

Financial Overview for Fiscal 2007

Fiscal Year Ended March 31, 2007

Yutaka Kobayashi

President and Chief Operating Officer

KOBAYASHI PHARMACEUTICAL CO., LTD

May 17, 2007

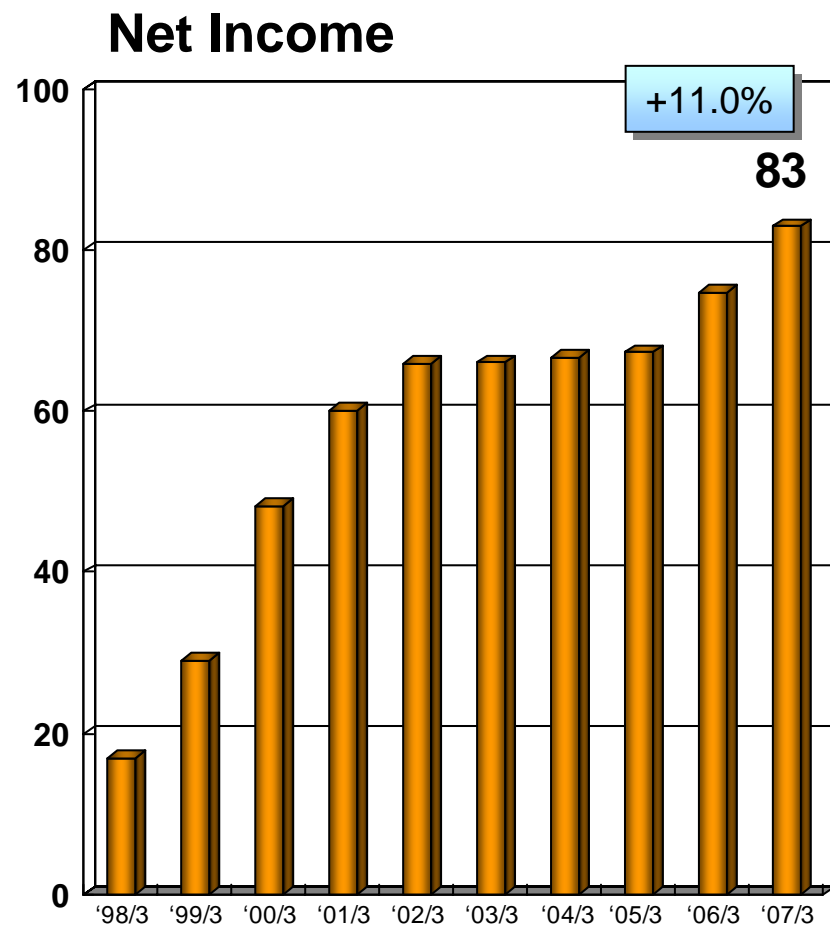
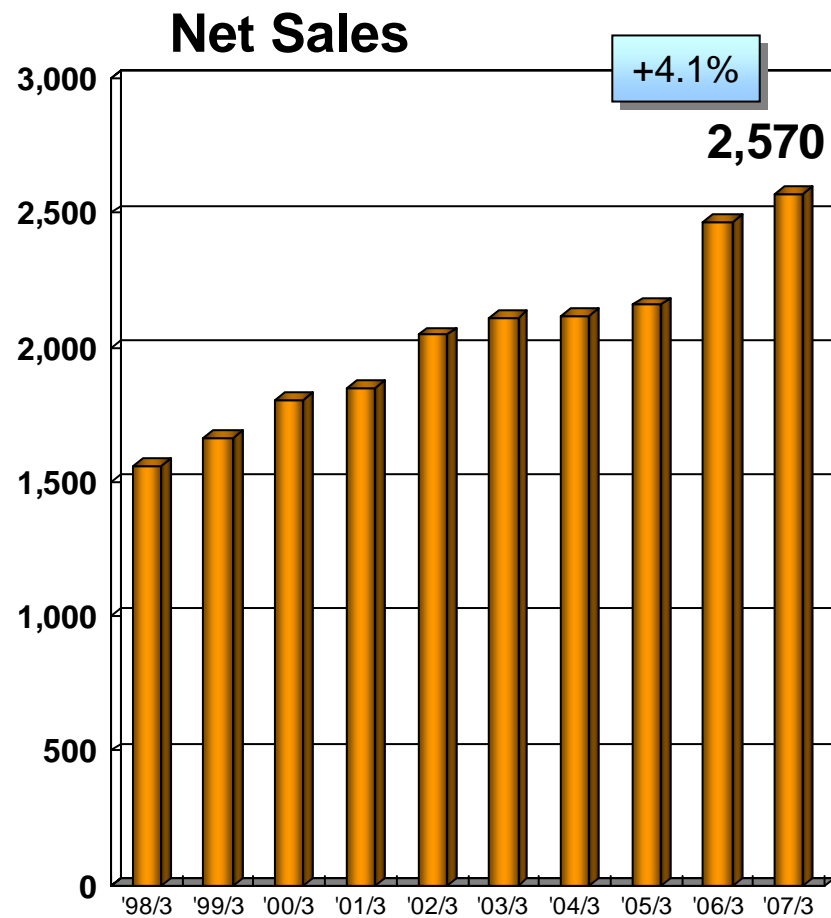
Consolidated Financial Highlights

