



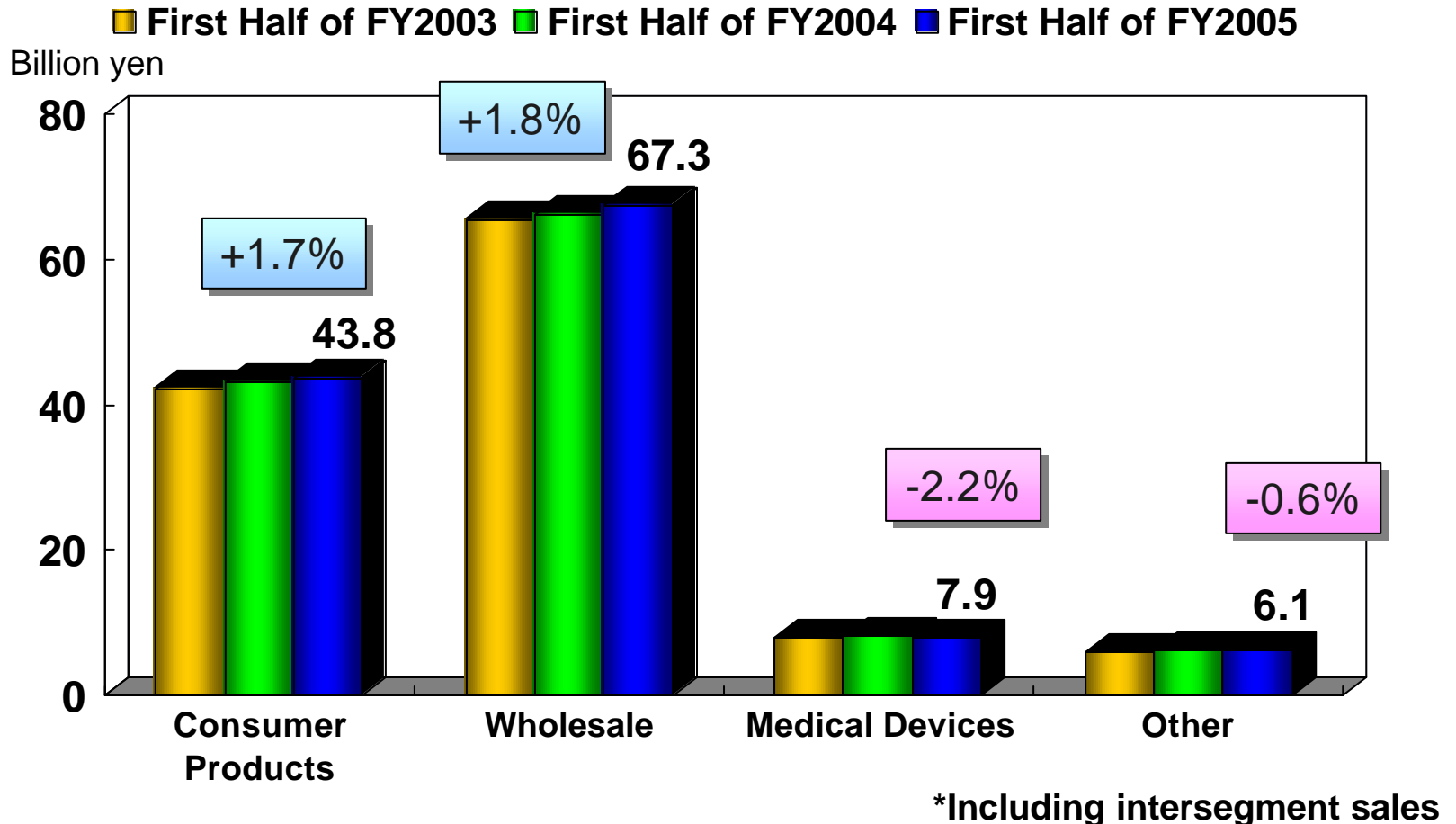
Financial Overview for the Interim Period Fiscal Year Ending March 31, 2005

**Kobayashi Pharmaceutical Co., Ltd.
President and COO
Yutaka Kobayashi**

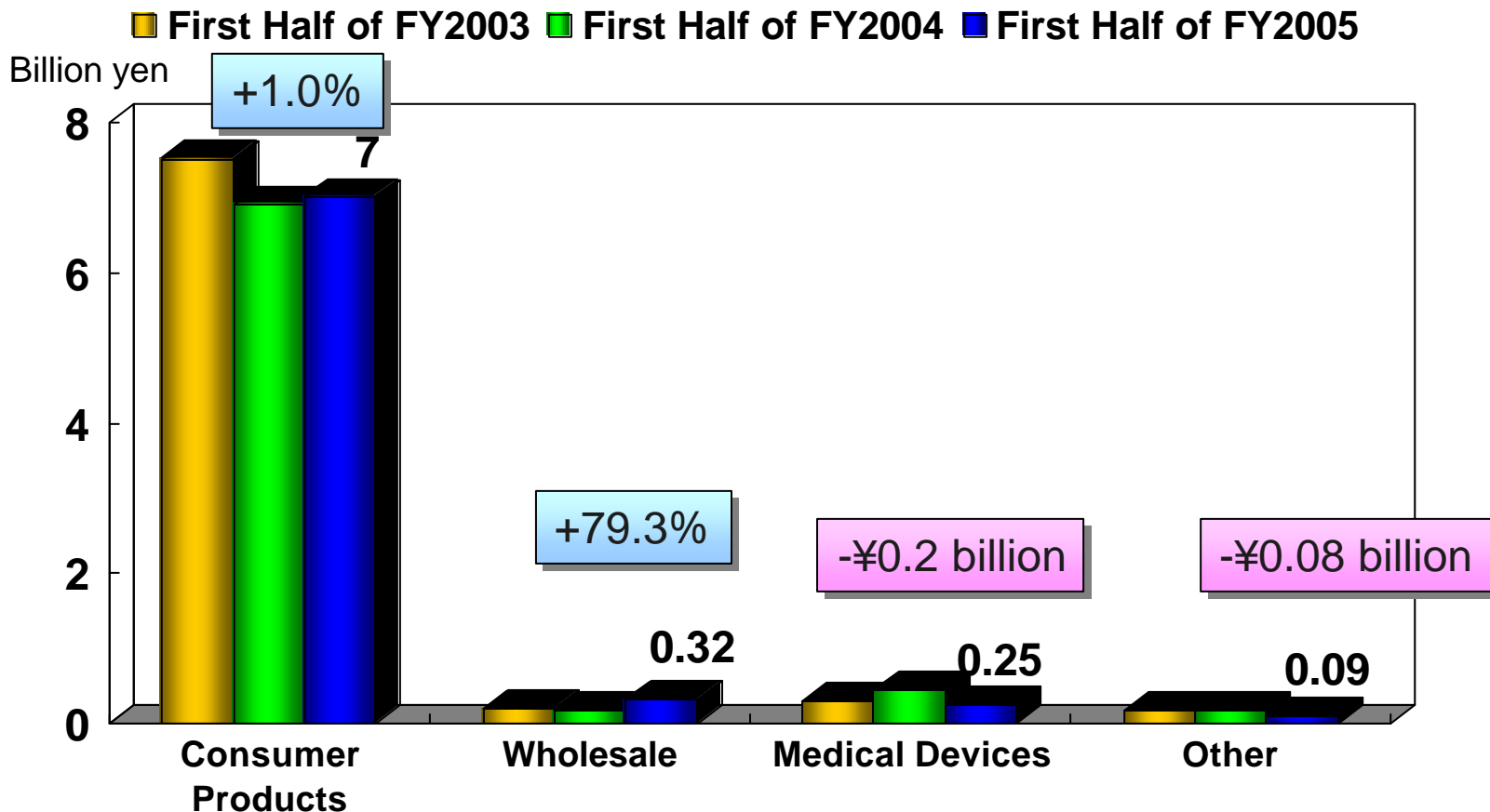
Financial Highlights (consolidated basis)

| | First Half of FY2004 | | First Half of FY2005 | | Change | |
|-----------------------|-------------------------|----------------|-------------------------|----------------|-------------|-------------|
| | Amount | Profit rate | Amount | Profit rate | Amount | % change |
| | Million yen | % | Million yen | % | Million yen | % |
| Net sales | 108,386 | - | 109,907 | - | 1,521 | +1.4 |
| Operating income | 7,838 | 7.2 | 7,824 | 7.1 | (13) | -0.2 |
| Ordinary income | 7,011 | 6.5 | 7,046 | 6.4 | 34 | +0.5 |
| Interim net income | 3,357 | 3.1 | 3,732 | 3.4 | 374 | +11.2 |
| EPS (yen) | 79.5 | - | 89.6 | - | 10.1 | +12.8 |

