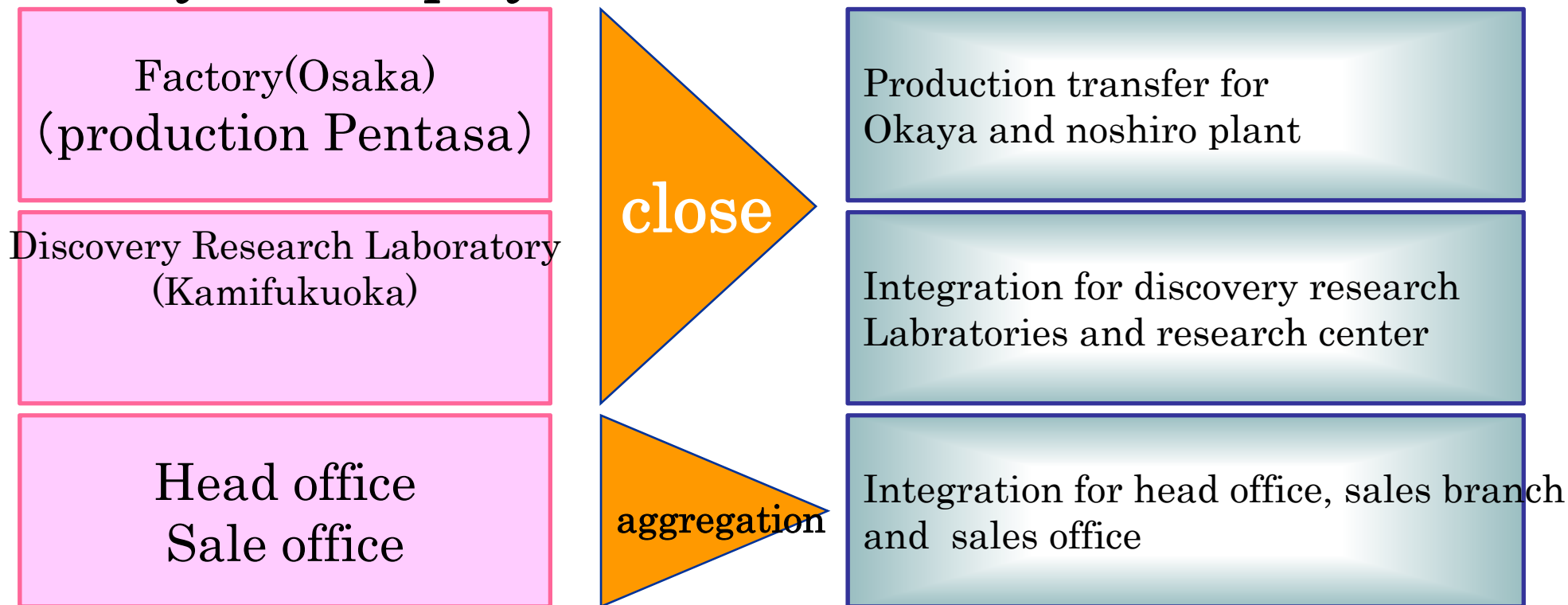
Year ended Jan.2008

- ◆ Actively invested expecting fast growth, but did not achieve sales targets
 - Efforts to find new customers and raise the customer conversion rate also did not achieve the sales plan
 - This year had an operating loss, due to lower gross profit as sales fell short of targets, and increased costs to develop business infrastructure and strengthen the organization

FY2008

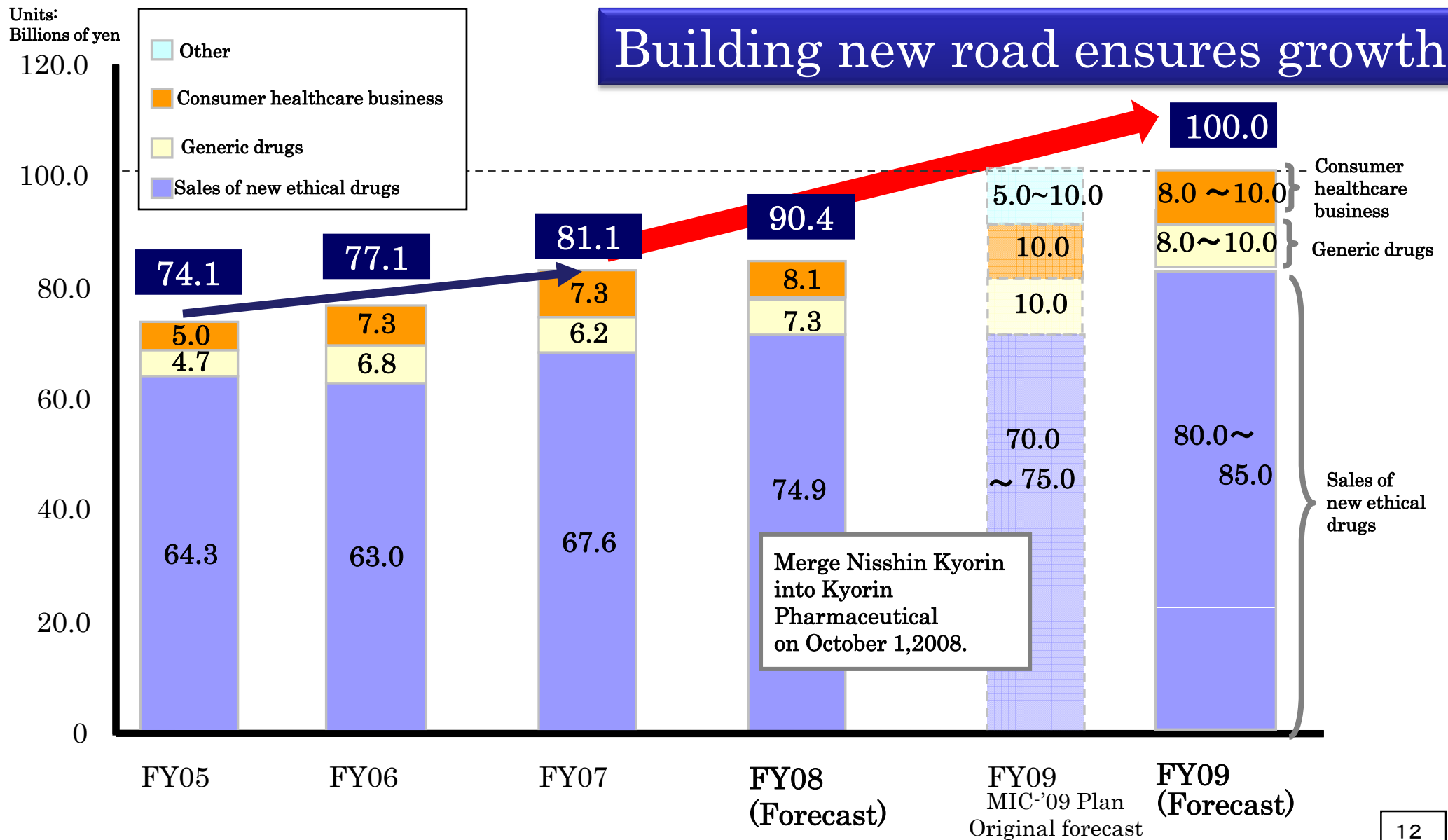
- ◆ Work for solid growth, putting funds which match growth
 - Continue working to build new customers list and raise the conversion rate
 - Work for closer cooperation with Kyorin to strengthen business foundations
- ◆ Minimize new product launches and product renewals, working to solidify products renewed last year