| | FY2006 | | FY2007 | | Change | |
|-------------------------|----------------|-------------|----------------|-------------|---------------|--------------|
| | Amount | Profit rate | Amount | Profit rate | Amount | Percentage |
| | Million Yen | % | Million Yen | % | Million Yen | % |
| Net Sales | 246,852 | — | 257,022 | — | 10,169 | 4.1 |
| Operating Income | 16,879 | 6.8 | 18,029 | 7.0 | 1,149 | 6.8 |
| Ordinary Income | 15,151 | 6.1 | 15,012 | 5.8 | (138) | (0.9) |
| Net Income | 7,474 | 3.0 | 8,297 | 3.2 | 822 | 11.0 |
| EPS (Yen) | 179.17 | — | 200.77 | — | 21.60 | 12.1 |

✖ Flat growth in ordinary income because of lower equity in earnings of affiliates and larger losses on the revaluation and disposal of inventories due to product returns and re-launches

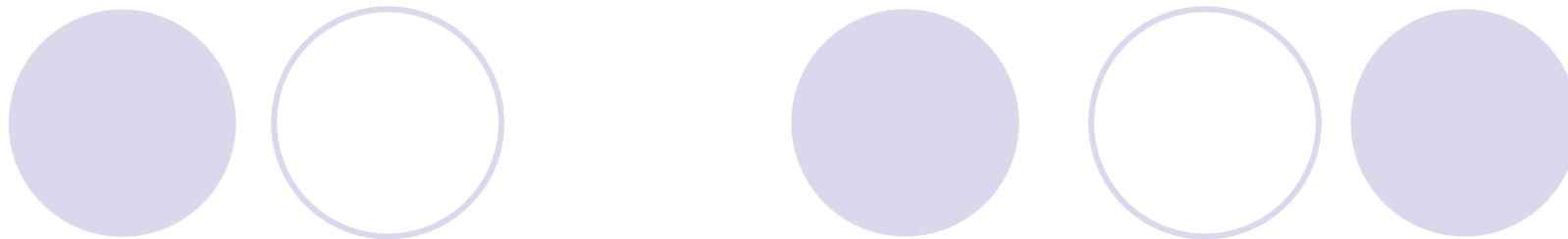
✖ Double-digit growth in net income year on year, reflecting impairment loss of 1.65 billion yen booked in previous year

