



Financial Overview For Fiscal 2006

Fiscal Year Ended March 31,2006

Yutaka Kobayashi

President and Chief Operating Officer

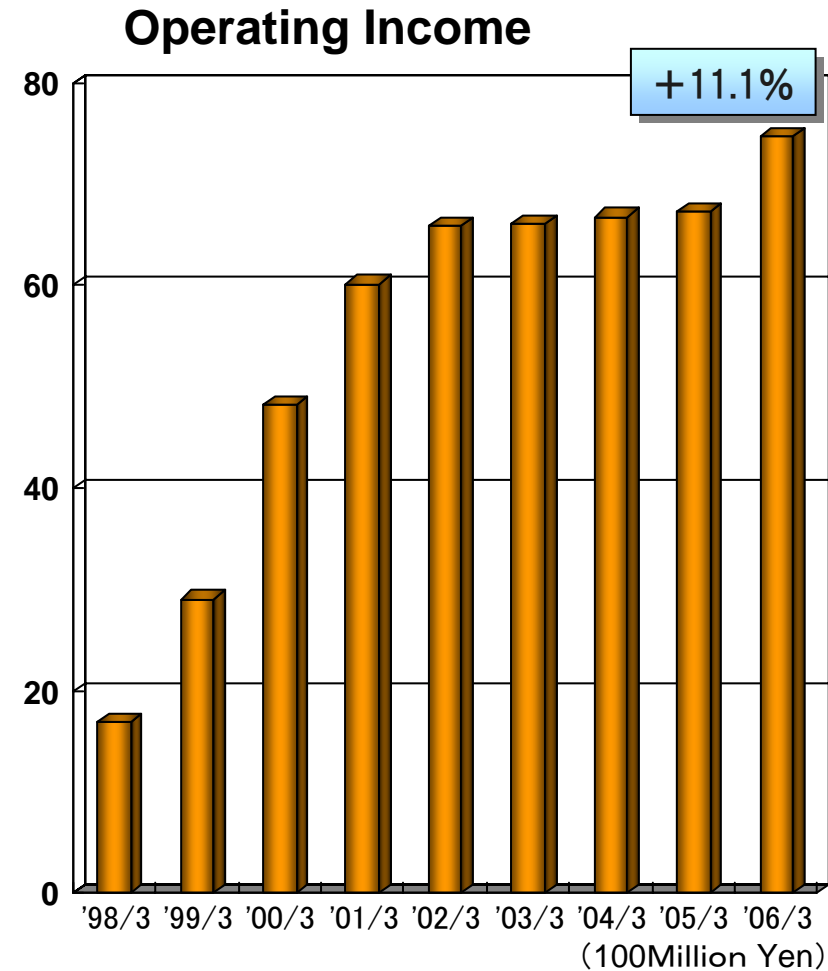
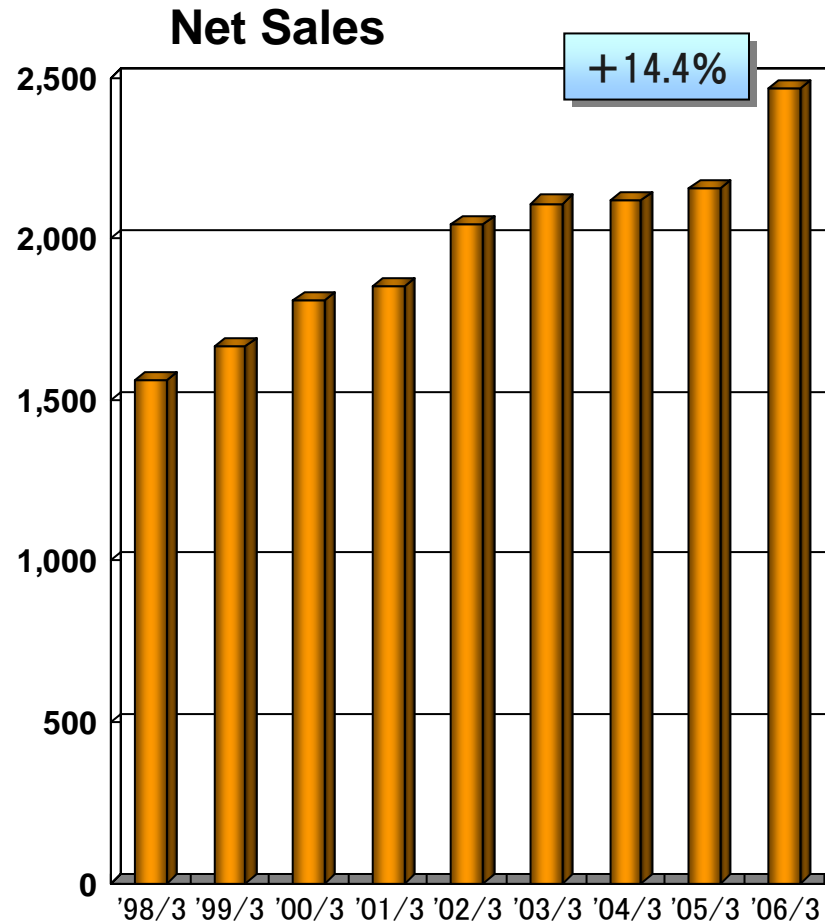
KOBAYASHI PHARMACEUTICAL CO.,LTD

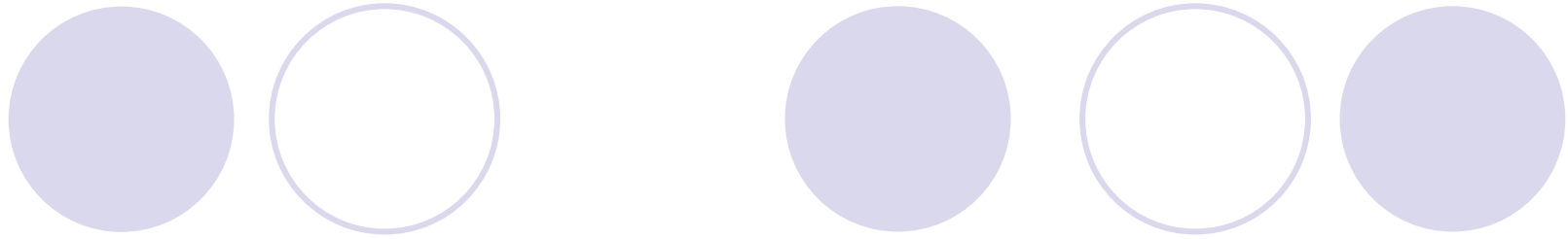
May 17,2006

Consolidated Financial Highlights

	FY2005		FY2006		Change	
	Amount	Profit rate	Amount	Profit rate	Amount	Profit rate
Net Sales	Million Yen 215,708	% —	Million Yen 246,852	% —	Million Yen 31,144	% 14.4
Operating Income	15,698	7.3	16,879	6.8	1,180	7.5
Ordinary Income	14,159	6.6	15,151	6.1	992	7.0
Net Income	6,730	3.1	7,474	3.0	744	11.1
EPS (Yen)	160.64	—	179.17	—	18.53	11.5