Facility and Employees



Reduce 300 staff down to 190 and merge facilities, aiming at cost reductions in the range of 800 million to 1 billion yen per year

Sales Image(Consolidated)



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May 15, 2008

KYORIN Co.,Ltd.
Executive Director Senior Executive Officer
Minoru Hogawa



Consolidated Financial Results for the Year Ended March 31, 2008

Year to year



Units: Billions of yen

	Year ended March 31, 2007	Year ended March 31, 2008	Change
Net sales (total)	77.1	81.1	+4.0
◆ Sales of new ethical drugs	63.0	67.6	+4.6
Japan	57.2	63.3	+6.1
Overseas	5.8	4.3	▲1.5
◆ Generic drugs	5.7	5.1	▲0.6
◆ Consumer healthcare business	7.3	7.3	±0
◆ Other businesses	1.1	1.1	±0
Operating income	8.4	6.3	▲2.1
Ordinary Income	8.7	6.6	▲2.1
Net income	4.8	2.2	▲2.6

■ Net sales	¥81.1 billion	Change (+4.0)
● Sales of new ethical drugs in Japan	¥63.3 billion	(+6.1)
	FY06(actual) FY07(actual)	
•Mucodyne	20.4 ⇒ 21.2	(+0.4)
•Kipres	15.0 ⇒ 19.1	(+4.1)
•Pentasa	8.0 ⇒ 8.8	(+0.8)
•Uritos (new product)	— ⇒ 7	(+0.7)
	* Increase in lump-sum money income and decrease in sales and others.	
● Sales of new ethical drug overseas	¥4.3 billion	(▲1.5)
•Gatifloxacin	3.2 ⇒ 3.0	(▲0.2)
	* Tequin (BMS) sales discontinued. The ophthalmic solution product Zymar (Allergan) continued its strong performance.	
•Other	2.2 ⇒ 1.0	(▲1.2)
	* Decrease in lump-sum income	
● Generic drugs	¥5.1 billion	(▲0.6)
	* Effect due to product item reorganization and decrease in commission manufacture (Sales of main products increased)	
● Consumer healthcare business	¥7.3 billion	(±0)
•Milton	2.1 ⇒ 1.9	(▲0.2)
•Dr.Program Co.,Ltd	2.8 ⇒ 3.4	(+0.6)
● Other business	¥1.1 billion	(±0)
◆ Cost of sales ratio : down 0.5 points	(39.7%⇒39.2%)	
	* Lowering factor : Launch of in house product and decrease in lump-sum income, Decrease in depreciation cost associated with Noshiro plant.	
◆ R&D ratio : up 2.2 points	(11.2%⇒13.4%)	
	* R&D expenses up from ¥8.6 billion to ¥10.8 billion , The payment of R&D expense with co-developing compound is delayed from FY06, etc.	
◆ SG&A expenses ratio (excluding R&D expenses): up 1.6 points	(38.2%⇒39.8%)	
	SG&A expenses (excluding R&D expenses) up from ¥29.5 billion to ¥32.2 billion (approx,2.7 billion up) Increase in promotion cost by launching or adding indication and sales cost for Dr.Program	
■ Operating income	¥6.3 billion	(▲2.1)
◆ The operating income margin decreased 3.2 percentage points , to 7.7%		
■ Net income	¥2.2 billion	(▲2.6)
	* Special loss : approx 1.1 billion * Deferred tax assets by KYORIN Rimedio were depleted approx . About 300 million yen	
■ Cash dividends	¥22.50	
	* In view of performance and payment ratio, expected dividend 30.00 yen was revised to 22.50 yen.	

Consolidated Financial Results for the Year Ended March 31, 2008

Compared to
forecast



Compared to forecast

Units: Billions of yen

	Year ended March 31, 2008 (Forecast)	Year ended March 31, 2008 (Actual)	Compared to forecast
Net sales (total)	83.4	81.1	▲2.3
◆ Sales of new ethical drugs	68.4	67.6	▲ 0.8
Japan	64.2	63.3	▲ 0.9
Overseas	4.2	4.3	+ 0.1
◆ Generic drugs	5.5	5.1	▲ 0.4
◆ Consumer healthcare business	8.3	7.3	▲1.0
◆ Other businesses	1.1	1.1	± 0
Operating income	7.9	6.3	▲1.6
Ordinary Income	8.5	6.6	▲1.9
Net income	3.7	2.2	▲1.5

■ Net sales	¥81.1 billion	(▲ 2.3)
● Sales of new ethical drugs in Japan	¥63.3 billion	(▲ 0.9)
FY07 forecast	FY07 actual	
•KIpres	18.2 ⇒ 19.1	(+0.9)
•Uritos	1.1 ⇒ 0.7	(▲ 0.4)
•Ketas	5.6 ⇒ 5.4	(▲ 0.2)
•Gatiflo	2.5 ⇒ 2.3	(▲ 0.2)
•Other products	2.6 ⇒ 1.7	(▲ 0.9)
(Incomplete in plan of rapid tester)		
● Sales of new ethical drug overseas	¥4.3 billion	(+0.1)
•Norfloxacin	0.2 ⇒ 0.3	(+0.1)
•Other	0.9 ⇒ 1.0	(+0.1)
● Generic drugs	¥5.1 billion	(▲0.4)
※Delay of expansion of supplement products sales		
● Consumer healthcare business	¥7.3 billion	(▲ 1.0)
•Milton	2.1 ⇒ 1.9	(▲0.2)
•Dr.Program Co.,Ltd	4.0 ⇒ 3.4	(▲0.6)
※Incomplete in product conversion ratio and plan of repeated orders		
● Other business	¥1.1 billion	(±0)
◆ Cost of sales ratio : 39.2%		
Factor of variance: Product mix (Incomplete in in-house product with lower cost percent)		
◆ R&D ratio: 13.4%		
※10.9 → 10.8 billion yen (Consumption rate was about the same as forecast)		
◆ SG&A expenses ratio (excluding R&D expenses): 39.8%		
(Contrary to expectation, about 0.5 point up)		
SG&A expenses (excluding R&D expenses) up from ¥29.5 billion to ¥32.2 billion		
Factor of variance: SG&A expenses increased with not accomplished sales		
※SG&A expense was lower than forecasted because of effort on cost reduction.		
■ Operating income	¥6.3 billion	(▲1.6)
◆ The operating income margin decreased 1.8 percentage points, to 7.7%		
■ Net income	¥2.2 billion	(▲1.5)
* Special loss: approx.1.2 to 1.1 billion		
* Deferred tax assets of KYORIN Rimedio depleting increased from approx. 200 to 300 million yen		
■ Cash dividends	¥22.50	
* In view of performance and payment ratio, expected dividend 30.00 yen was revised to 22.50 yen.		