Consolidated Financial Results



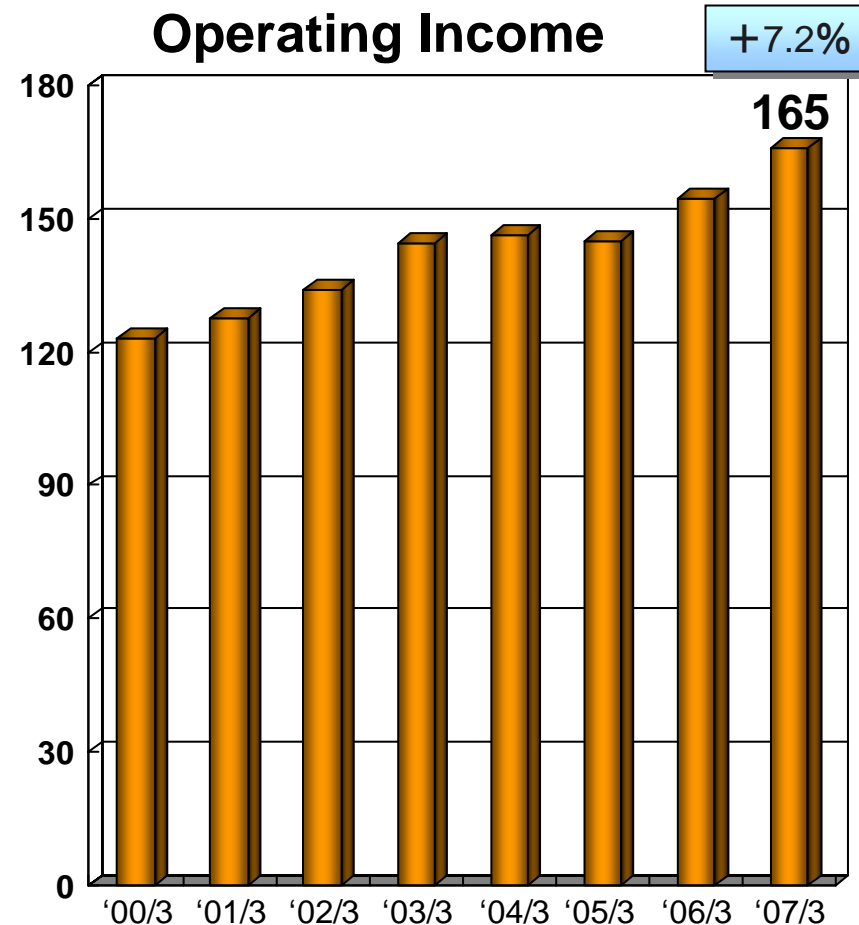
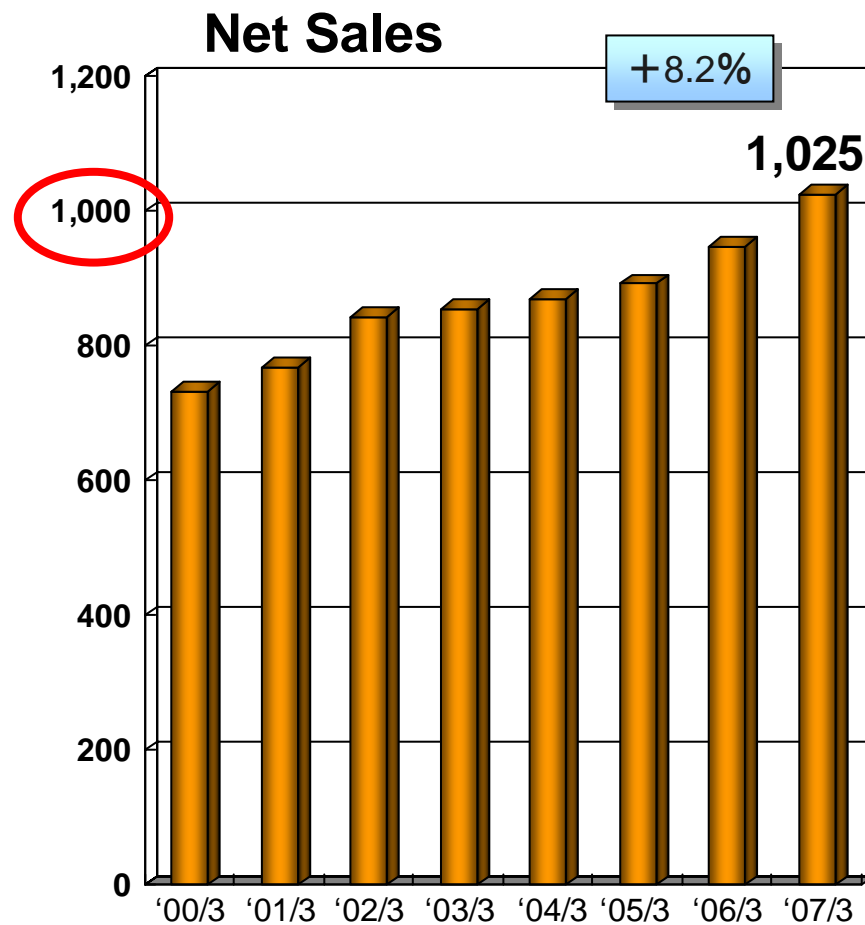
(100 Million Yen)

KOBAYASHI PHARMACEUTICAL CO., LTD.