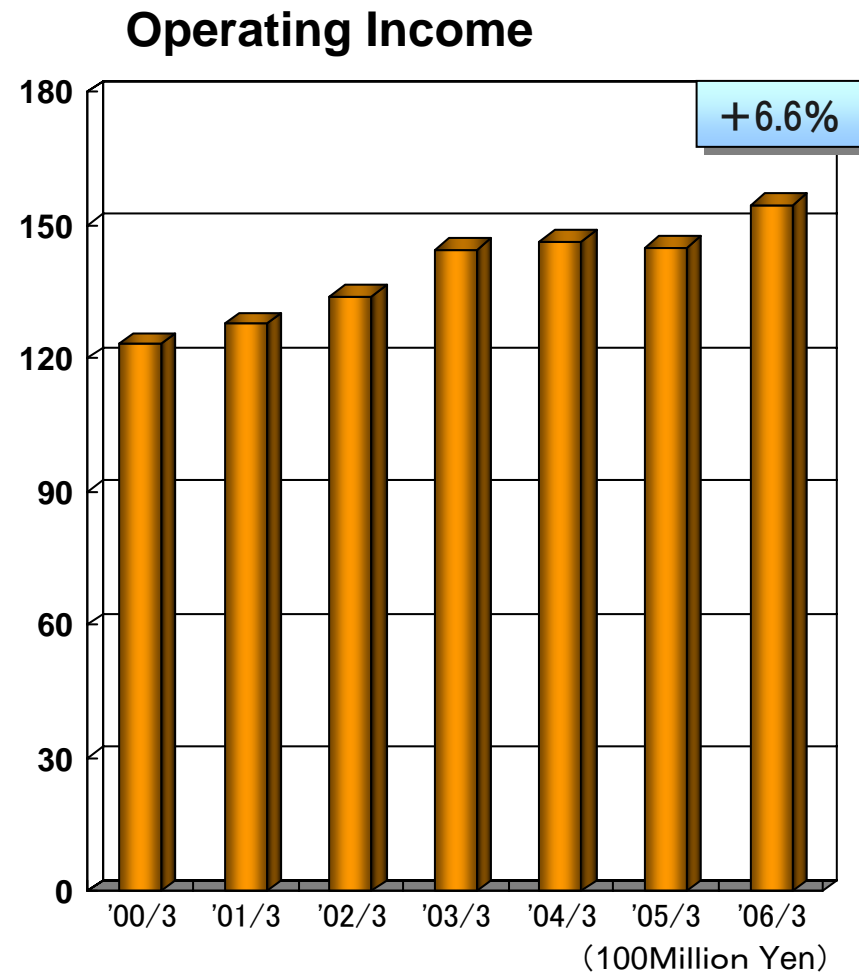
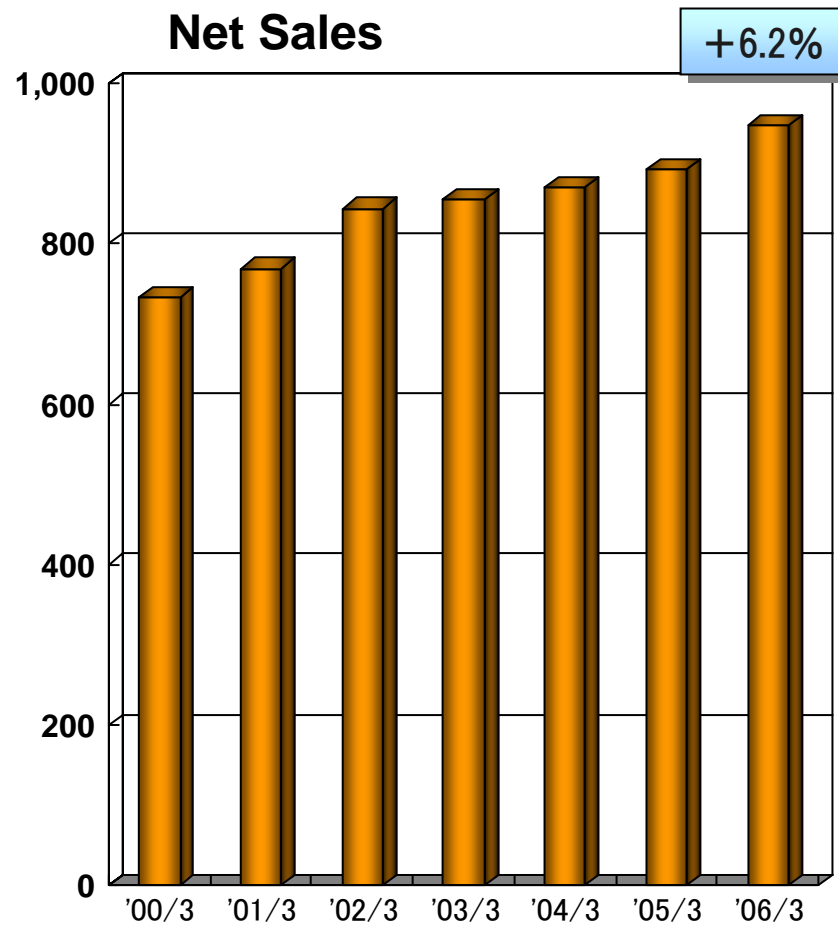
Consolidated Financial Results