Consolidated Financial Results Forecast for the Year Ending March 31, 2009

Units: Billions of yen

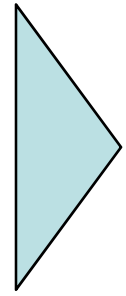
	Year ended March 31, 2008 (Actual)	Year ended March 31, 2009 (Forecast)	Change
Net sales (total)	81.1	90.4	+9.3
◆ Sales of new ethical drugs	67.6	74.9	+7.3
Japan	63.3	70.8	+7.5
Overseas	4.3	4.0	▲ 0.3
◆ Generic drugs	5.1	6.1	+1.0
◆ Consumer healthcare business	7.3	8.1	+ 0.8
◆ Other businesses	1.1	1.2	+ 0.1
Operating income	6.3	8.0	+1.7
Ordinary Income	6.6	8.4	+1.8
Net income	2.2	4.9	+2.7

■ Net sales	¥90.4billion	Change (+9.3)
● Sales of new ethical drugs in Japan	¥70.8 billion	(+7.5)
	FY07 actual	FY08 forecast
•Mucodyne	21.2	⇒ 21.6 (+0.4)
•Kipres	19.1	⇒ 21.6 (+2.5)
•Pentasa	8.8	⇒ 15.1 (+6.3)
•Uritos	0.7	⇒ 2.0 (+1.3)
	* Calculate on effect of price revision (about 4%) and decrease in lump-sum money income	
● Sales of new ethical drug overseas	¥4.0 billion	(▲0.3)
•Gatifloxacin	3.0	⇒ 2.9 (▲0.1)
	* Calculate on gain of sales of Allergan's "ZYMAR" on sites (\$98MM→\$103MM:local sales)	
● Generic drugs	¥6.1 billion	(+1.0)
	※Factor of gain of sales: Relocation of GE of Nisshin Kyorin, launch of supplement products, and expansion of sales of main products.	
● Consumer healthcare business	¥8.1 billion	(+0.8)
•Milton	1.9	⇒ 2.1 (+0.2)
•Dr.Program Co.,Ltd	3.4	⇒ 4.0 (+0.6)
● Other business	¥1.2 billion	(±0)
◆ Cost of sales ratio : remained on the almost same level		
	※ Although effect of price revision (approx. 4%) and decrease of lump-sum income increased cost percent in new drug business, consolidated cost percent was forecasted to be almost the same level (the first half up, but the latter down, forecasted). because of effort of Kyorin Remedio on reducing cost, etc	
◆ R&D ratio : up 0.1 points	(13.4%⇒13.5%)	
* R&D expenses up from ¥10.8 billion to ¥12.2 billion ,		
	※Calculated on effect of integration with Nisshin Kyorin, lump-sum contract deposit of Fultiform from Skyepharma.	
◆ SG&A expenses ratio (excluding R&D expenses): down about 1 points		
	※SG&A expense was increased by merger with Nisshin Kyorin, however, about 1 point decrease was forecasted by effort of cost and sales cost, etc.	
■ Operating income	¥8.0 billion	(+1.7)
◆ The operating margin increased 1.1 percentage points , to 8.8%		
■ Net income	¥4.9 billion	(+2.7)
■ Cash dividends	¥30.00(forecast)	
	※Policy for dividend: aim for dividend payout 50%	

The Best Out of Merger Effect

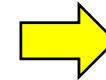
Nisshin Kyorin Pharmaceutical
Sales ¥14.0 billion (FY07)

Sales of new ethical drugs ¥1.9 billion
Generic drugs ¥1.0 billion
Other business ¥1.1 billion

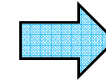


Post-merger effect on consolidated
performance for the year

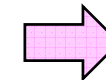
Sales
Sales to Kyorin Pharmaceutical was excluded
Sales of new ethical drugs ¥8.0 billion
Generic drugs ¥1.0 billion



Merger with
Kyorin Pharmaceutical



Relocation to Kyorin Rimedio



No succession

Cost ratio	37%
R&D cost	About ¥2.0 billion
SG&A expenses (excluding R&D expenses)	About ¥5.5 billion
Operating Profit	¥1.2 billion
Net Profit	¥0.6 billion

* 50% was declared to be profit of
Kyorin as equity method affiliate

Calculate on 0.8~1.0 billion yen
of cost reduction

Merger consideration

Add excess earning power to current
net asset based on balance sheet on
the end of June

Reference

Main R&D Activities① (May 14 , 2008 Release)

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 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 a ended
Ph II (3/05)	(Eisai 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 b(9/07)
	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 II a ended
*Ph II (2/08)	Ph II (9/07)	KRP-104	Anti-diabetes agent	In-house	A DPPIV 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.	

* Application for approval of montelkust injection product (co-developed with Banyu pharmaceutical) in phase III was postponed.

Main R&D Activities② (May 14 , 2008 Release)

POC Project		* : Describe the latest changes				
Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
	Ph I (7/07)	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)
	Ph I (10/07)	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.	
Clinical trial to be prepared	(Abbott in the US and Mundipharma in the rest of the world excluding the Americas.)	* <u>KRP-108</u>	anti- asthmatic treatment	SkyePharma PLC	An ICS/LABA combination product, which offers better compliance and convenience to the patients.	Licensing agreement with SkyePharma (4/08)

Main R&D Activities③ (May 14 , 2008 Release)

Licensing development				* : Describe the latest changes	
Product name・Code	Stage	Licensee・Collaborative research	Therapy area/Action	Origin	Comments
Alphagan/ Alphagan P	Domestic PhⅢ (7/07)	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	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) • Result of Ph II was reported in April 2008.
KCA-757	Overseas PhⅢ (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 and ceased development • Bronchial asthma: Clinical trial oversea was discontinued.
KRP-203	Overseas Ph I (7/07)	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)

Overactive Bladder Treatment Drug : Uritos

1. Actual results and Outlook

FY07	FY08
<u>Actual</u>	<u>Forecast</u>
0.7 billion yen	2.0 billion yen

2. Current status

- ◆ Insufficient progress in sales to high volume customers
- * Inability to make long term prescriptions results in stronger competition than expected