Trend of Sales by Segment



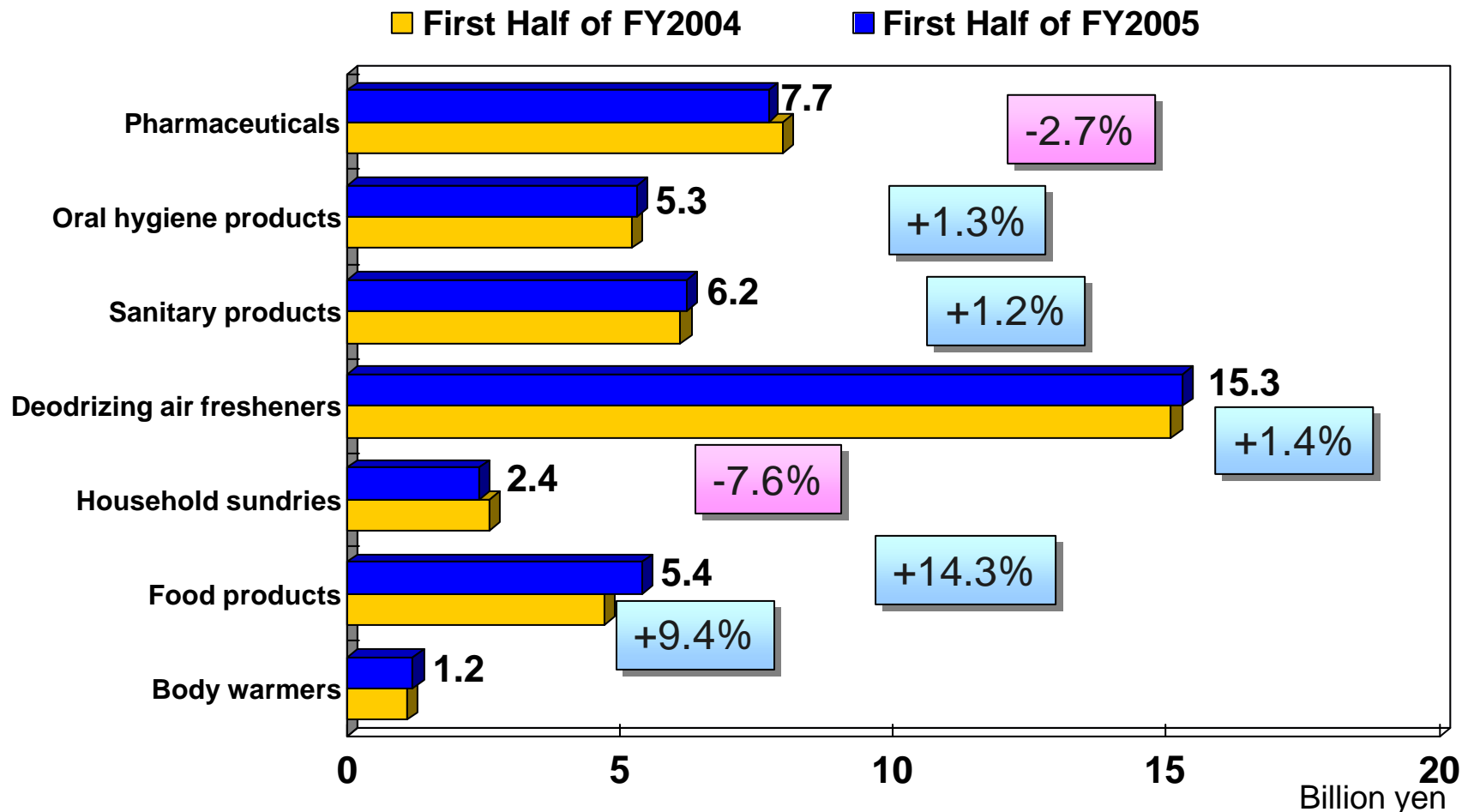
Trend of Operating Income by Segment





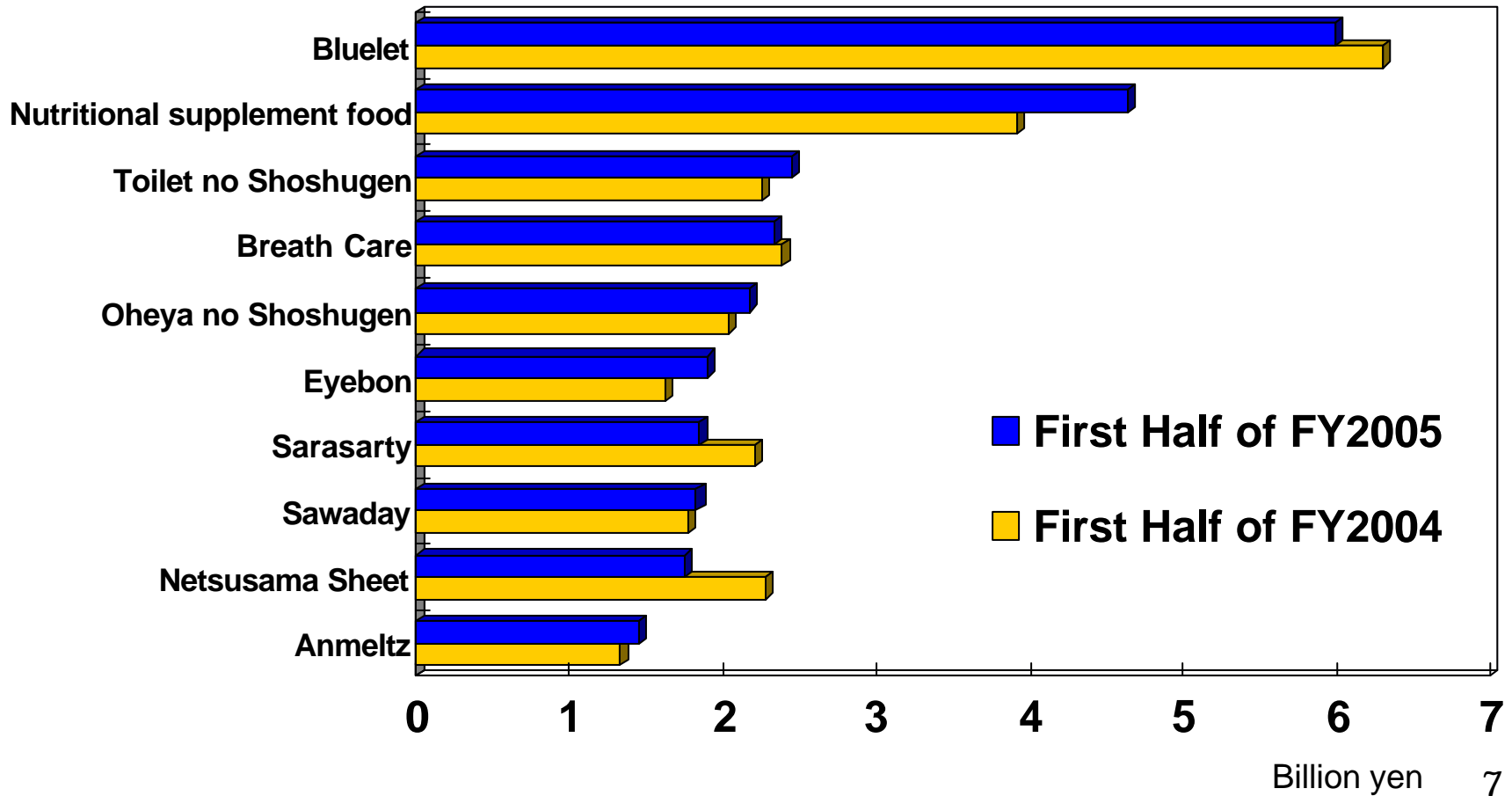
Consumer Products Operation

Consumer Products Operation Sales by Product Category



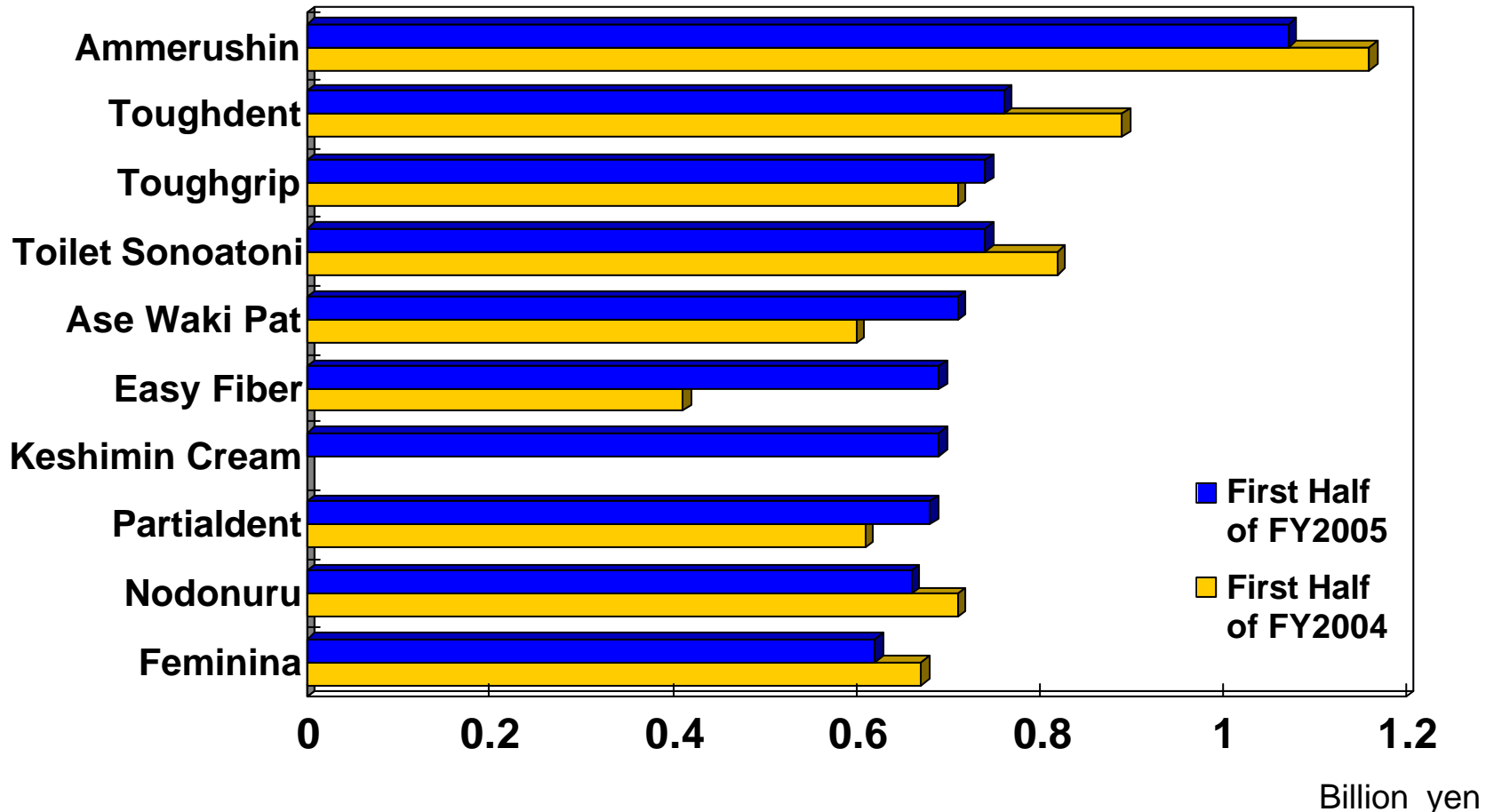
Sales by Brand (non-consolidated)

Top 10 brands accounted for 56.1% of sales and their sales increased 1% compared with the same period of the previous year.



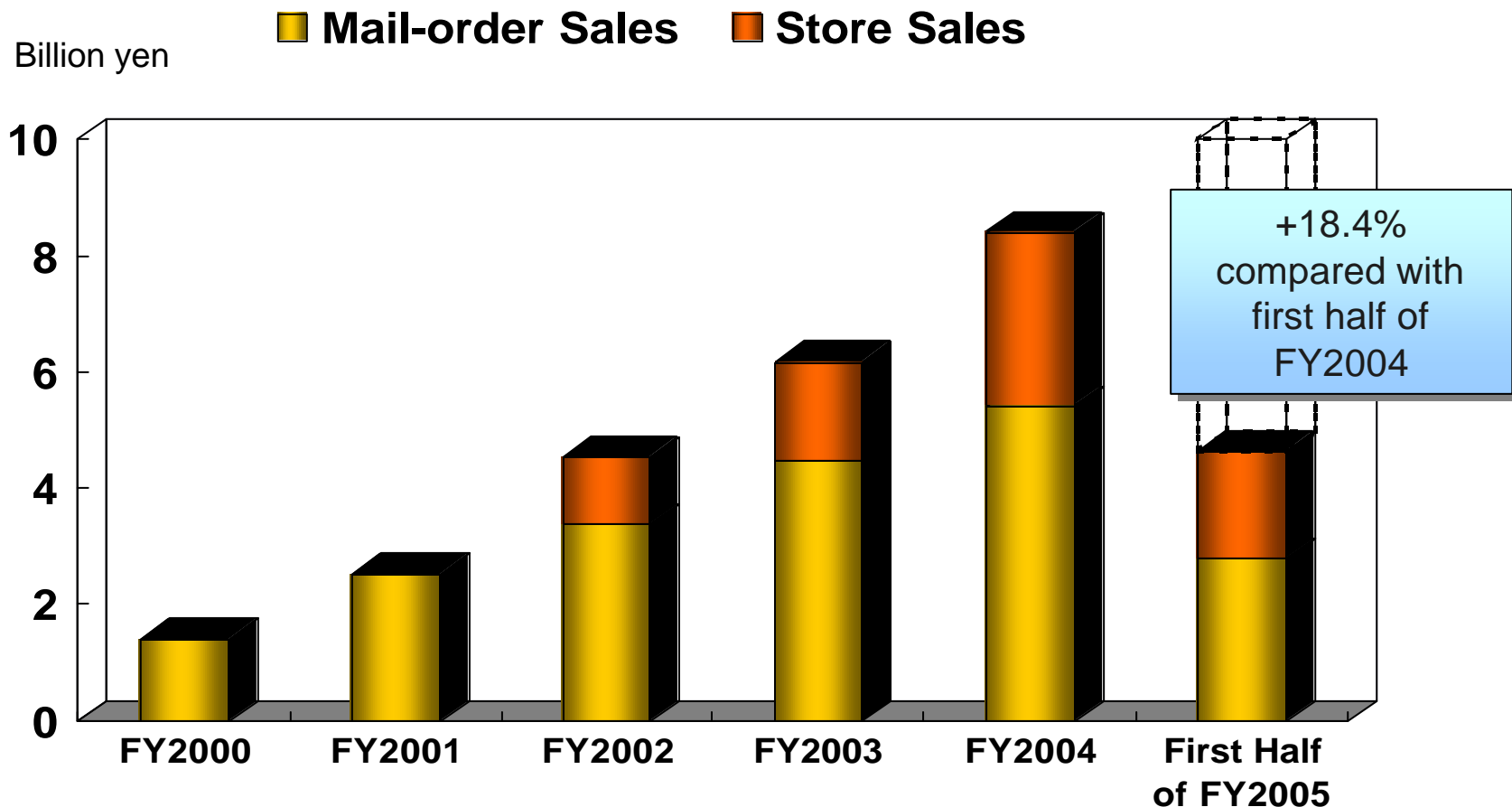
Sales by Brand (non-consolidated)

Top 20 brands accounted for 71.8% and their sales increased 3.2% compared with the same period of the previous year.