Segment Information

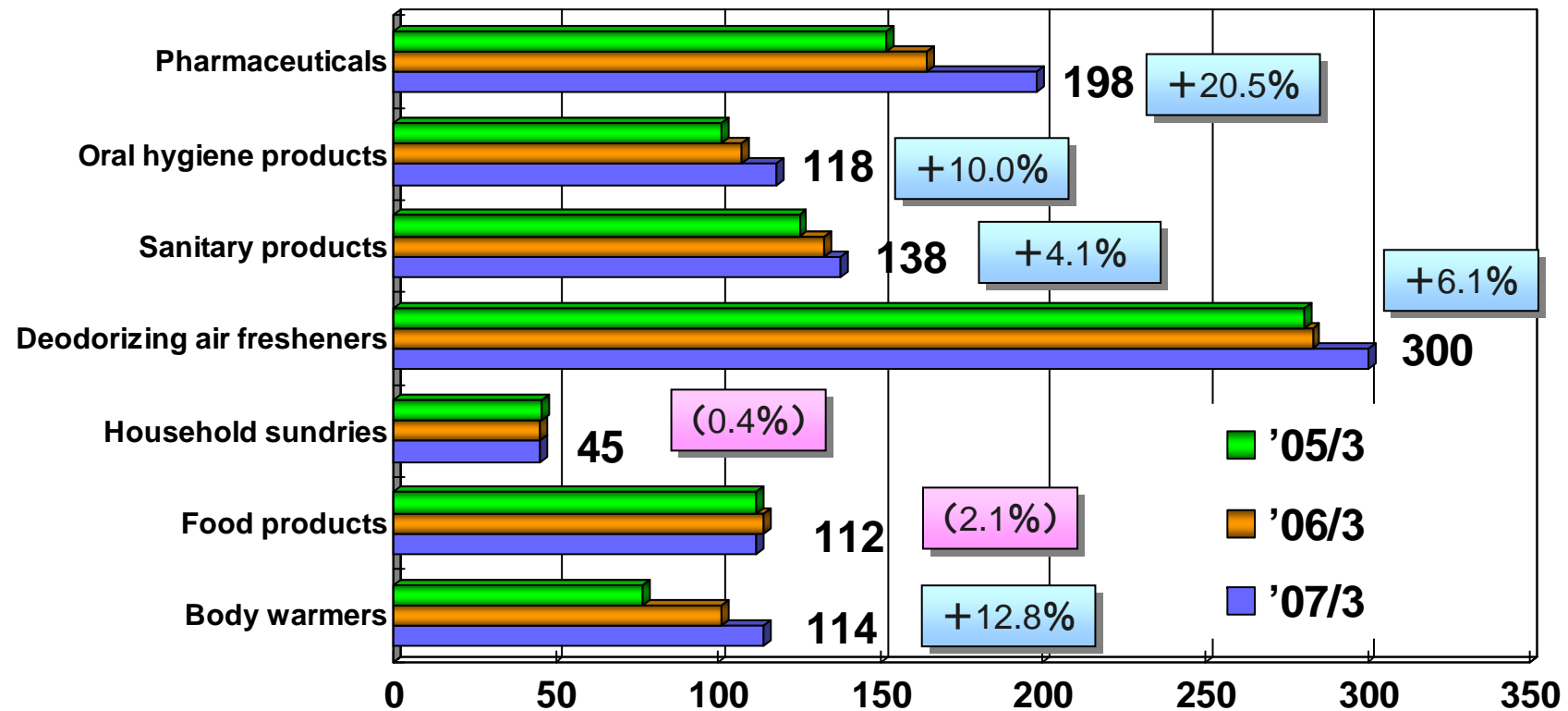
Consumer Products Operation



(100 Million Yen)

KOBAYASHI PHARMACEUTICAL CO., LTD.