Assure target share (8~10% at peak)
Aim for longer life cycle

3. Market Overview

	Change	Index number : FY05 as standard
FY05	—	1
FY06	11.4%	1.1
FY07	22.2%	1.4
FY08(Forecast)	14.0%	1.6

4. Efforts

- ★Appeal and penetrate the feature of Uritos in the market
 - ①Less side effects
(dry mouth, constipation, etc.)
 - ②Twice-daily administration
 - ③Effect on nocturia

Note: FY05 is about 3.2 billion yen

Leukotriene Receptor Antagonist : Kipres

1. Kipres Results and Outlook

<u>FY07</u>	<u>FY08</u>
<u>Full term(actual)</u> 19.1 billion yen	<u>Full term(forecast)</u> 21.6 billion yen

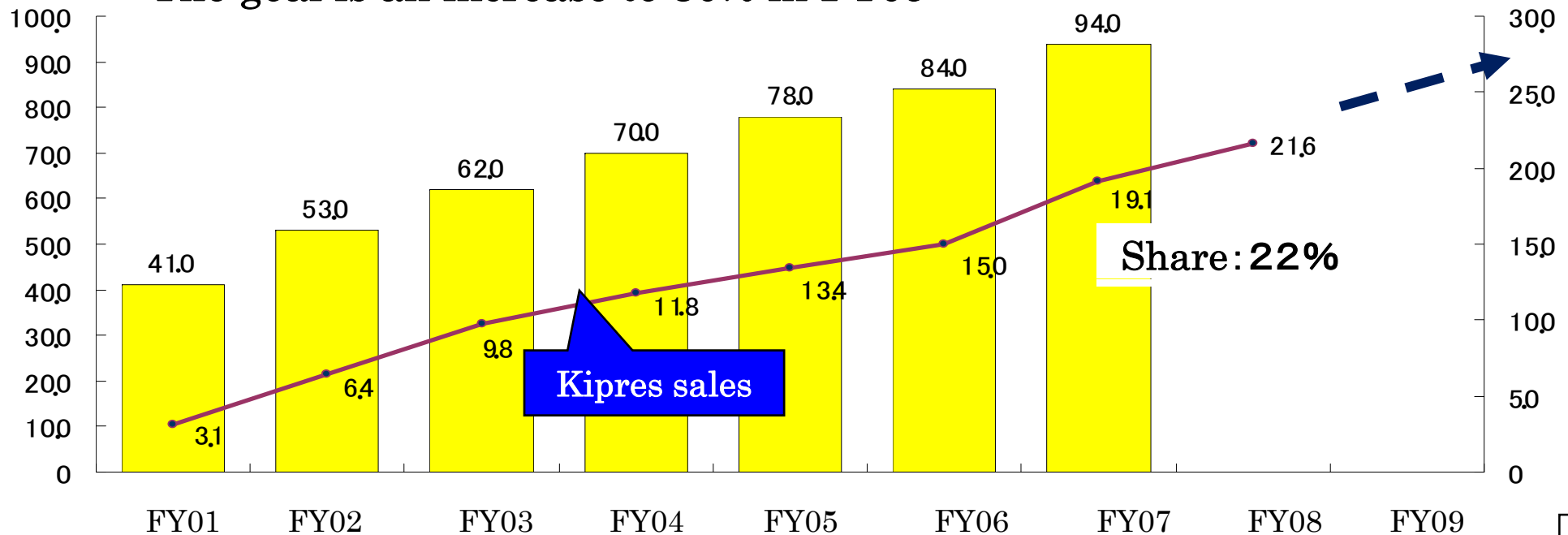
2. Effort in FY08

- ◆ Enhance the sales of children's fine granules 4mg
 - ・ Chronic administration is approved in Oct. 2008
- ◆ Expansion of prescription for allergic rhinitis
 - ① Appeal safety (less sleepiness)
 - ② Administration (once-daily administration)
 - ③ Promote administration in perennial and seasonal rhinitis

(billion yen: NHI price)

The goal is an increase to 30% in FY09

(billion yen: company sales)



Mucoregulating Drug: Mucodyne

FC strategy

Promoting LCM

Reinforcing respiratory tract medicine and otorhinology

Approach to exacerbations of COPD
Estimated Patient Number: 5.3 million

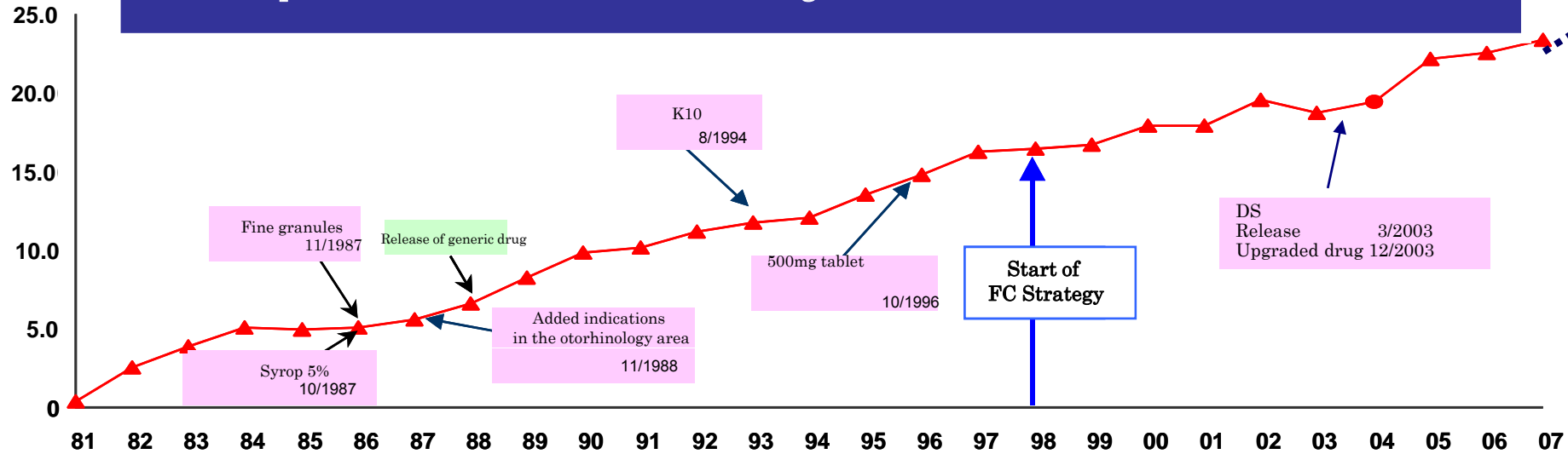
PEACE Study

- ◆ Significantly reduces incidence of COPD exacerbations
- Improvement in QOL related to health
- Significant reduction in incidence of cold
- The report will be published in the Lancet