Keshimin Cream: New product with No. 1 sales in spring 2004

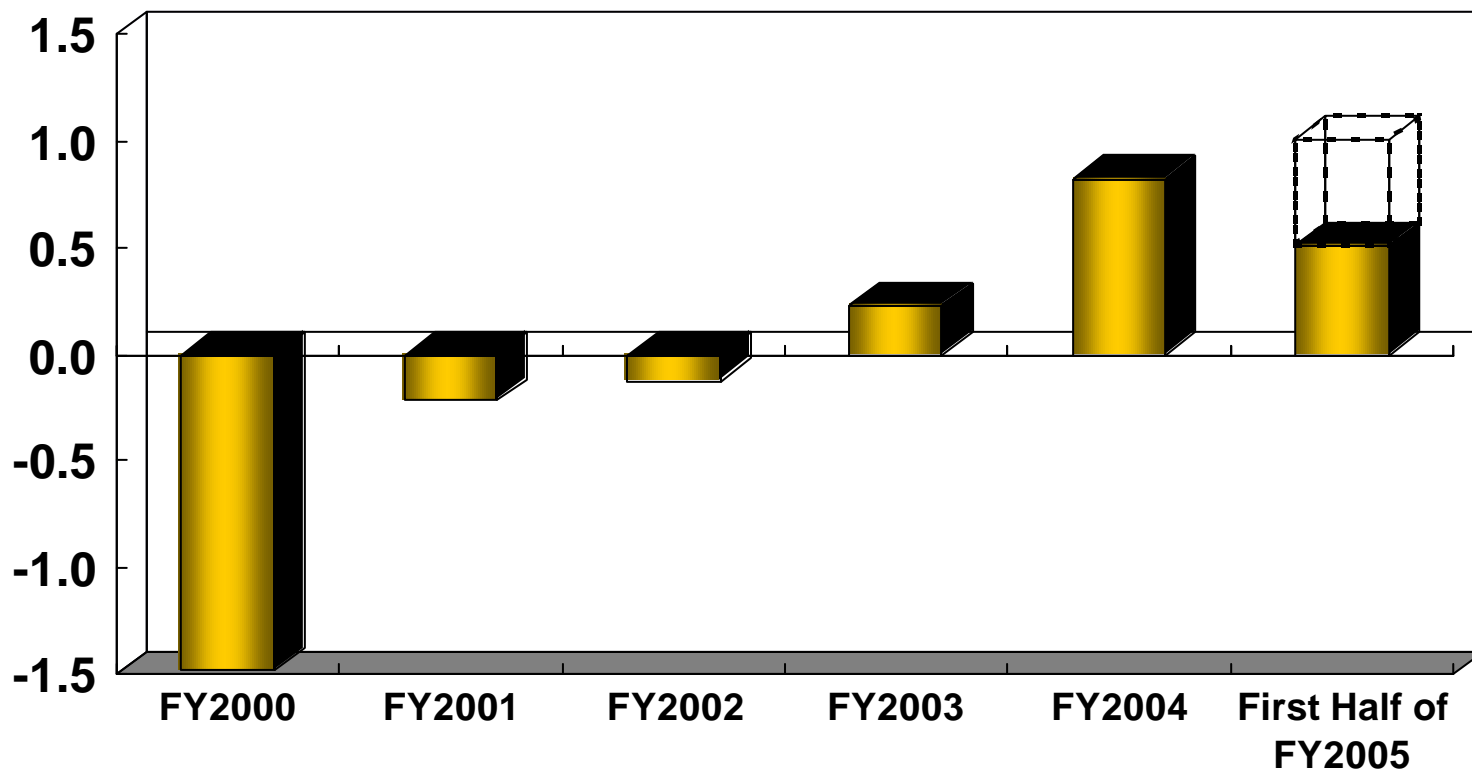
Nutritional Supplement Food Sales Trend



Number of items handled: 87 as of November 2004

Nutritional Supplement Food Ordinary Income Trend

Billion yen



8,300 Priority Stores and 192 Priority Retailers

Sales & marketing geared to creation of innovative store environments delivering a pleasurable customer experience