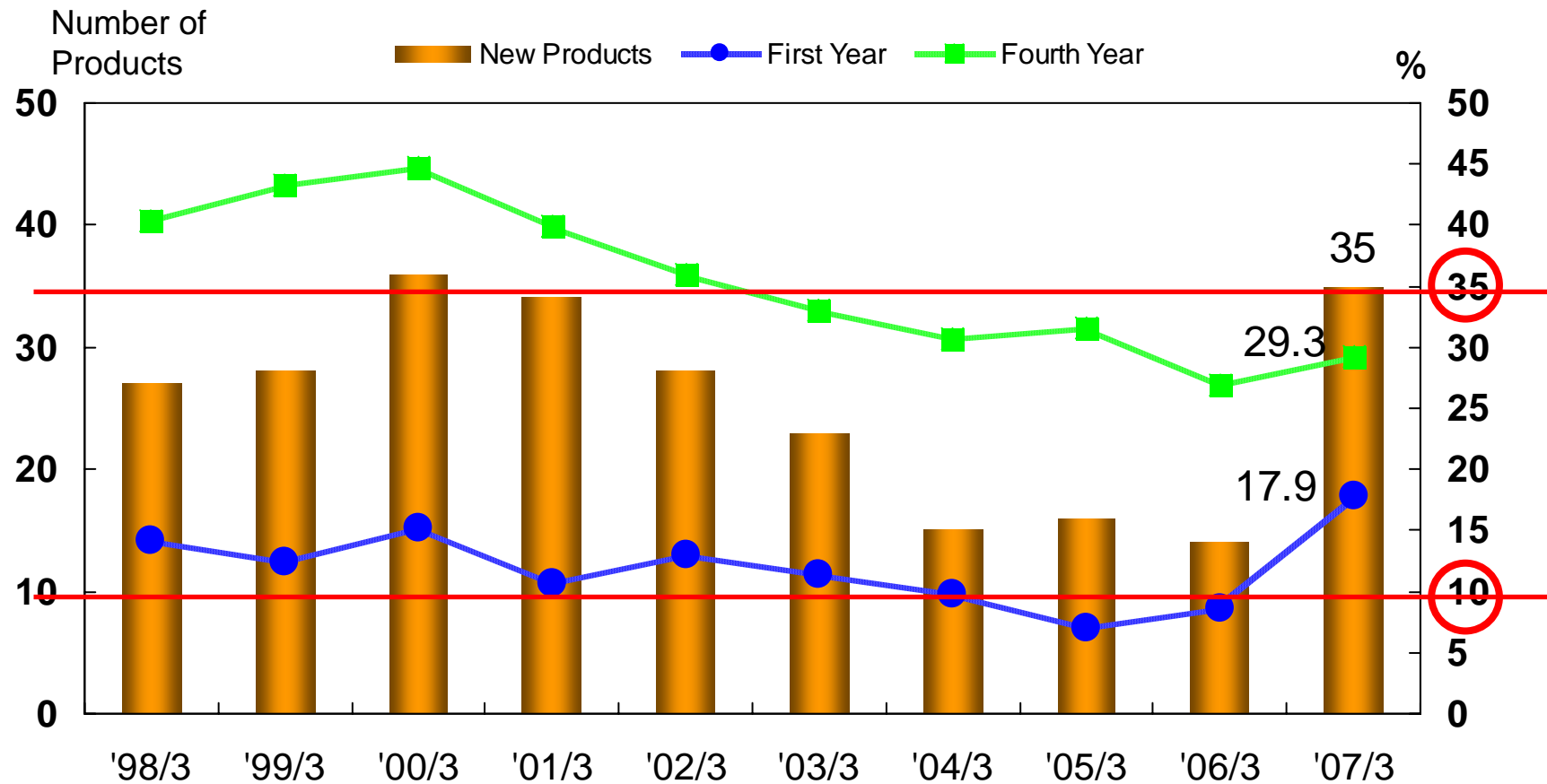
Sales by Category



(100 Million Yen)