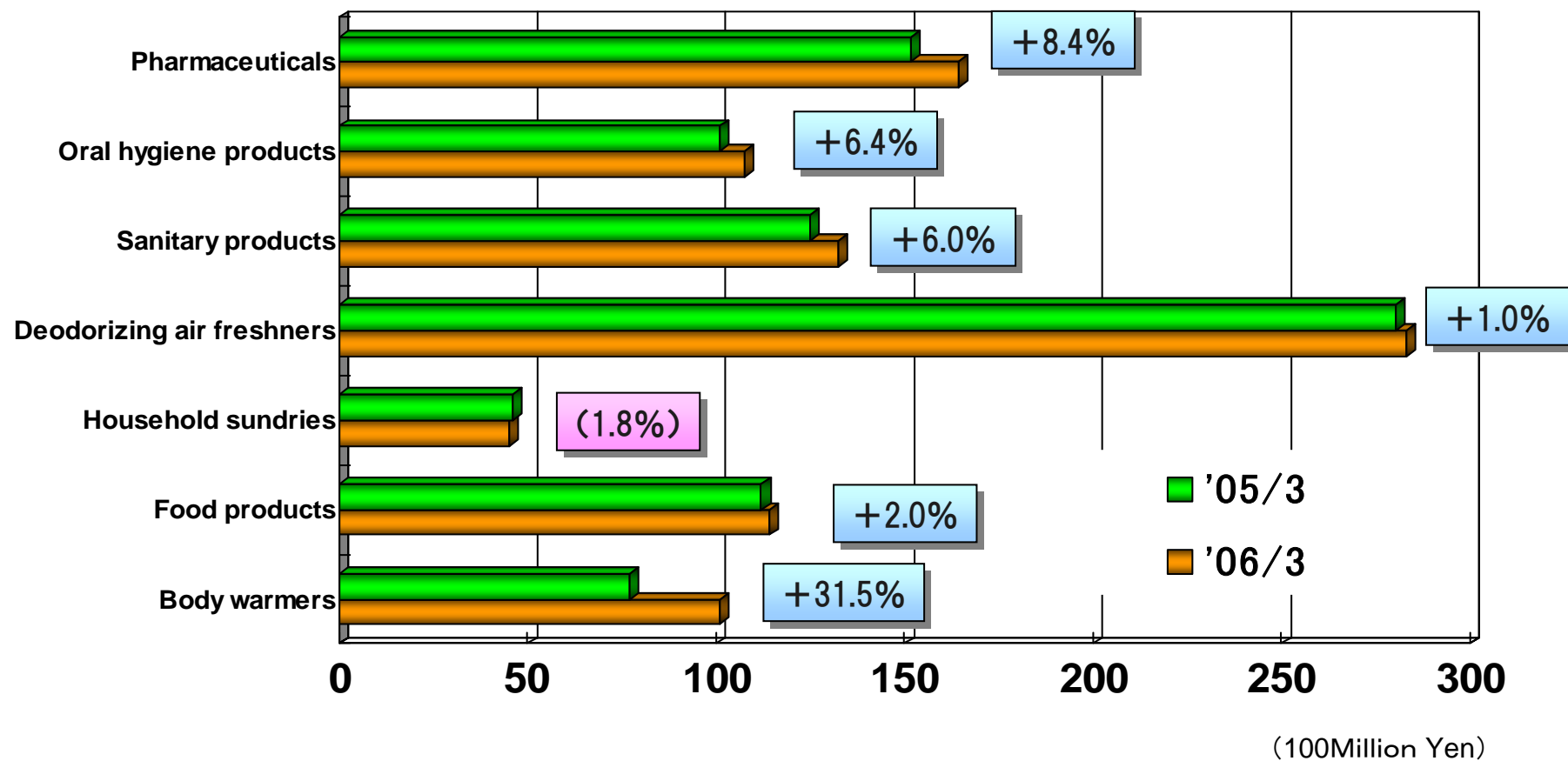


Segment Information

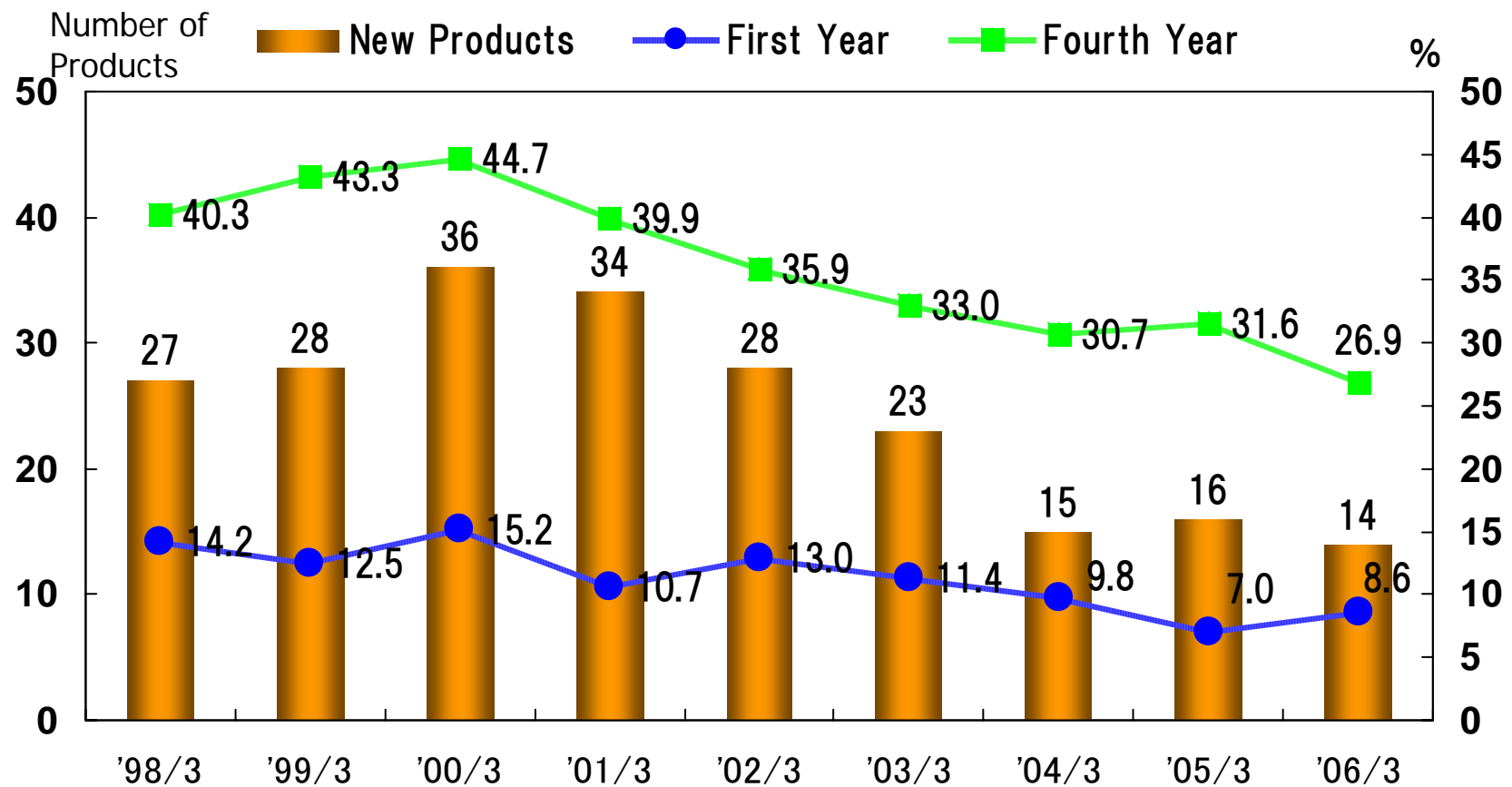
Consumer Products Operation



Sales by Category

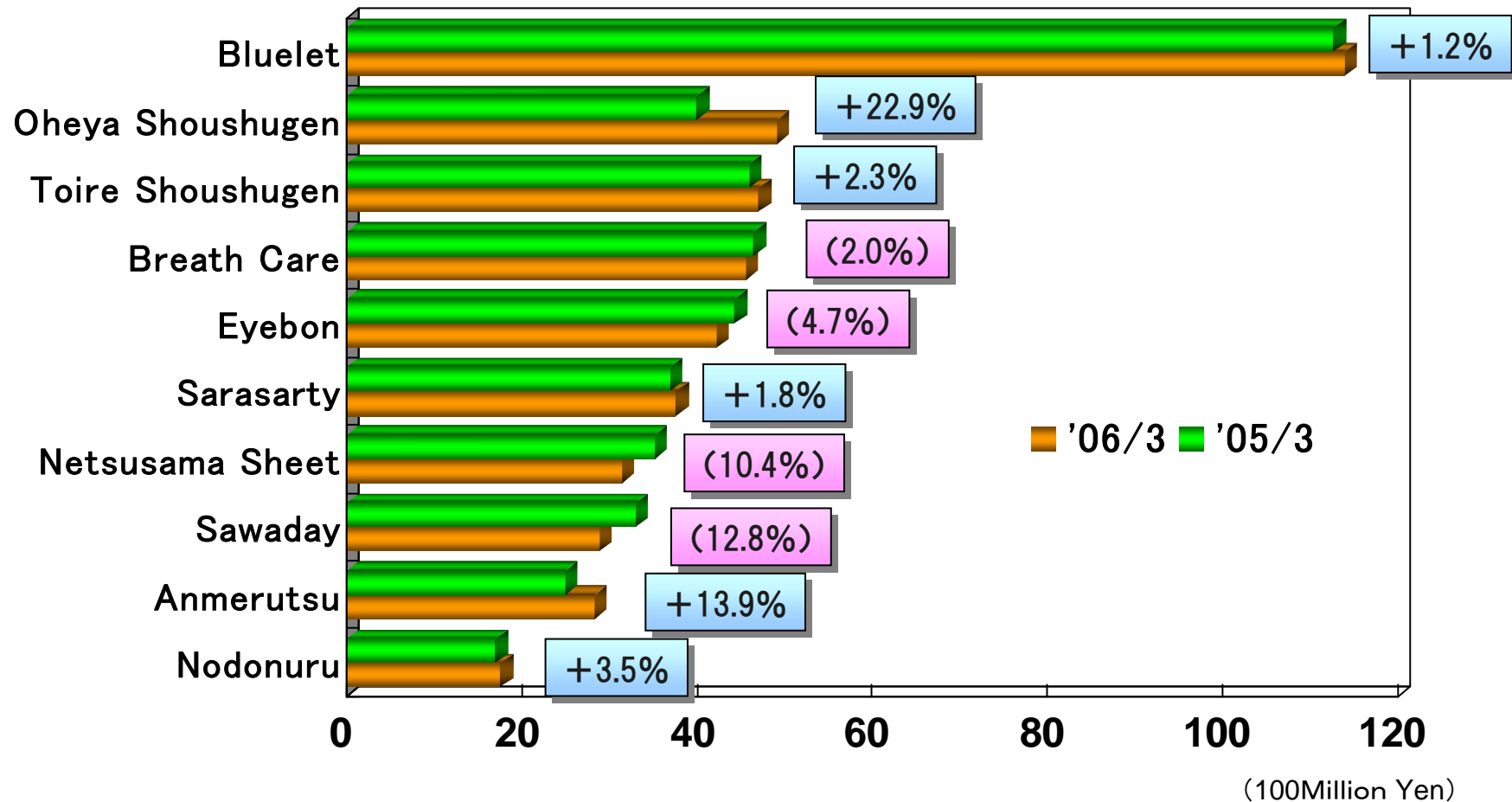


Contribution Rate of New Products



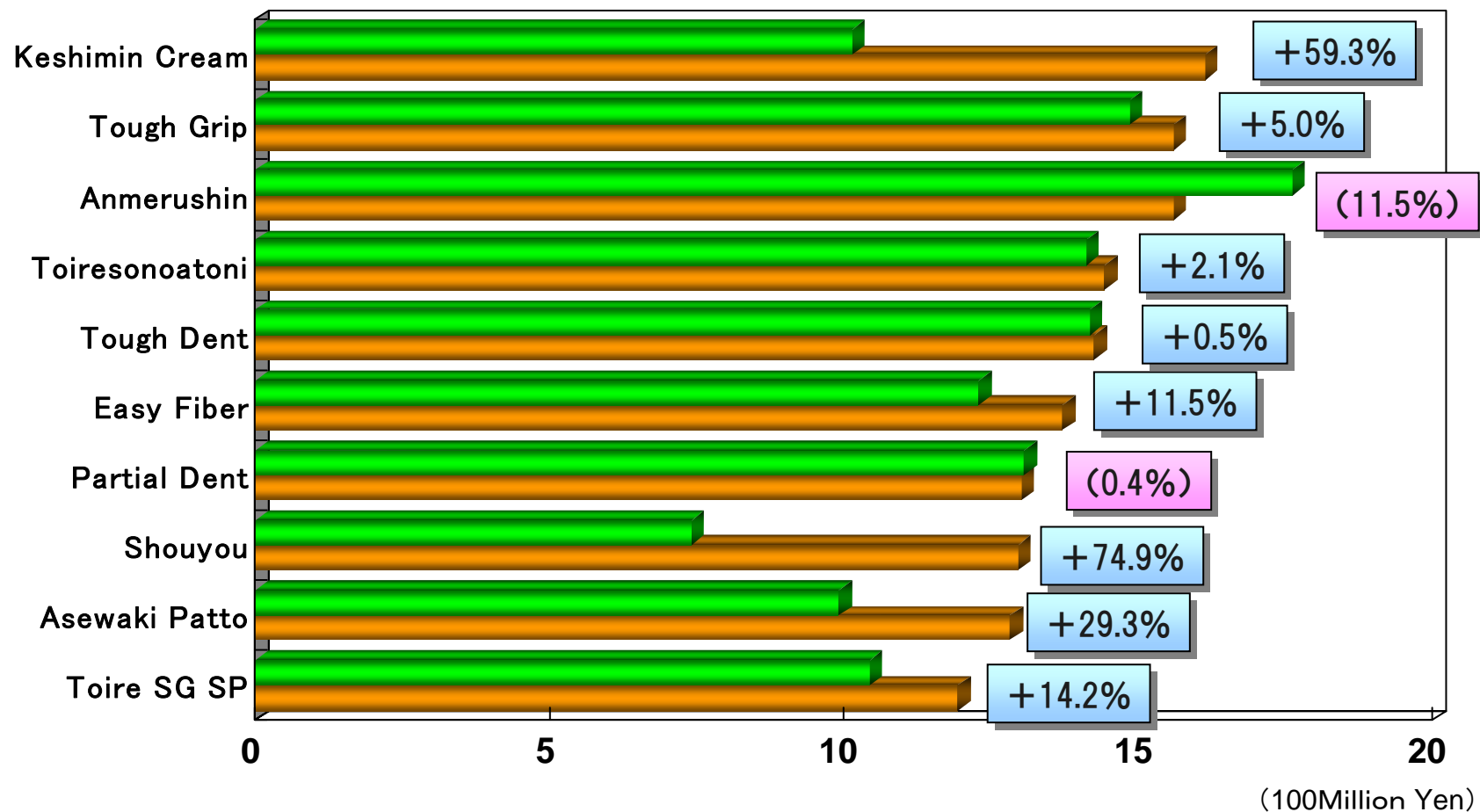
Sales by Product Brand