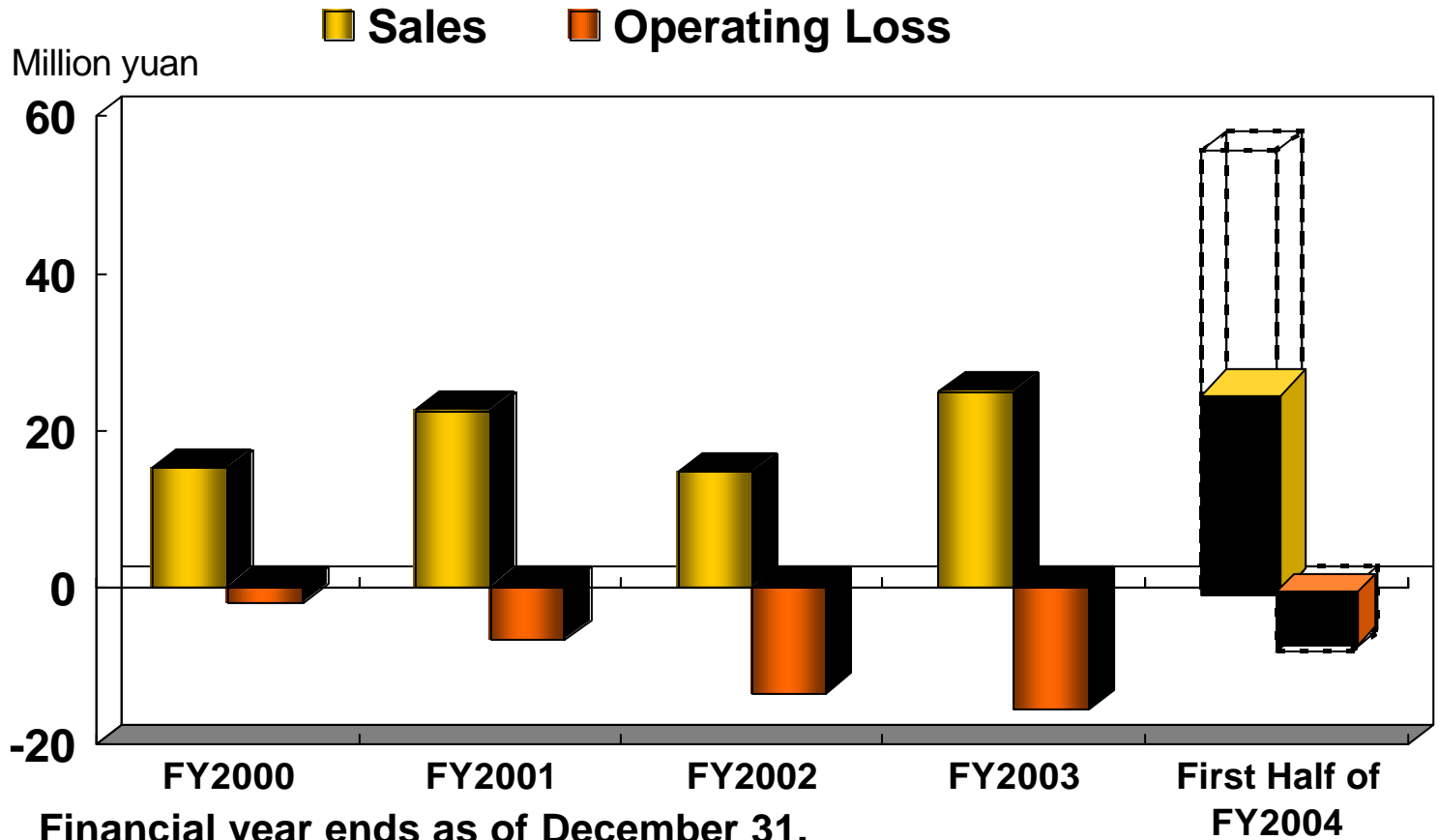
Category Champion in October



Awarding Category Champions

Implementing proposals of excellent store environments to sales staff nationwide

Results of Overseas Subsidiaries: China



* Including exports to Japan and other markets

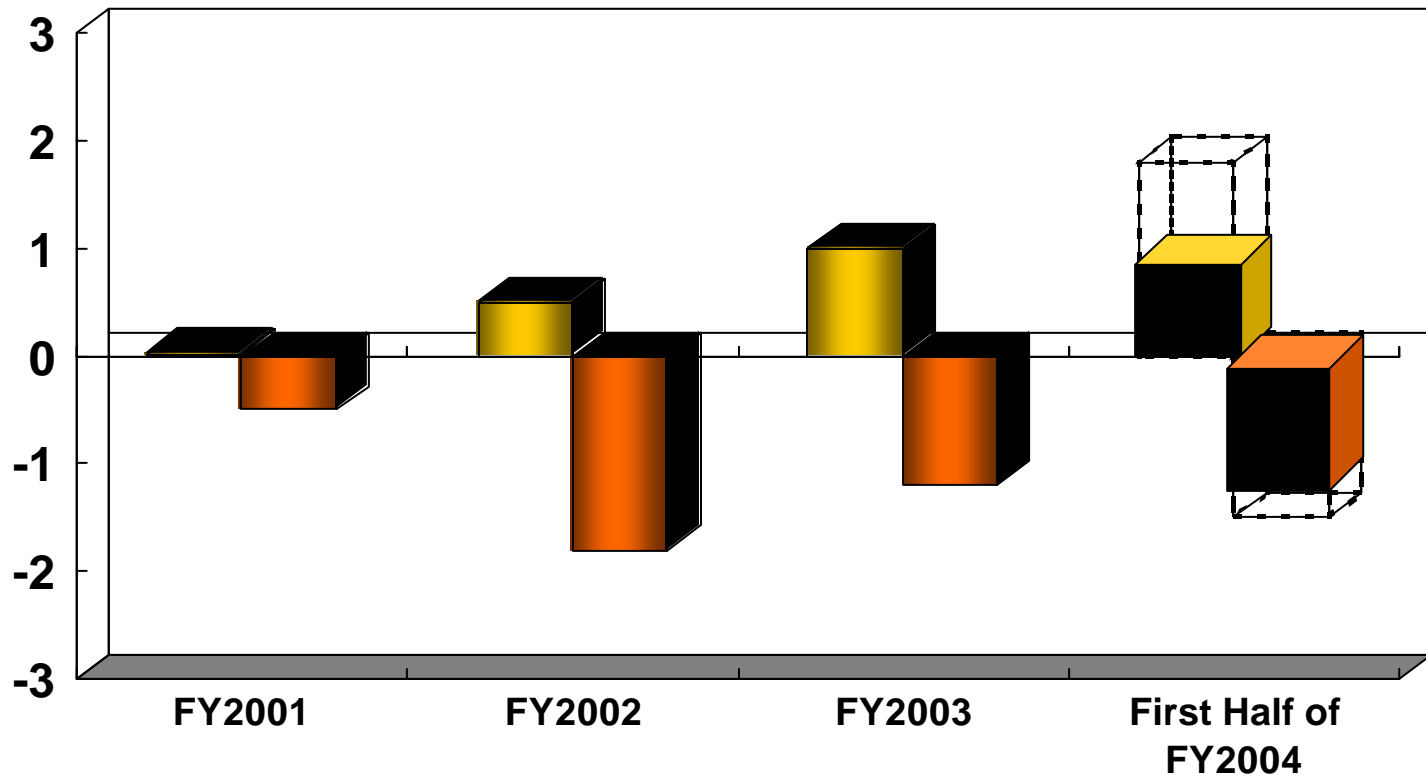
Forecast for FY2004

Results of Overseas Subsidiaries: UK

Million pounds

 Sales

 Operating Loss



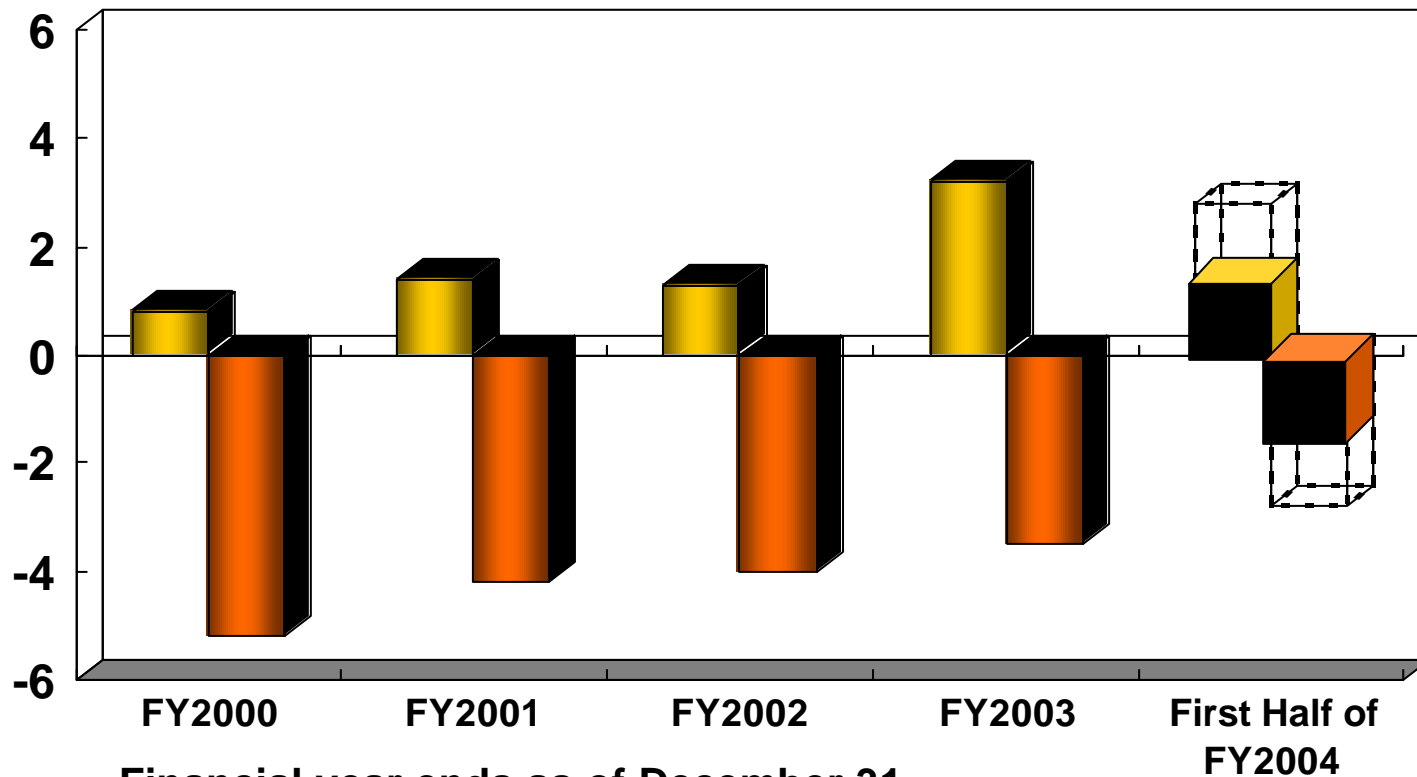
Financial year ends as of December 31.



Forecast for FY2004

Results of Overseas Subsidiaries: US

Million dollars ■ Sales ■ Operating Loss



Financial year ends as of December 31.