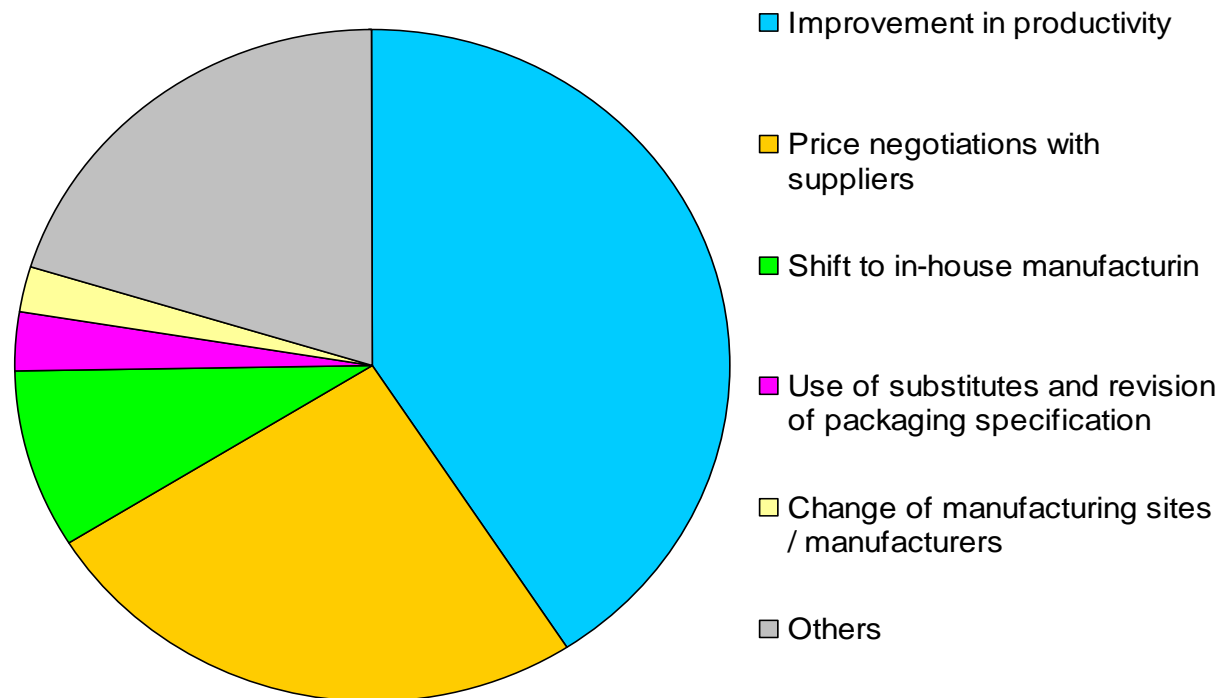
KOBAYASHI PHARMACEUTICAL CO., LTD.

Contribution Rate of New Products



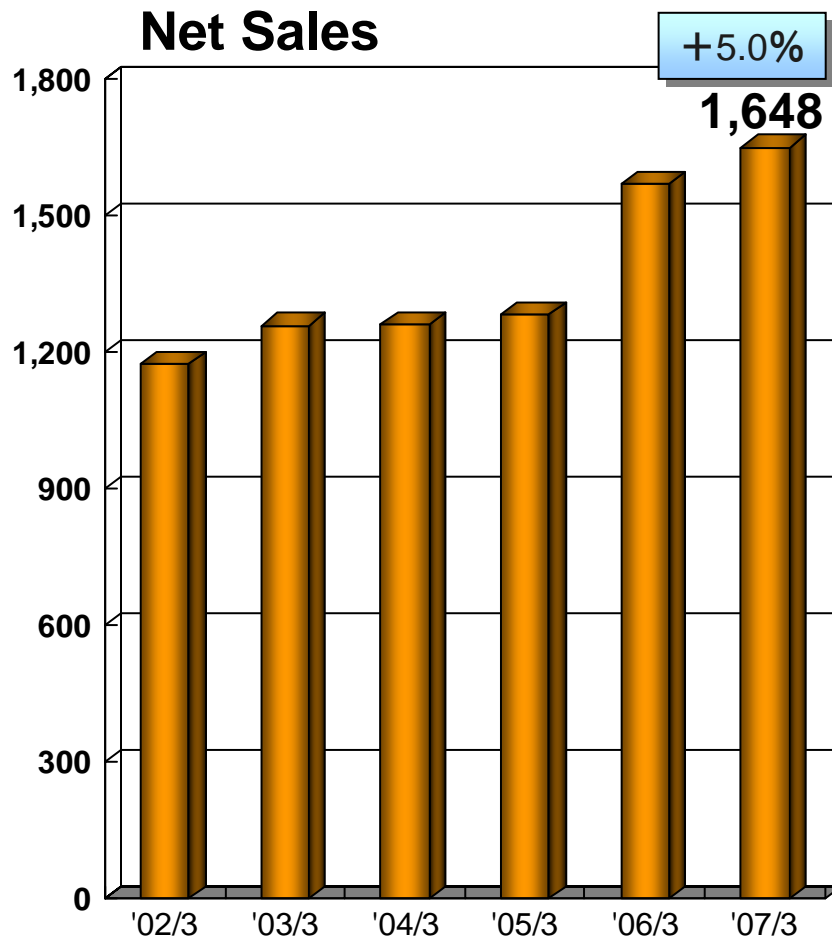
Cost Reduction in Manufacturing Divisions