Top 10 Product Brand(**53%** of total sales;**1.2%** increase)



Sales by Product Brand

Top 20 Product Brand(**70%** of total sales;**3.2%** increase)



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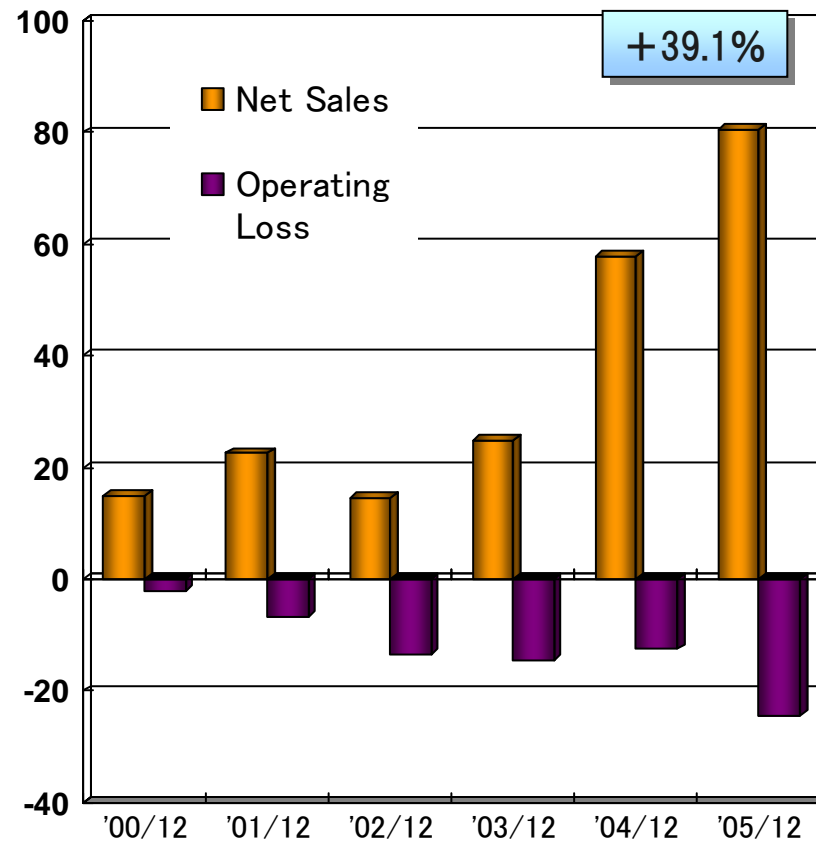
Cost Reduction in Manufacturing Divisions