 Forecast for FY2004



Wholesale Operation

Alliances with Other Companies

March 22: Business partnership with Mitsubishi Corp. and Ryoshoku

Introduction of innovative wholesale management know-how

Proposal of healthcare products to supermarket chains and convenience store chains

Cultivation of new merchandise

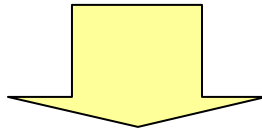
Provision of logistics know-how

Provision of comprehensive retail support know-how, etc.

September 22: Business and capital partnership with Suzuken

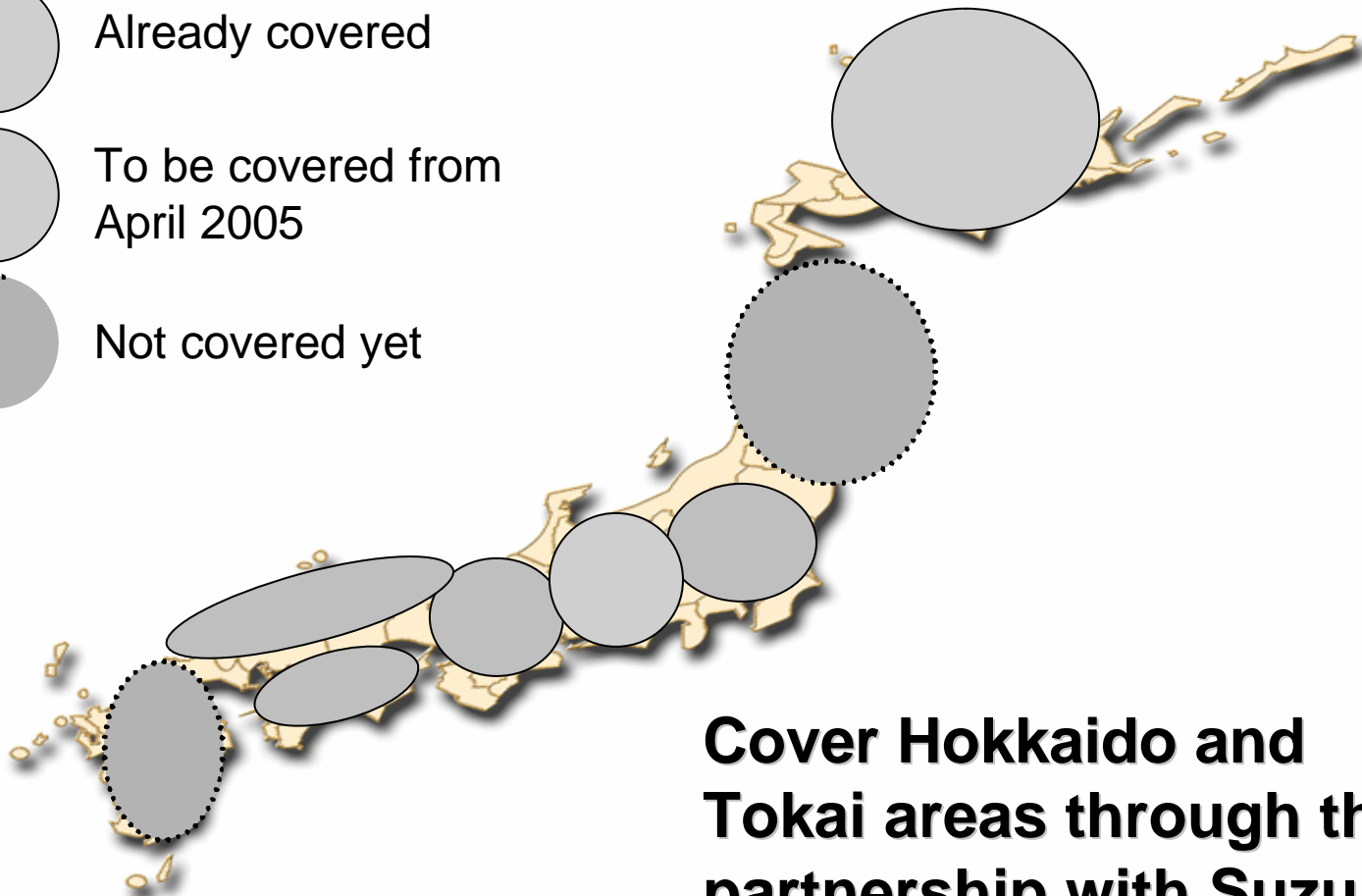
Entry to Hokkaido and Tokai, which are new regions for Kobasyou