LCM: Short for Life Cycle Management
FC: Short for Franchise Customer

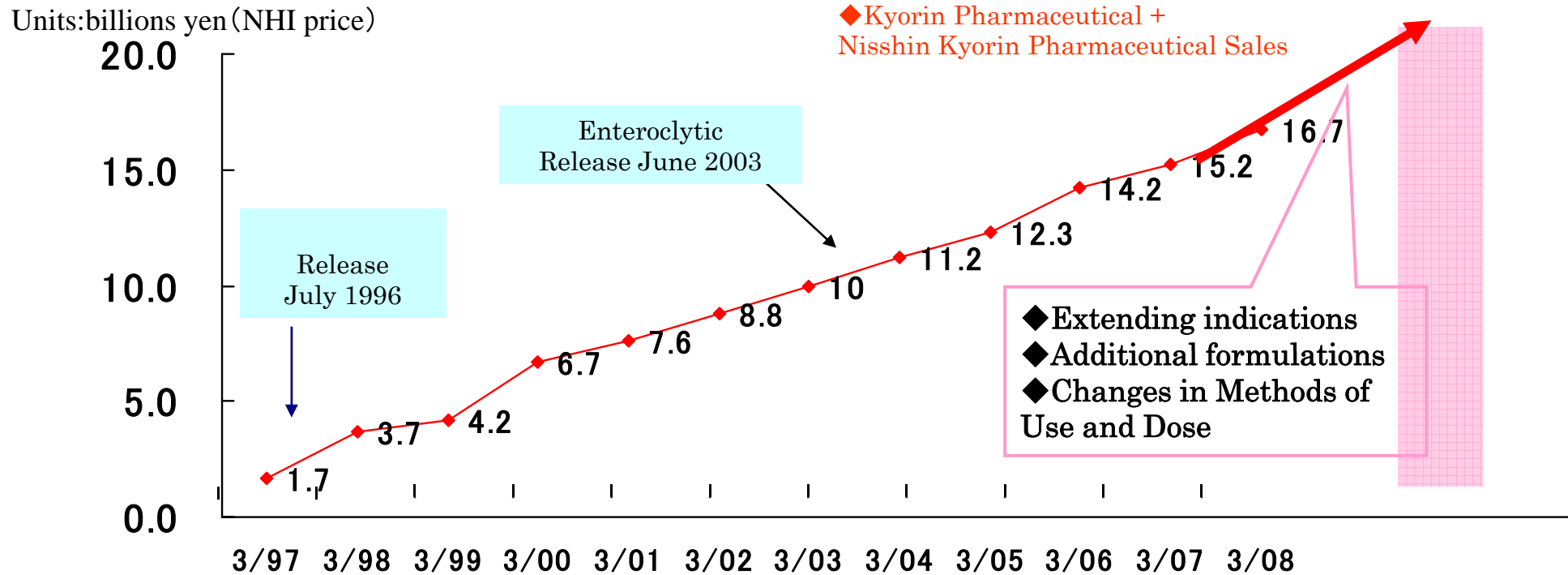
Units: billions yen

The present share of 47%(FY07) → The goal is an increase to 50% or more in FY09



(NHI price base)

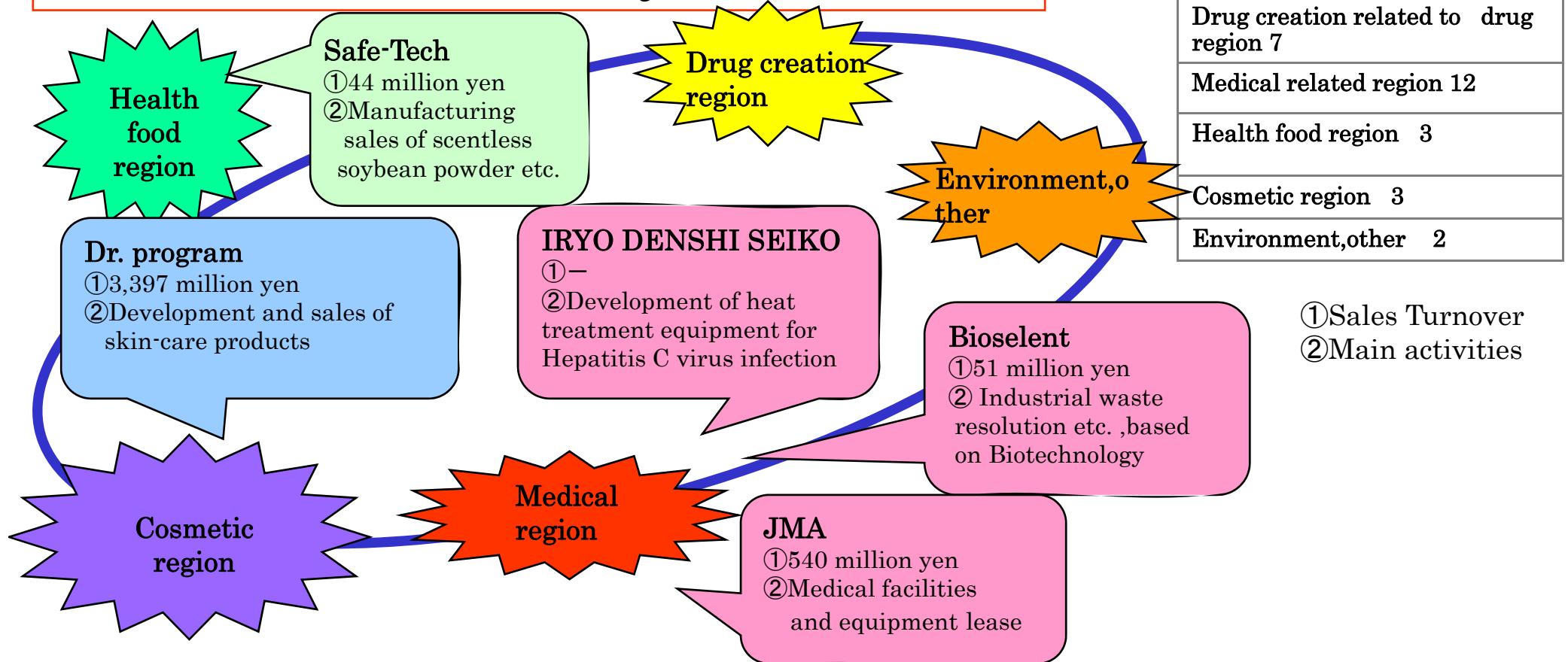
Ulcerative Colitis and Crohn's Disease Treatment Drug: Pentasa



Targeting product sales of 20 billion yen

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

(Units: ¥ billion)

KYORIN pharmaceutical	3 / 07	3 / 08	3 / 09 (forecast)
Sales	66.1	70.5	77.8
Operating profit	7.6	6.9	7.6
Net profit	4.7	3.8	5.1
KYORIN Rimedio	1 / 07	1 / 08	1 / 09 (forecast)
Sales	6.9	6.0	7.7
Operating profit	0.2	▲0.7	0.1
Net profit	▲0	▲1.4	▲0
Dr.Program	1 / 07	1 / 08	1 / 09 (forecast)
Sales	2.8	3.4	4.0
Operating profit	0.3	▲0.3	0.1
Net profit	0.2	▲0.4	0