Achieved cost reduction of 1.35 billion yen

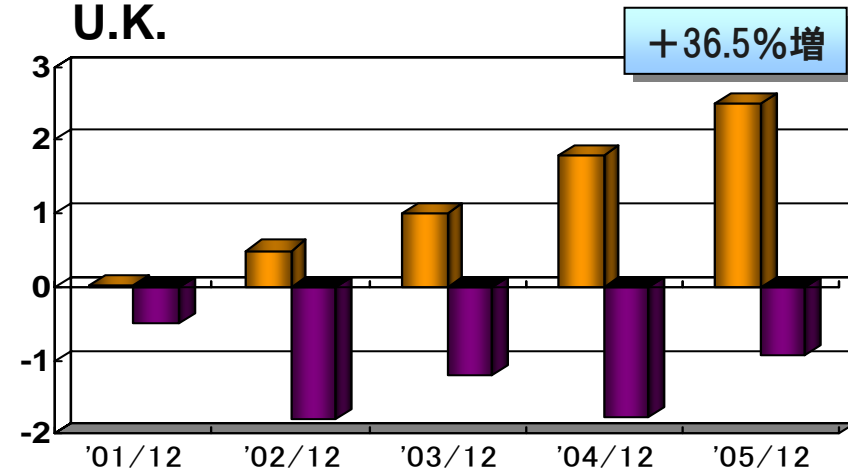
Item	Amount
Improvement in productivity (Improved yield, automation, labor savings)	426million yen
Price negotiations	371million yen
Shift to in-house manufacturing	154million yen
Use of substitutes and revision of packaging specification	103million yen
Change of manufacturing sites	54million yen
Others	246million yen

Business Results of Overseas Subsidiaries

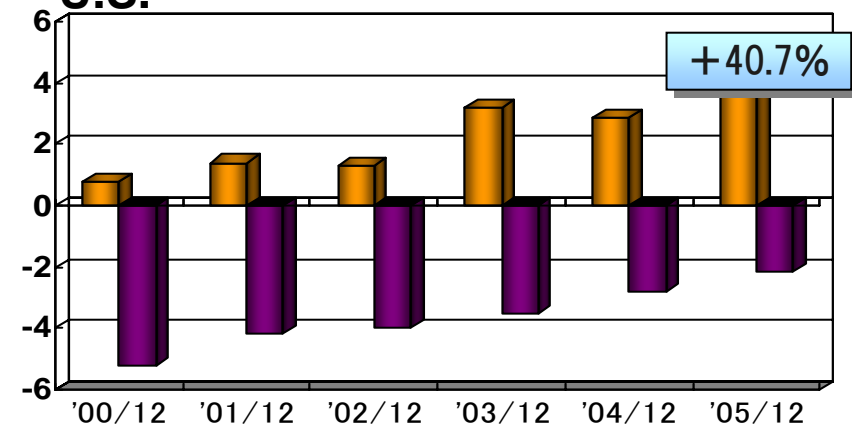
China



U.K.

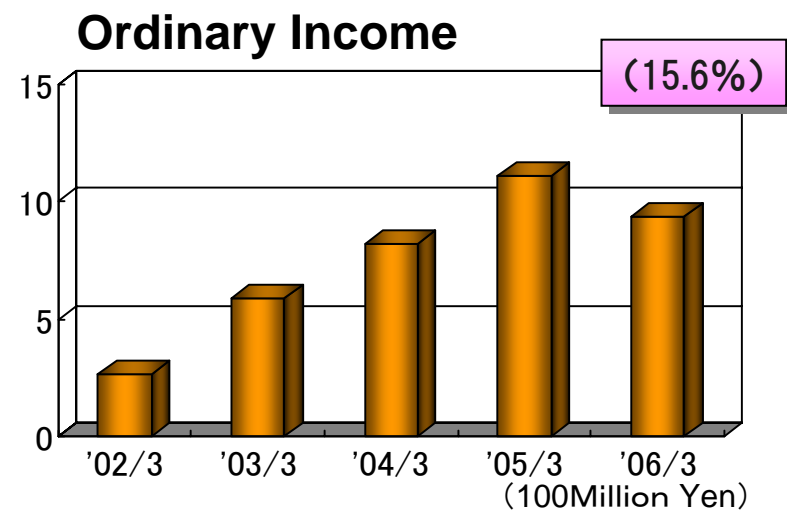
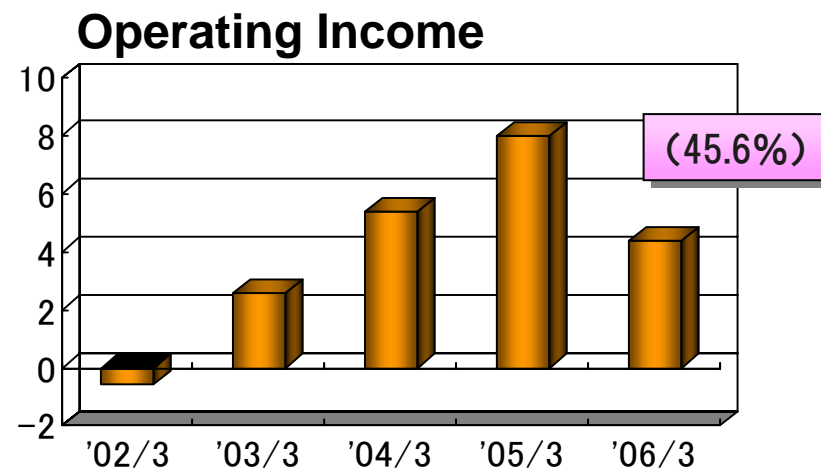
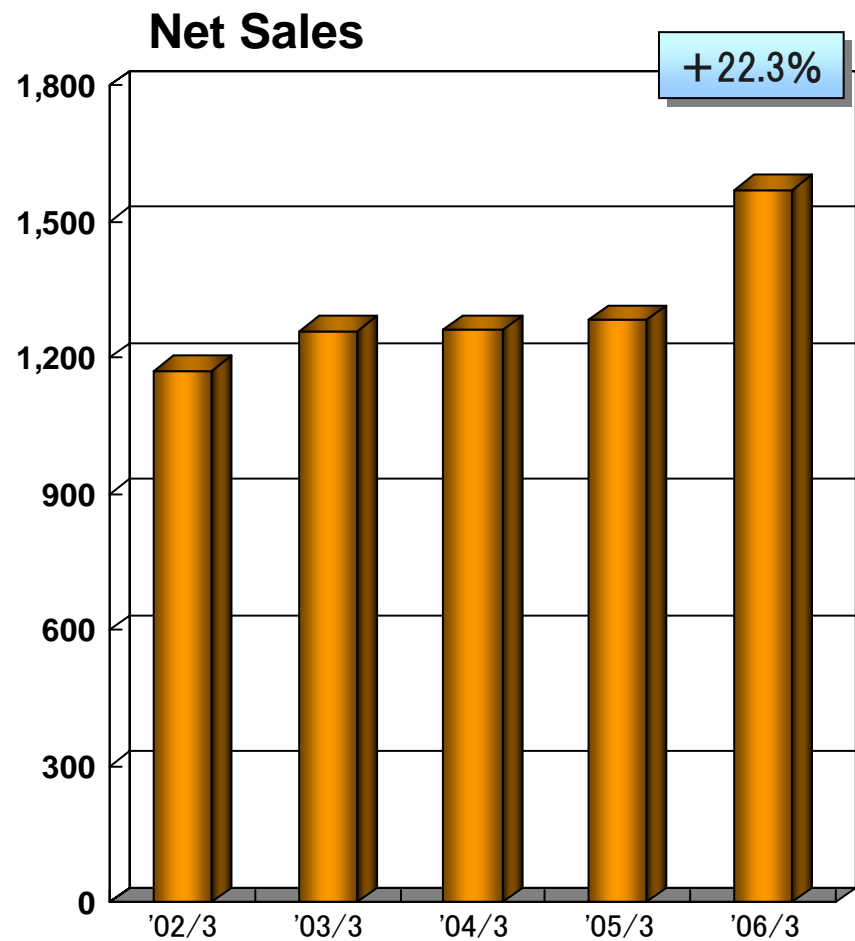


U.S.