Suzuken to focus on ethical drugs



Securing a position as an H&BC (health & beauty care) wholesaler with nationwide coverage and sales of ¥300 billion

Expansion of Geographical Coverage

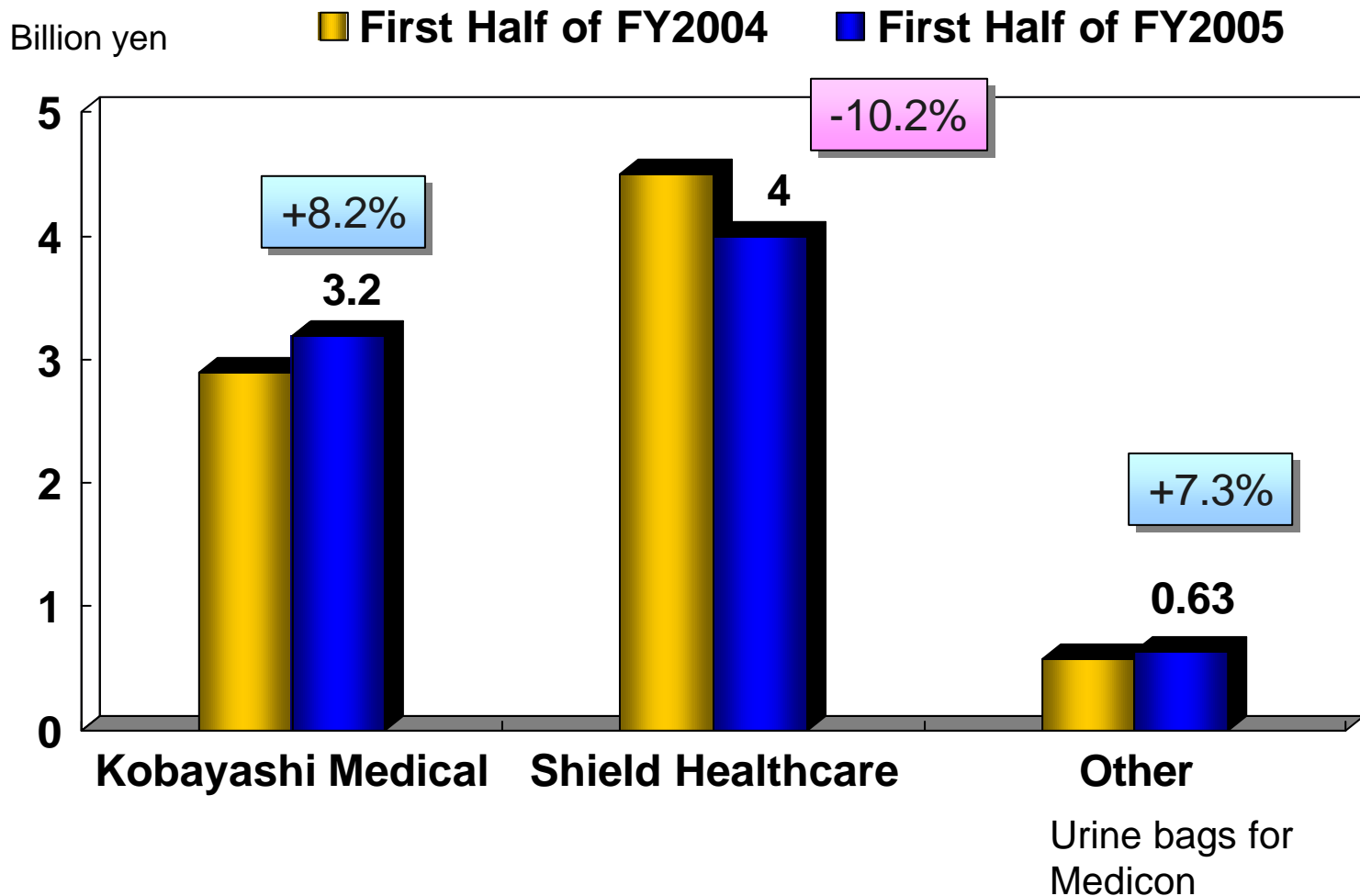


Cover Hokkaido and Tokai areas through the partnership with Suzuken

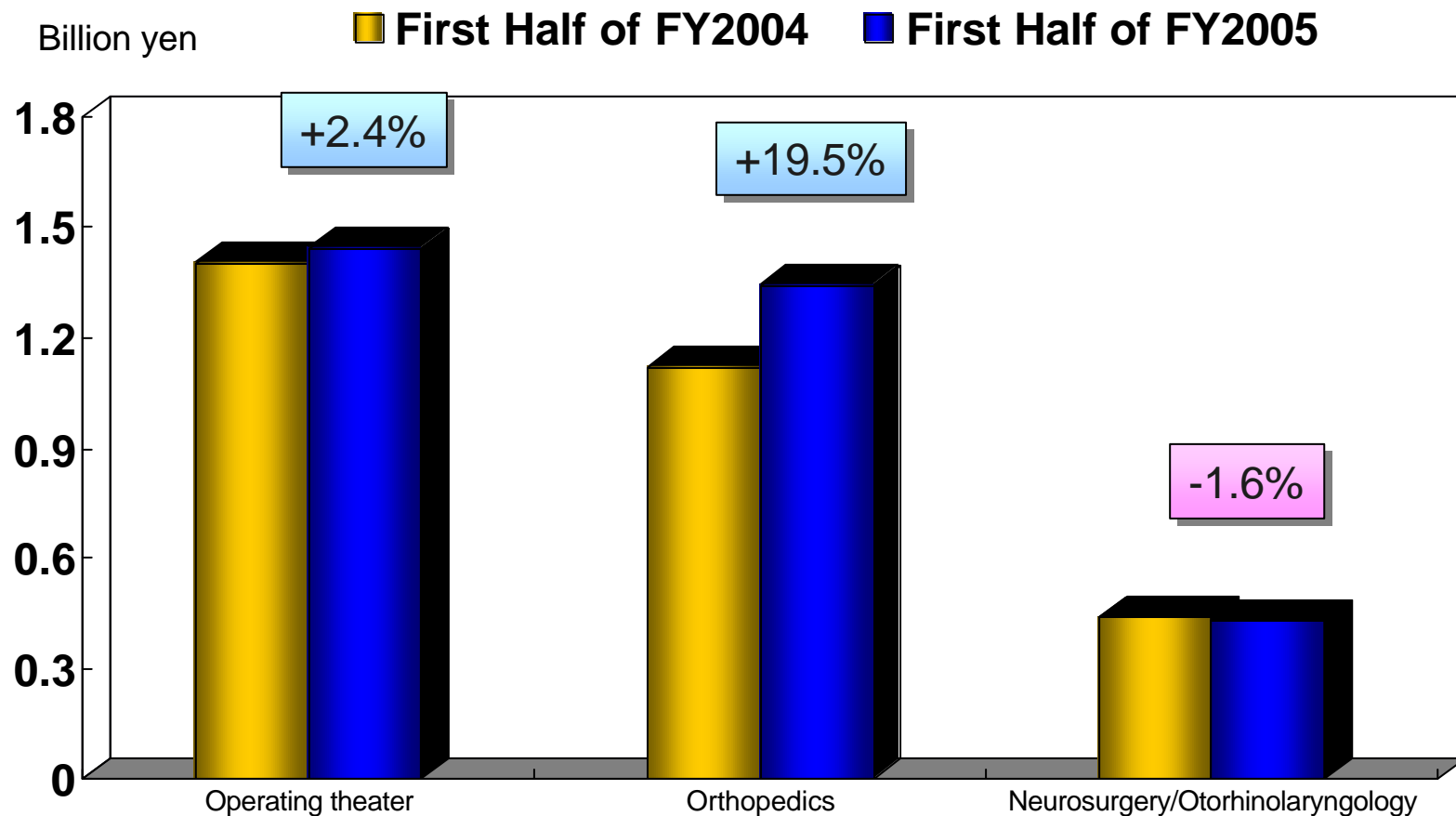


Medical Devices Operation

Medical Devices Operation Breakdown of Sales



Kobayashi Medical Sales by Application



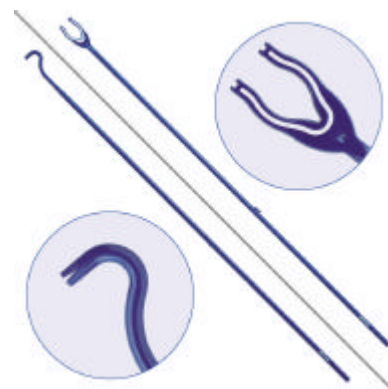
Commercialization of Products Developed in House