P&L summary : Consolidated-1

	M a r /0 7		M a r /0 8 (Units: ¥ million)			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	77, 093	100.0%	81, 070	100.0%	5.2%	3, 977
Sales of new ethical drugs	62, 951	81.7%	67, 631	83.4%	7.4%	4, 680
Japan	57, 188	74.2%	63, 296	78.1%	10.7%	6, 107
Overseas	5, 762	7.5%	4, 334	5.3%	▲24.8%	▲1, 427
Generic drugs	5, 734	7.4%	5, 088	6.3%	▲11.3%	▲646
Consumer healthcare business	7, 273	9.4%	7, 296	9.0%	0.3%	22
Other businesses	1, 133	1.5%	1, 054	1.3%	▲7.0%	▲79

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

Affiliated companies (2) Nisshin Kyorin Pharmaceutical,

Nihon Rikagaku Yakuhin

■ Net sales ¥81,070 million (+¥3,977 million)

● Sales of new ethical drugs in Japan
¥63,296 million (+¥6,107 million)

Year ended March 07 Year ended March 08 (¥ billion)

- Mucodyne 20.4 → 21.2 (+0.8)
- Kipres 15.0 → 19.1 (+4.1)
- Pentasa 8.0 → 8.8 (+0.8)
- Uritos — → 0.7 (+0.7)

* Increase in lump-sum money income, decreased in sales and others.

● Sales of new ethical drugs overseas
¥4,334 million (▲¥1,427 million)

- Gatifloxacin 3.2 → 3.0 (▲0.2)
- * Tequin (BMS) sales discontinued, Zymmer (Allagan)
- Others 2.2 → 1.0 (▲1.2)

* Decrease in lump-sum money income

● Generic drugs ¥5,088 million (▲¥646 million)

* Effect due to product item reorganization and decrease in commission manufacture (Sales of main products increased)

● Customer healthcare service

¥7,296 million (+¥22 million)

- Milton 2.1 → 1.9 (▲0.2)
- Dr. Program 2.8 → 3.4 (+0.6)

● Others ¥1,054 million (▲¥79 million)

P&L summary : Consolidated-2

(Units: ¥ million)

	M a r /06		Mar/07			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	77, 093	100.0%	81, 070	100.0%	5.2%	3, 977
COGS	30, 620	39.7%	31, 757	39.2%	3.7%	1, 137
Gross profit	46, 473	60.3%	49, 312	60.8%	6.1%	2, 839
SG&A (of which R&D)	38, 059 (8, 609)	49.4% 11.2%	43, 061 (10, 826)	53.1% 13.4%	13.1% (25.7%)	5, 002 (2, 216)
Operating profit	8, 413	10.9%	6, 251	7.7%	▲25.7%	▲2, 162
Non-op income	902	1.2%	903	1.1%	0.1%	1
Non-op expense	660	0.9%	510	0.6%	▲22.7%	▲149
Recurring profit	8, 655	11.2%	6, 643	8.2%	▲23.2%	▲2, 011
Extraordinary profits	626	0.8%	43	0.0%	▲93.0%	▲582
Extraordinary losses	1, 027	1.3%	1, 068	1.3%	4.0%	41
Pretax profit	8, 255	10.7%	5, 619	6.9%	▲31.9%	▲2, 635
Corporate, inhabitants and enterprise taxes	3, 100	4.0%	2, 095	2.6%	▲32.4%	▲1, 005
Tax adjustments	324	0.4%	1, 333	1.6%	310.5%	1, 009
Net profit	4, 842	6.3%	2, 189	2.7%	▲54.8%	▲2, 652

◆ **Cost of sales ratio: down 0.5 percentage points (39.7%→39.2%)**

* Factors for decrease: Increase in new proprietary product sales and increase in lump-sum money income. Decrease in depreciation costs associated with Noshiro plant.

◆ **R&D ratio: up 2.2 percentage point (11.2%→13.4%)**
* 8.6billion→10.8billion (approx, 2.2 billion up)

The payment of R&D expense with co-developing compound is delayed from FY06

◆ **SG&A expenses ratio (excluding R&D expense): up 1.6 percentage point (38.2%→39.8%)**

* ¥29.5billion →¥32.2billion (approx. ¥2.7 billion up)

Increase in promotion cost due to new drug launching and indication added, in sales cost of Dr. Program.

■ **Operating income 6, 251 million (▲2, 162 million)**

* The operating income margin increased 3.2 percentage points to 7.7%

■ **Net Income 2, 189 million (▲2, 652 million)**

* Special loss: approx. 1.1 billion

* Deferred tax assets by Kyorin Rimedio were depleted approx. 0.3 billion yen

■ **Cash dividends ¥22.50**

* In view of performance and payment ratio, expected dividend 30.00 yen was revised to 22.50 yen.

BS summary:Consolidated

(Units: ¥ million)

	Mar/07		Mar/08		
	actual	%total	actual	%total	Amt chg
Current assets	64,860	52.3%	66,016	53.9%	1,155
Cash, deposits	12,749		10,647		
A/R, notes receivable	31,514		28,995		
Mk securities	1,111		2,209		
Inventory	14,614		19,770		
Other	4,871		4,392		
Fixed assets	59,179	47.7%	56,382	46.1%	▲2,796
Tangible assets	19,637		18,214		
Intangible assets	4,116		2,356		
Investments	35,424		35,811		
Assets	124,039	100.0%	122,398	100.0%	▲1,641
Current liabilities	19,941	16.1%	19,201	15.7%	▲739
A/P, notes payable	9,687		10,792		
Other	10,253		8,409		
Non-current liab.	5,920	4.7%	6,012	4.9%	92
Total liabilities	25,861	20.8%	25,214	20.6%	▲647
Owner's equity	96,922	78.2%	96,401	78.8%	▲520
Net unrealized gain and translation adjustments	1,256	1.0%	782	0.6%	▲473
Minority interests	—	—	—	—	—
Total equity	98,178	79.2%	97,184	79.4%	▲994
Total liabilities and equity	124,039	100.0%	122,398	100.0%	▲1,641

- Current assets (up ¥ 1,155 million yoy)
 - Cash, deposits (down ¥2,101 million yoy)
 - A/R, notes receivable (down ¥2,518 million yoy)
 - Inventory (up ¥ 5,156 million yoy)
- Fixed assets (down ¥ 2,796 million yoy)
 - Tangible assets (down ¥ 1,422 million yoy)
 - Intangible assets (down ¥ 1,760 million yoy)
- Current liabilities (down ¥ 739 million yoy)
 - A/P, notes payable (up ¥ 1,104 million yoy)
 - Other (down ¥ 1,844 million yoy)
- Non-current liab (up ¥ 92 million yoy)