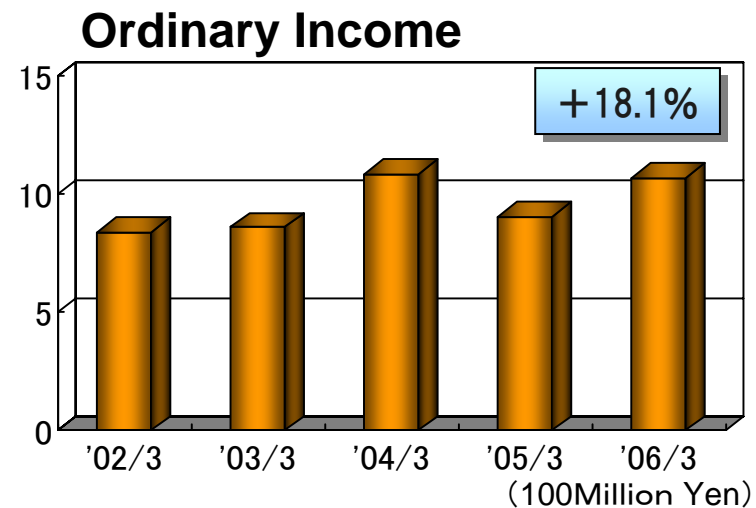
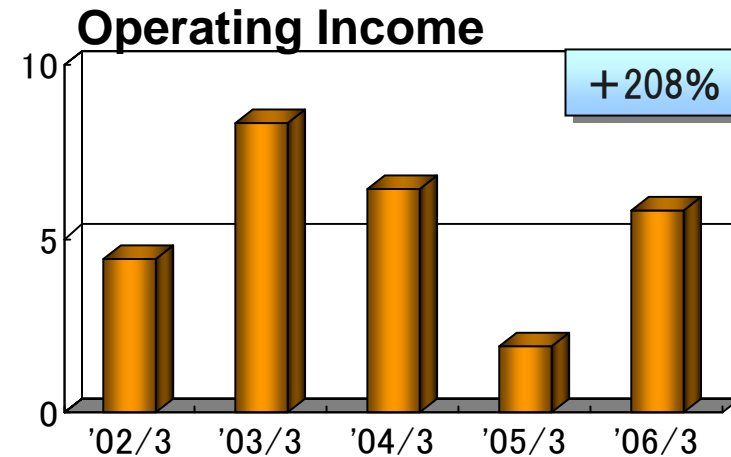
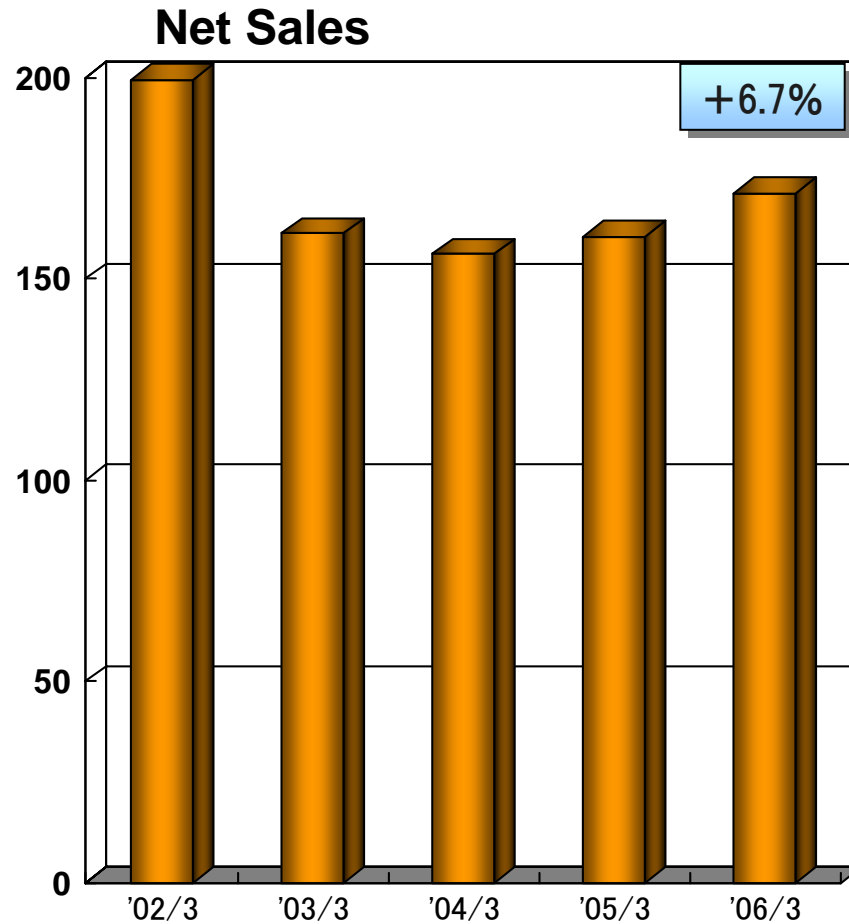
(China: Million yuan, UK: Million pounds, US: Million dollars)
KOBAYASHI PHARMACEUTICAL CO.,LTD