The first Kobamed-brand product

Introduced on April 14, 2004

**A medical device that facilitates ligation
(binding blood vessels with a ligature)**

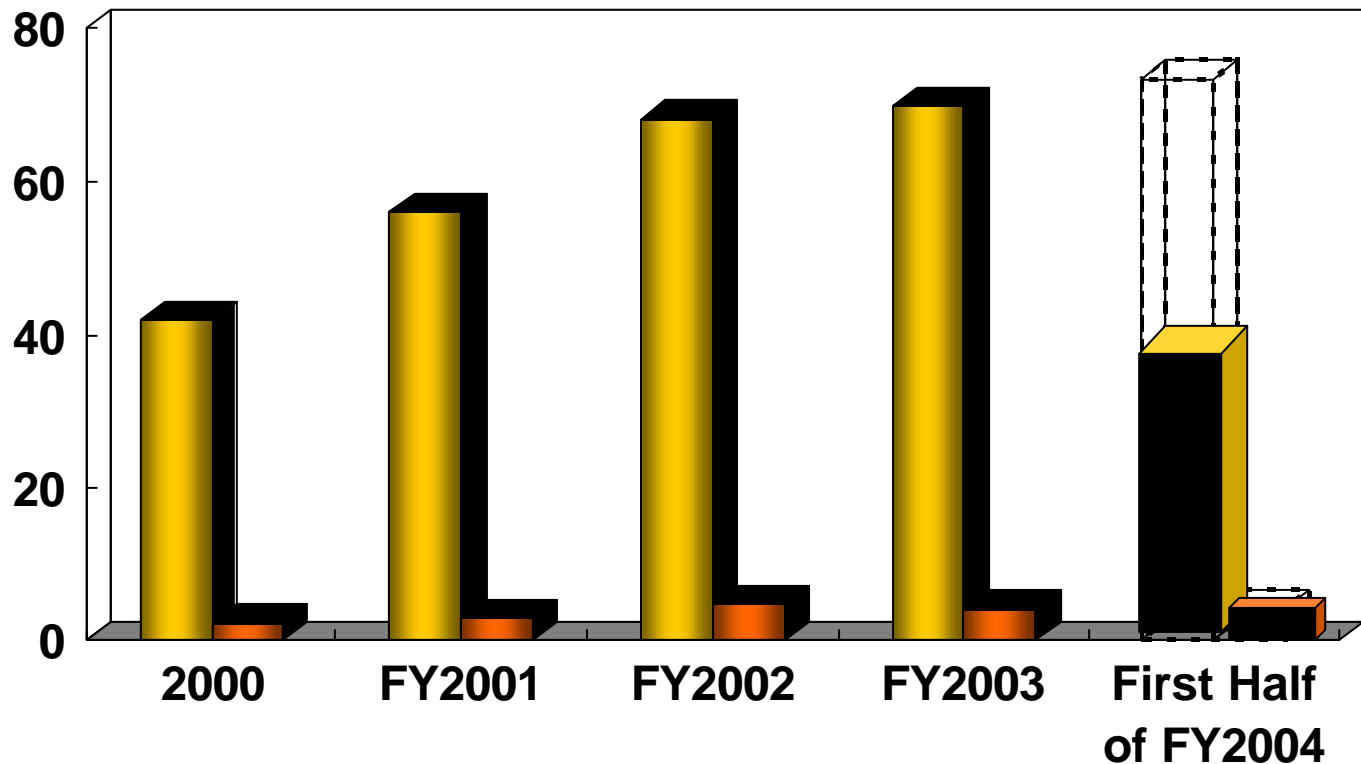
**Used mainly in urology for removal of
kidney, prostate, bladder, etc.**



Shield Healthcare Financial Performance

Million dollars

■ Net Sales ■ Operating Income



Financial year ends as of December 31.