R&D, Capex & Depreciation < Consolidated >

(Units: ¥ million)

	3/ 04	3/ 05	3/ 06	3/ 07	3/ 08		3/09 (Forecast)
					actual	YoY	
R&D expense	8, 219	12, 698	10, 107	8, 609	10, 826	+25.7%	12, 200
Capex (book base)	5, 670	6, 172	4, 605	2, 954	1, 952	▲33.9%	2, 600
Depreciation expense	4, 774	3, 894	3, 646	4, 544	4, 536	▲0.2%	4, 000

< Capital expenditure (Actual/Forecast) >

(Actual)

Plant facilities

3/ 08

¥1.2 billion

3/ 09

Equipment for control, sales activities

¥0.2 billion

Equipment for research

¥0.5 billion

(Forecast)

Plant facilities

¥0.9 billion

Equipment for control, sales activities

¥0.8 billion

Equipment for research

¥0.9 billion

Main Product Sales Update

(Units: ¥ billion) **Kyorin** 

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		3 / 04	3 / 05	3 / 06	3 / 07	3 / 08	
						actual	YoY
Sales of new ethical drugs (japan)	Kipres (LT receptor antagonist)	9.8	11.8	13.4	15.0	19.1	26.9%
	Gatiflo (Kyorin) (Antibacterial agent)	1.7	2.3	2.5	2.5	2.3	▲5.9%
	Mucodyne (Mucuregulant)	18.0	19.0	19.9	20.4	21.2	3.6%
	Baccidal (Antibacterial agent)	0.9	0.7	0.6	0.6	0.5	▲12.2%
	Ketas (For bronchial asthma and cerebrovasculas disorders)	7.0	6.6	6.3	5.8	5.4	▲6.2%
	Aplace (Anti-ulcer agent)	2.9	2.6	2.4	2.0	1.8	▲13.0%
	Rocaltrol (Osteoporosis remedy)	2.7	2.4	2.2	1.9	1.8	▲7.9%
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	6.0	6.4	7.3	8.0	8.8	9.3%
	Uritos (Kyorin) (Overactive bladder)	—	—	—	—	0.7	—
Sales of new ethical drugs (over seas)	Total	8.5	8.8	8.6	5.8	4.3	▲24.8%
	Gatifloxacin (Bulk · Royalty)	7.1	8.0	6.7	3.2	3.0	▲7.2%
	Norfloxacina (Bulk)	1.1	0.4	0.3	0.4	0.3	▲24.8%
	Foreign sales ratio (%)	13.1%	13.3%	11.6%	7.5%	5.4%	—
Consumer Healthcare business	Milton (Effervescent isinfectant)	2.7	2.3	2.1	2.1	1.9	▲5.8%

3 / 09 (Forecast)
21.6
2.3
21.6
0.4
5.2
1.6
1.6
15.1
2.0

(Units: ¥ billion)

4.0
2.9
0.2
4.4%
2.1

Financial Summary (Consolidated)



	3/04	3/05	3/06	3/07	3/08	3/09 (Forecast)	(Units: ¥ million)
Sales (Exports)	65,061 (8,533)	66,296 (8,838)	74,054 (8,575)	77,093 (5,762)	81,070 (4,367)	90,400 (4,000)	
COGS Ratio to sales(%)	22,389 (34.4%)	22,682 (34.2%)	26,515 (35.8%)	30,620 (39.7%)	31,757 (39.2%)	—	
SGA Ratio to sales(%)	33,905 (52.1%)	37,747 (57.0%)	38,549 (52.1%)	38,059 (49.4%)	43,061 (53.1%)	—	
R&D expense Ratio to sales(%)	8,219 (12.6%)	12,698 (19.2%)	10,107 (13.6%)	8,609 (11.2%)	10,826 (13.4%)	12,200 (13.5%)	
Operating profit Ratio to sales(%)	8,766 (13.5%)	5,866 (8.8%)	8,989 (12.1%)	8,413 (10.9%)	6,251 (7.7%)	8,000 (8.8%)	
Recurring profits Ratio to sales(%)	8,597 (13.2%)	6,430 (9.7%)	9,465 (12.8%)	8,655 (11.2%)	6,643 (8.2%)	8,400 (9.3%)	
Net profit Ratio to sales(%)	5,692 (8.7%)	2,013 (3.1%)	5,228 (7.1%)	4,842 (6.3%)	2,189 (2.7%)	4,900 (5.4%)	
EPS (¥)	68.76	26.48	69.74	64.97	29.26	65.49	
Capital	4,317	4,317	4,317	700	700		
Assets	121,355	109,234	121,044	124,039	122,398		
Shareholders' equity	91,856	90,544	94,752	96,922	96,401		
Total equity	—	—	—	98,178	97,184		
BPS (¥)	1,234.80	1,218.22	1,275.15	1,311.17	1,298.89		
ROE (%)	5.8%	2.2%	5.6%	5.0%	2.2%		
Equity ratio (%)	75.7%	82.9%	78.3%	79.2%	79.4%		
Employee	1,652	1,703	1,823	1,932	2,003		
Capital expenditure	5,670	6,172	4,605	2,954	1,952	2,600	
Depreciation expense	4,774	3,894	3,646	4,544	4,536	4,000	

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

Consolidated financial results until March 31, 2008 and Forecasts for the year ending March 31, 2009 apply to KYORIN Co., Ltd.

P&L Summary : KYORIN Pharmaceutical -1

(Units: ¥ million)

	Mar/07		Mar/08			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	66,052	100.0%	70,480	100.0%	6.7%	4,427
Sales of new ethical drugs	62,709	94.9%	67,452	95.7%	7.6%	4,742
Japan	57,188	86.6%	63,296	89.8%	10.7%	6,107
Overseas	5,521	8.3%	4,155	5.9%	▲24.7%	▲1,365
Generic drugs	383	0.6%	271	0.4%	▲29.2%	▲111
Consumer healthcare business	2,959	4.5%	2,756	3.9%	▲6.9%	▲203

■ Net sales ¥70,480 million (+¥4,427 million)

● Sales of new ethical drugs in Japan
¥63,296 million (+¥6,107 million)

Year ended March 07 Year ended March 08 (¥billion)

- Mucodyne 20.4 → 21.2 (+0.8)
- Kipres 15.0 → 19.1 (+4.1)
- Pentasa 8.0 → 8.8 (+0.8)
- Uritos — → 0.7 (+0.7)

* Increase in lump-sum money income, decreased in sales and others.