Wholesale Operation



KOBAYASHI PHARMACEUTICAL CO.,LTD

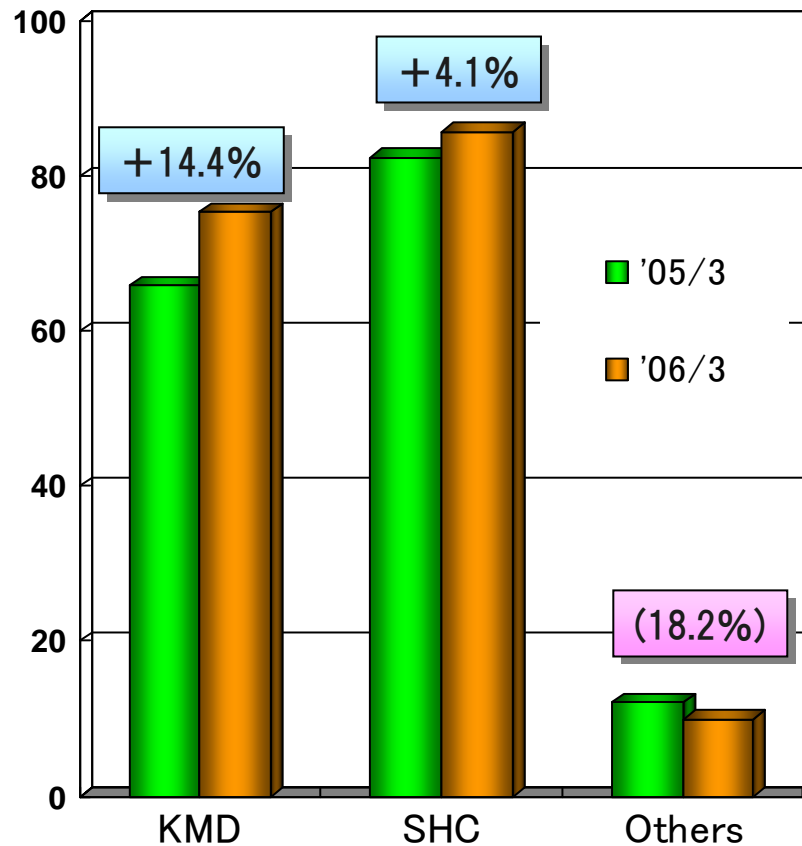
Medical Devices Operation



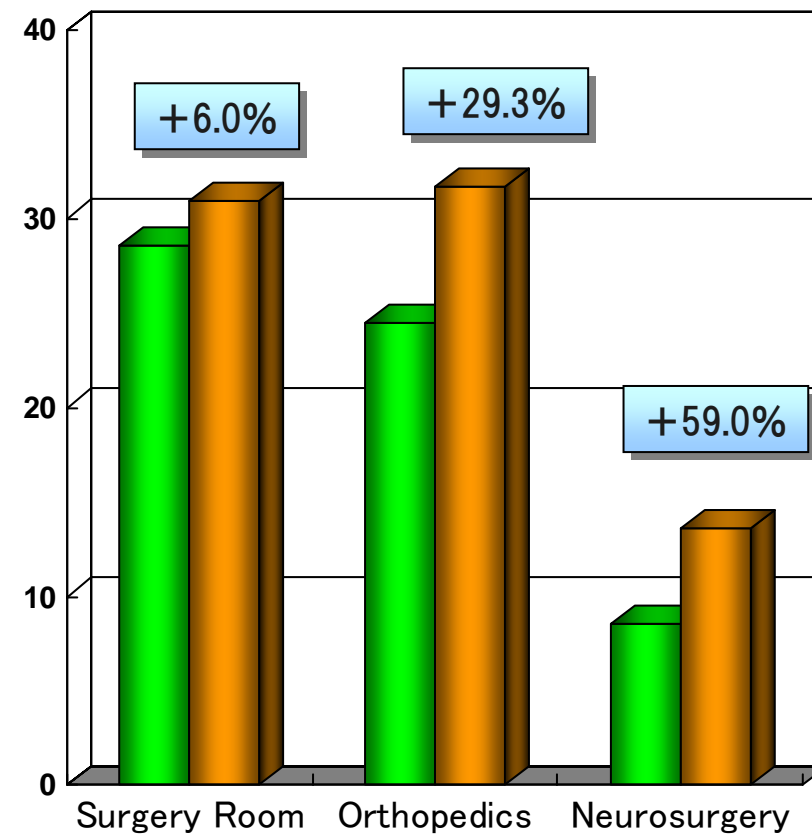
KOBAYASHI PHARMACEUTICAL CO.,LTD

Medical Devices Operation

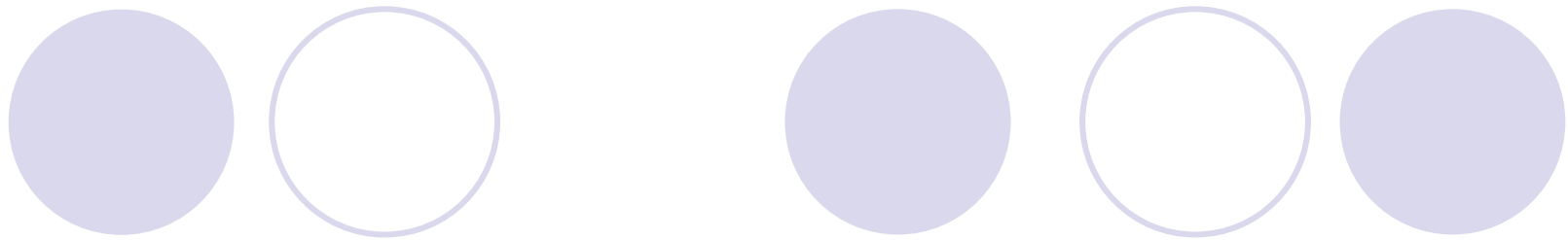
Sales by Category



KMD Sales



(100 Million Yen)



Consolidated Financial Forecast FY2007

Group Management Strategy

Promote growth strategy targeting “Sales Growth”

1. Achieve plan targets by optimizing individual businesses
2. A corporate culture of encouragement and an organization where people learn and grow themselves
3. Create a corporate culture that emphasizes execution and where results are fairly evaluated
4. Implement reforms and innovations with a thorough emphasis on the frontline
5. Give form to “You make a wish and we make it real” brand slogan

Three Growth Strategies

1. New Product Development

Involve top management from the early development stage

2. Proactive M&As

Consumer Products Operation

Healthcare-related companies and brands

Wholesale Operation

Advanced into areas not covered

Medical Devices Operation

Strengthen capabilities as a manufacturer

3. Overseas Expansion

Grow business in China, U.K. , U.S. and Germany

Growth Strategy for Consumer Products Operation

1. Develop new products

Target: 10% of sales from new products

2. Focus on healthcare category

50% of sales from pharmaceutical, oral hygiene products and food

3. M&As

Acquire brands and companies in healthcare domain

4. Target the Chinese market

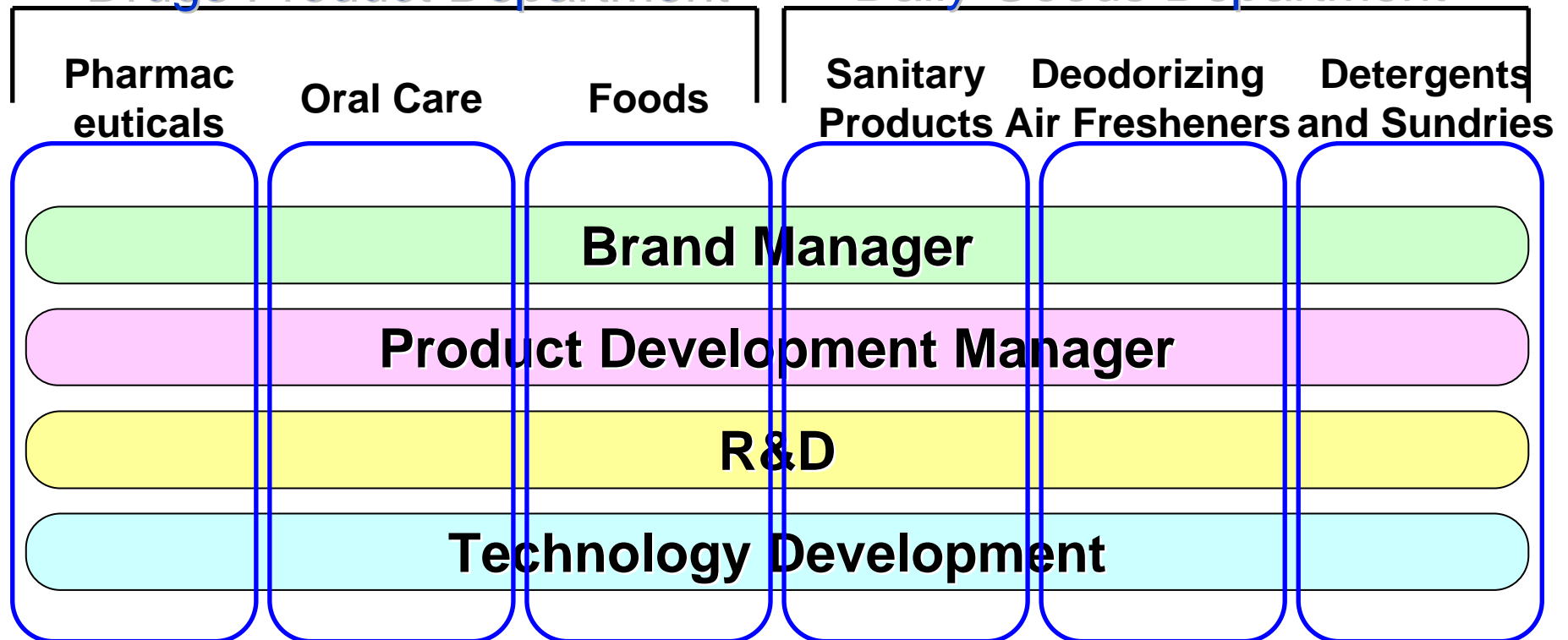
Concentrate investment in body warmers

System for Developing and Growing Products

Integrated brand development system under category teams

Drugs Product Department

Daily Goods Department



New Products in Spring 2006

18 New Products

Combined First-Year Sale Target: ¥9.3 billion



KOBAYASHI PHARMACEUTICAL CO.,LTD

Main Areas Targeted in China

- **Actively develop body warmer business**
- **Launch *Breath Care* in Shanghai region**
- **Establish research function**
- **Strengthen sales to leading, large stores
(in terms of sales)**