Achieved cost reduction of 1.38 billion yen

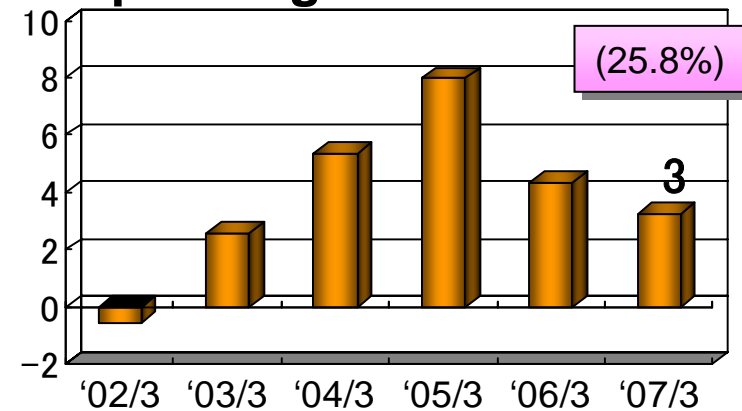


Meanwhile, there was a 0.2 billion yen increase in costs due to higher crude oil prices, etc.

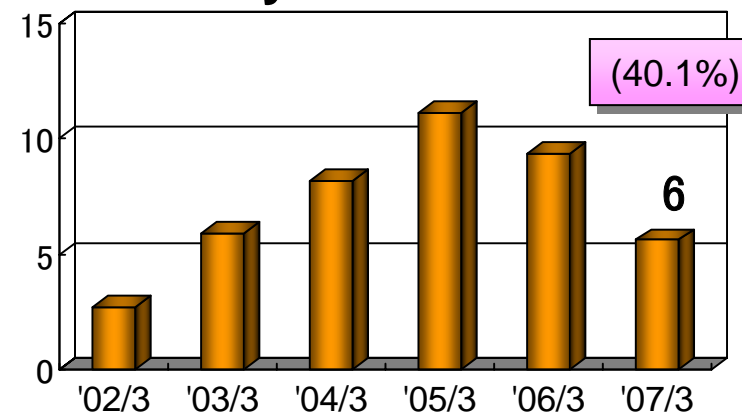
Wholesale Operation



Operating Income



Ordinary Income



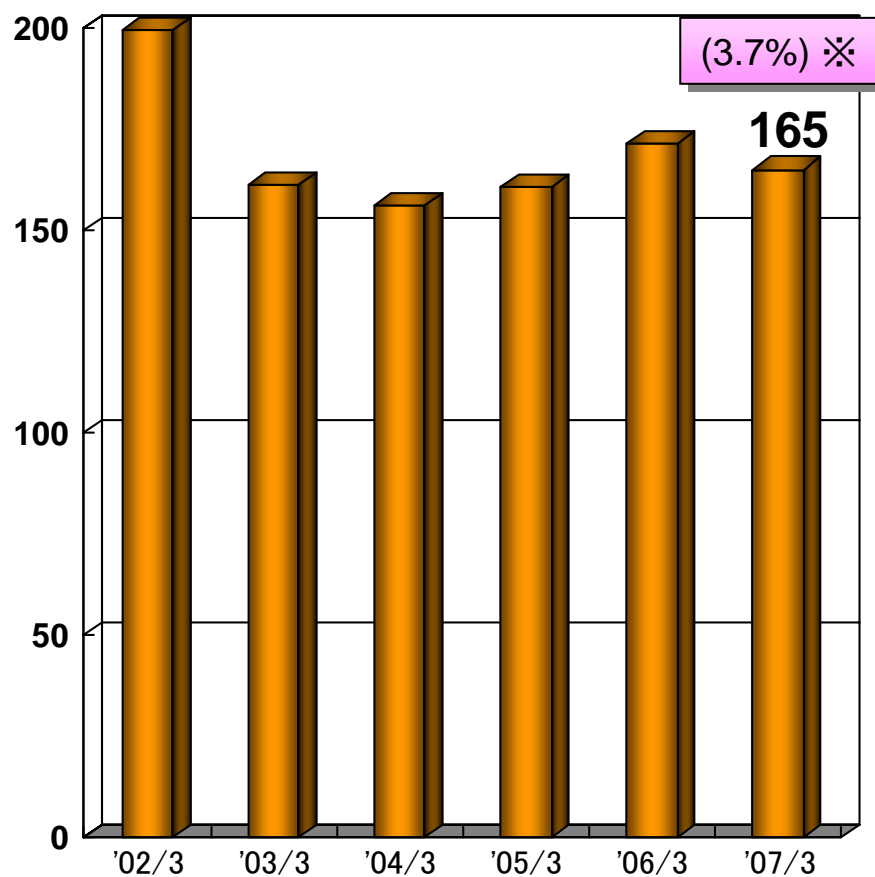