● Sales of new ethical drugs overseas
¥4,155 million (▲¥1,365 million)

- Gatifloxacin 3.2 → 3.0 (▲0.2)

* Tequin (BMS) sales discontinued, Zymer(Allagan) continued its strong performance

- Others 1.9 → 0.9 (▲1.0)

* Decrease in lump-sum money income

● Generic drugs ¥217 million (▲¥111 million)

● Customer healthcare service ¥2,756 million
(+203 million)

- Milton 2.1 → 1.9 (▲0.2)

P&L Summary : KYORIN Pharmaceutical -2



(Units: ¥ million)

	M a r /0 7		M a r /0 8			
	actual	% sales	actual	% sales	YoY	Amt chg
Sales	66,052	100.0%	70,480	100.0%	6.7%	4,427
COGS	23,815	36.1%	25,217	35.8%	5.9%	1,402
Gross profit	42,237	63.9%	45,262	64.2%	7.2%	3,024
SG&A (of which R&D)	34,623 (8,216)	52.4% 12.4%	38,319 (9,959)	54.4% 14.1%	10.7% (21.2%)	3,696 (1,743)
Operating profit	7,613	11.5%	6,942	9.8%	▲8.8%	▲671
Non-op income	761	1.2%	676	1.0%	▲11.2%	▲85
Non-op expense	760	1.2%	289	0.4%	▲61.9%	▲470
Recurring profit	7,615	11.5%	7,328	10.4%	▲3.8%	▲286
Extraordinary profits	583	0.9%	15	0.0%	▲97.3%	▲568
Extraordinary losses	300	0.5%	530	0.7%	76.8%	230
Pretax profit	7,898	11.9%	6,813	9.7%	▲13.7%	▲1,085
Corporate, inhabitants and enterprise taxes	2,853	4.3%	1,980	2.8%	▲30.6%	▲872
Tax adjustments	347	0.5%	1,056	1.5%	204.3%	709
Net profit	4,697	7.1%	3,776	5.4%	▲19.6%	▲921

◆ Cost of sales ratio : down 0.3 percentage points
(36.1%→35.8%)

* Factor of decrease : Increase in new proprietary product. Decrease in depreciation costs associated with Noshiro plant.

◆ R&D ratio : up 1.7 percentage point
(12.4%→14.1%)

* R&D expenses increased from ¥8.2 billion to 10 billion (1.8 billion up). The payment of R&D expense with co-developing compound is delayed from FY06

◆ SG&A expenses ratio (excluding R&D) :
up 0.2 percentage points (40.0%→40.2%)

* ¥26.4 billion→28.4 billion (2.0 billion up)

Increase in promotion cost due to new drug launching and indication added.

■ Operating Income ¥6,942 million
(▲671 million)

The operating income margin decreased 1.7 percentage points to 9.8%.

■ Net Income ¥3,776 million
(▲921 million)

BS Summary : KYORIN Pharmaceutical

(Units: ¥ million)

	Mar/07		Mar/08		
	actual	%total	actual	%total	Amt chg
Current assets	55,296	52.1%	57,044	54.4%	1,747
Cash, deposits	9,337		7,755		
Accounts receivable	27,570		25,895		
Mk securities	999		2,007		
Inventory	12,596		17,156		
Other	4,791		4,229		
Fixed assets	50,745	47.9%	47,866	45.6%	▲2,879
Tangible assets	16,055		14,771		
Intangible assets	2,864		1,450		
Investments	31,825		31,644		
Assets	106,042	100.0%	104,910	100.0%	▲1,132
Current liabilities	14,655	13.8%	13,824	13.2%	▲830
A/P, notes payable	6,515		7,968		
Other	8,139		5,855		
Non-current liab.	4,589	4.3%	4,293	4.1%	▲295
Total liabilities	19,244	18.1%	18,118	17.3%	▲1,126
Owner's equity	85,706	80.8%	86,140	82.1%	434
Net unrealized gain and translation adjustments	1,091	1.1%	651	0.6%	▲440
Total equity	86,797	81.9%	86,792	82.7%	▲5
Total liabilities and equity	106,042	100.0%	104,910	100.0%	▲1,132

- Current assets (up ¥1,747 million yoy)
 - Cash, deposits (down ¥1,582 million yoy)
 - Accounts receivable (down ¥1,675 million yoy)
 - Inventory (up ¥4,560 million yoy)
- Fixed assets (down ¥2,879 million yoy)
 - Tangible assets (down ¥1,284 million yoy)
 - Intangible assets (down ¥1,414 million yoy)
- Current liabilities (down ¥830 million yoy)
 - A/P, notes payable (up ¥1,453 million yoy)
 - Other (down ¥2,284 million yoy)
- Non-current liab (down ¥295 million yoy)

Financial Summary :KYORIN Pharmaceutical



(Units: ¥ million)

	3/04	3/05	3/06	3/07	3/08	3/09 (Forecast)
Sales (Exports)	63,589 (8,533)	64,938 (8,838)	67,357 (8,331)	66,052 (5,521)	70,480 (4,155)	77,800 (3,900)
COGS Ratio to sales(%)	21,273 (33.5%)	21,653 (33.3%)	21,821 (32.4%)	23,815 (36.1%)	25,217 (35.8%)	—
SGA Ratio to sales(%)	33,515 (52.7%)	37,373 (57.6%)	36,762 (54.6%)	34,623 (52.4%)	38,319 (54.4%)	—
R&D expense Ratio to sales(%)	8,219 (12.9%)	12,698 (19.6%)	10,013 (14.9%)	8,216 (12.4%)	9,959 (14.1%)	11,500 (14.8%)
Operating profit Ratio to sales(%)	8,799 (13.8%)	5,911 (9.1%)	8,773 (13.0%)	7,613 (11.5%)	6,942 (9.8%)	7,600 (9.8%)
Recurring profits Ratio to sales(%)	8,376 (13.2%)	5,723 (8.8%)	8,377 (12.4%)	7,615 (11.5%)	7,328 (10.4%)	8,400 (10.8%)
Net profit Ratio to sales(%)	5,512 (8.7%)	1,615 (2.5%)	4,771 (7.0%)	4,697 (7.1%)	3,776 (5.4%)	5,100 (6.6%)
EPS (¥)	66.59	21.19	63.64	63.25	50.85	
Capital	4,317	4,317	4,317	4,317	4,317	
Assets	119,604	106,264	111,978	106,042	104,910	
Shareholders' equity	90,543	88,839	92,525	85,706	86,140	
Total equity	—	—	—	86,797	86,792	
BPS (¥)	1,217.09	1,195.26	1,245.22	1,168.71	1,168.63	
ROE (%)	5.7%	1.8%	5.3%	5.2%	4.4%	
Equity ratio (%)	75.7%	83.6%	82.6%	81.9%	82.7%	
Employee	1,597	1,619	1,502	1,488	1,517	
Capital expenditure	5,668	6,171	4,455	1,322	1,350	1,800
Depreciation expense	4,763	3,883	3,307	3,997	3,844	3,200