Growth Strategy for Wholesale Operation

1. Expand scale and extend geographical coverage

Advance into Tohoku, aim for sales of ¥300 billion

2. Initiate industry realignment

Form alliances with peer companies and companies in different industries

3. Achieve low-cost operations

Integrate systems and logistics for greater efficiency

Growth Strategy for Medical Device Operation

1. Focus on orthopedics and surgery room fields

Nurture products commanding top market shares

2. Promote in-house product development

Develop products to replace and/or improve on existing products

3. Rigorously reduce costs

Respond to lowering of official prices

In-house Developed Product **KIAPEX**

KIAPEX Hip Prosthesis System

**A femoral head prosthesis for use in
treating femoral neck fracture**

**Targeting annual sales
of ¥0.5 billion**

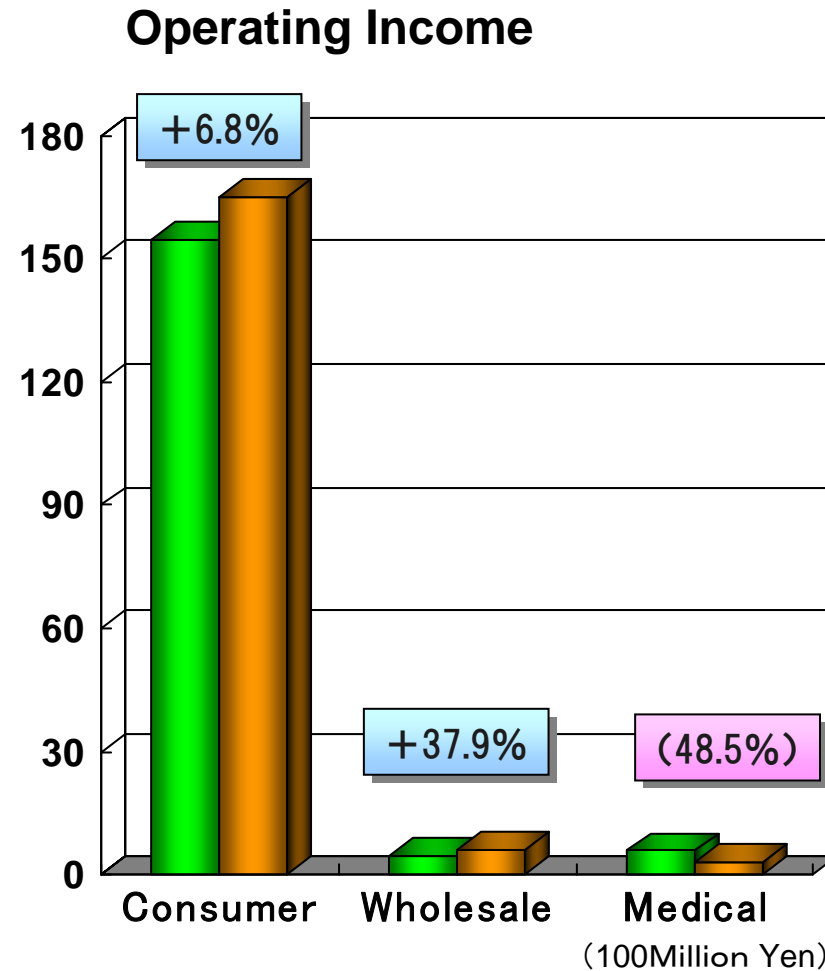
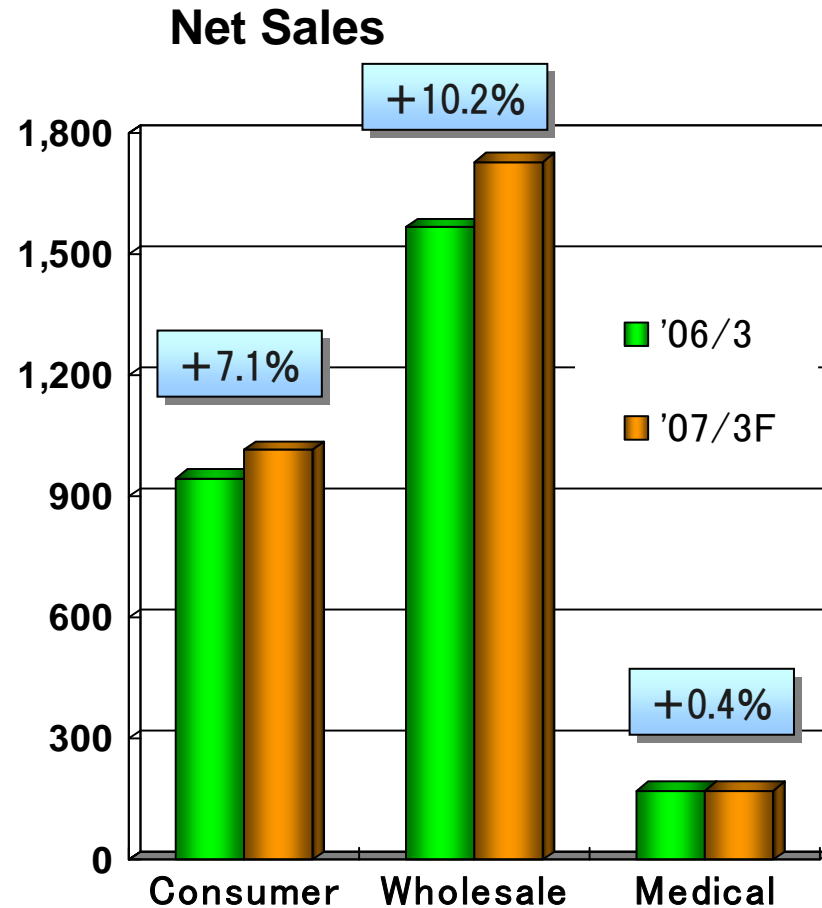


movement
inside joint

Consolidated Financial Forecasts

	FY2006		FY2007 (Forecast)		Change	
	Amount	Profit rate	Amount	Profit rate	Amount	Profit rate
Net Sales	Million Yen 246,852	% —	Million Yen 268,000	% —	Million Yen 21,148	% 8.6
Operating Income	16,879	6.8	17,800	6.6	921	5.5
Ordinary Income	15,151	6.1	16,000	6.0	849	5.6
Net Income	7,474	3.0	8,600	3.2	1,126	15.1
EPS (Yen)	179.17	—	207.31	—	28.14	15.7

Net Sales and Operating Income



Sale of Shares

Aims: Increase liquidity of company's shares and increase shareholder base

**Founding family to sell 3 million shares
(approx. 7% of issued shares)**

**No. of shareholders : 6883
(as of March 31,2006)**

⇒ Goal: Increase to 10,000

Dividend Policy and Internal Reserves

- **Increase returns to shareholders**

(Raised dividend ¥5 for March 2006 fiscal year)

- **Secure internal reserves for growth strategy (M&As)**