Forecast for FY2004

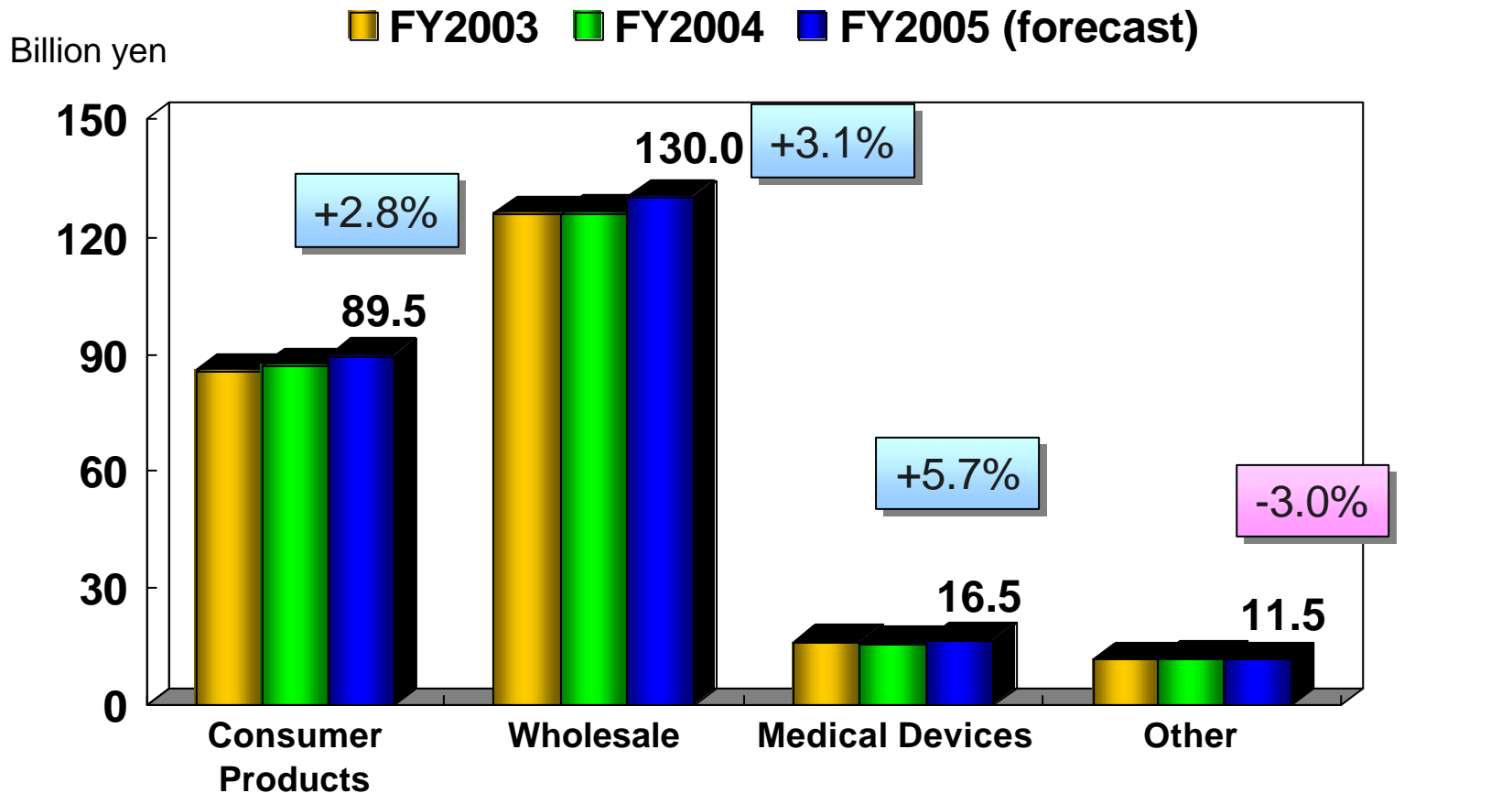


Forecast of the Full-year Results

Financial Highlights for the Full Year on a Consolidated Basis

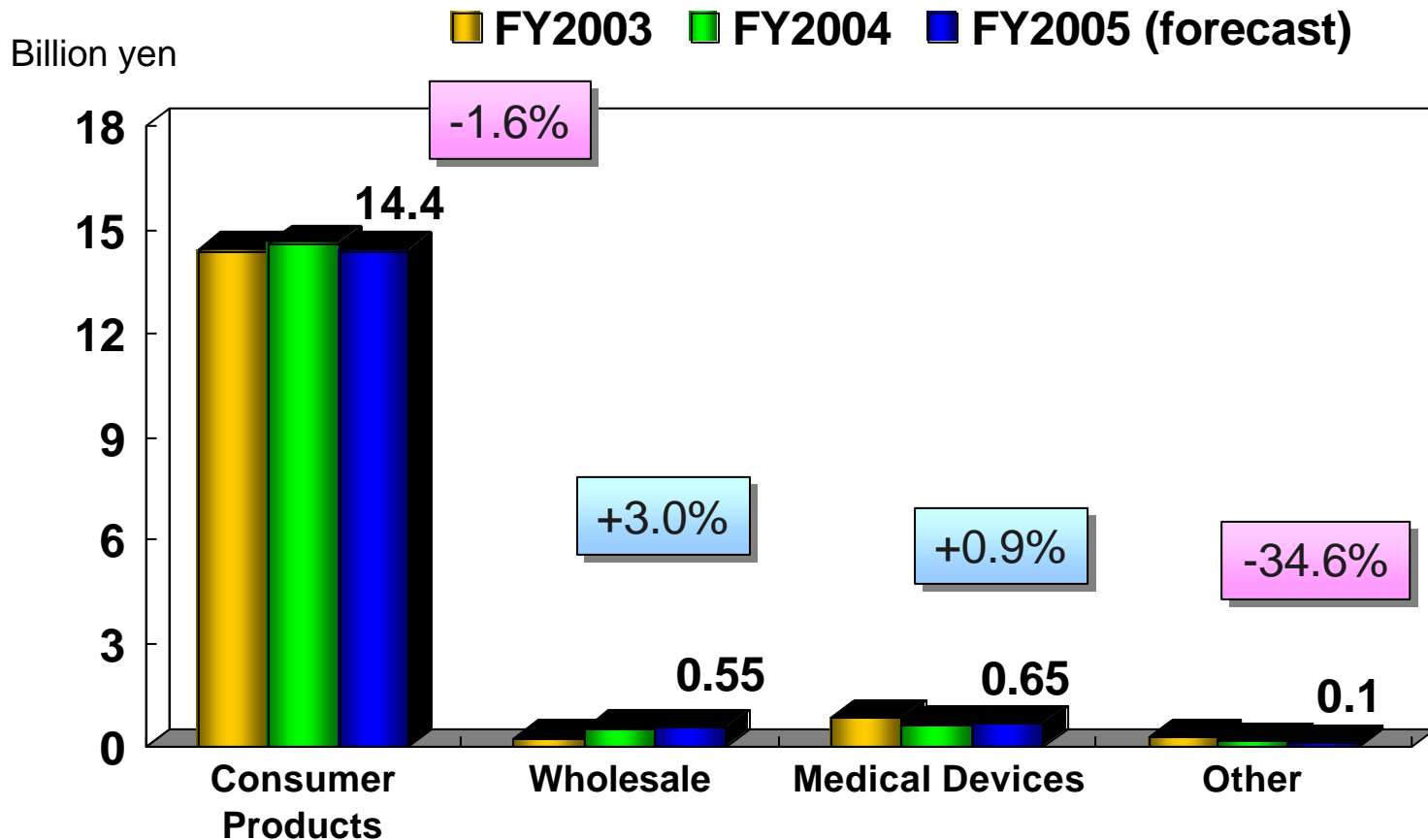
| | FY2004 | | FY2005 (forecast) | | Change | |
|---------------------|------------------------|----------------|------------------------|----------------|----------------------|-------------|
| | Amount | Profit rate | Amount | Profit rate | Amount | % change |
| Net sales | Million yen 211,670 | % - | Million yen 217,000 | % - | Million yen 5,330 | % +2.5 |
| Operating income | 16,123 | 7.6 | 15,800 | 7.3 | (323) | -2.0 |
| Ordinary income | 14,127 | 6.7 | 13,800 | 6.4 | (327) | -2.3 |
| Net income | 6,677 | 3.2 | 6,800 | 3.1 | 123 | +1.8 |
| EPS (yen) | 157.3 | - | 162.4 | - | 5.1 | +3.2 |

Trend of Sales by Segment



* Including intersegment sales

Trend of Operating Income by Segment



Performance of New Products Introduced in Fall 2004



Performance of New Products Introduced in Fall 2004

Category Champion in October



Kanpo Night Min



Purun Poi



Ofloat



Kobayashi Pharmaceutical Group's New Management

New Management

Challenging New Growth

- **Persistent development of new products**

Big-company disease concerning development, lack of devotion to development themes

Moving away from dependence on survey results and subcontracted developers

Strong will, hypothesis

Survey “Voice of Customer”

- **Pursuit of sales growth strategy**

Fusion of internal resources (in-house development) and exte

- **Globalization**

Success in China, the UK and the US

New Management

Challenging New Growth

Fostering New Kobayashi Spirit

- Assignment of authority and fulfillment of obligations
- Fusion of top-down and bottom-up approaches
- Fostering of human resources



Mid-term Strategies of Operations

Focus on Healthcare

Determine the growth field of the Consumer Products Operation to be healthcare category.
(OTC, oral hygiene products, food products)



**Accounting for
more than 50%**

Focus on drugstore chains and development of anti-aging products

Measures for Drugs (OTC)

- Development of products with novel efficacy
 - Development of “switch OTC” drugs
- * Switch OTC: OTC drugs previously categorized as ethical drugs only available with prescriptions



As the No. 1 Deodorizing Air Fresheners Manufacturer

- **Development of products with something new**

Pursuit of fragrance as the No. 1 manufacturer of fragrant air fresheners

Shift away from conventional air fresheners

- **Fostering of existing brands**

- **Speedy development of counter products**

Global Strategy: China, UK, and US

- **Achieving profits in all three regions within 3 years**

 - Thorough localization

 - Adoption of an advertising approach corresponding to regional characteristics, shifting away from over-reliance on pull-type advertising (TV commercials)

 - Alliances and M&A

 - Effective utilization of sales promotions by developing brands

- **Asia (China) is the priority target**

- **Setting of clear targets**

Measures for the China Market

- **Expansion of geographical coverage**
- **Introduction of additional items**

Development of new products based on concepts attuned to the local market

Measures for the Manufacturing Operation

- **Establishment of the Kobayashi-style manufacturing system (KPS)**
- **Cost reduction of more than ¥1.2 billion per year**
 - Rationalization, in-house manufacturing, overseas strategies (overseas procurement and overseas production)**
- **The third main production base: Shanghai Plant**
 - Production of products whose raw materials can be procured locally**

As the No. 1 Body Warmer Manufacturer

- **Expansion of the Puripoka brand in eastern Japan**
- **Recapturing of the No. 1 market share for foot warmers**
- **Establishment of a follow-up system for individual outlets nationwide**
- **Thorough cost reduction**

Expansion of the Scale of the Wholesale Operation

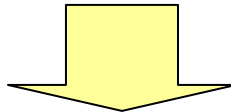
- Entry to Tohoku and Kyushu, the regions not covered by Kobayashi yet
- Introduction of health food products to dispensing pharmacies
- Fostering of proprietary products and their manufacturers
- Cultivation of new products through partnership with Mitsubishi Group

Cost Reduction at the Wholesale Operation

- **Reduction of logistics costs**
- **Collection of data fees from manufacturers**
- **Reduction of the ratio of labor costs**
- **Enrichment of retail support functions**

Environment of the Medical Devices Operation

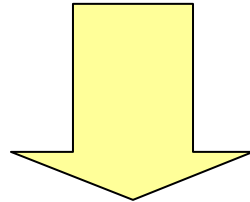
- **April 2005: Revised Pharmaceutical Affairs Law to come into effect**
 - Strict quality control and safety concerning medical devices
 - Traceability
- **Reform of the healthcare system and change of the legal status to independent administrative corporations**
 - Reduction of healthcare costs
 - Revision of hospital classification: Beds for general patients and beds for nursing
 - Transformation of the perspective of hospital management (pursuit of efficiency)
 - Vision of the medical devices sector (shift away from dependence on imports)



Changes in the environment create the best opportunities for the Medical Devices Operation

Kobayashi Medical's Policy

As a complex entity with manufacturer functions and trading company functions, contribute to enhancement of the quality of medical treatment and patients' quality of life (QOL)



Providing “Safety and Peace of Mind” in the medical sphere

In-house Product Development and Focus on the Orthopedics Field

Provision of medical devices attuned to the needs of Japanese people, diffusion of correct techniques and introduction of differentiated products