(100 Million Yen)

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Medical Devices Operation

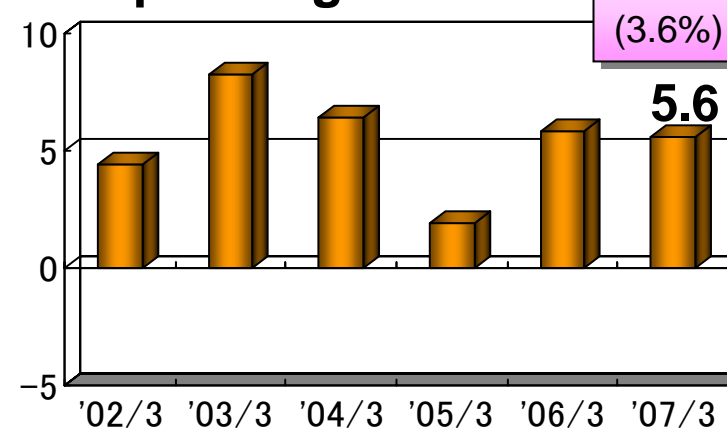
Consolidated

Net Sales

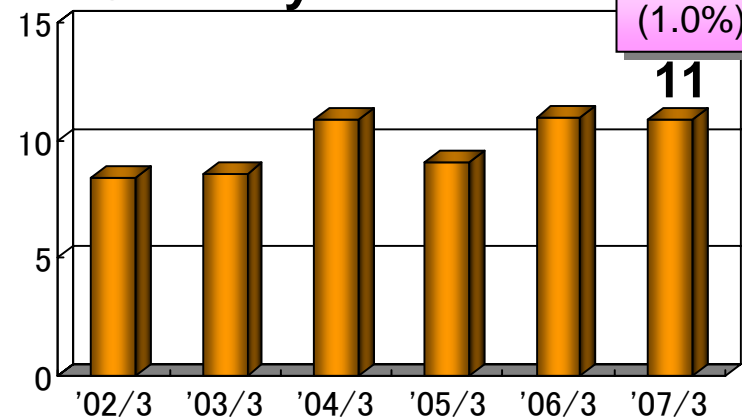


※due to transfer of shareholdings in Shield Healthcare Centers in Nov. 2006

Operating Income



Ordinary Income

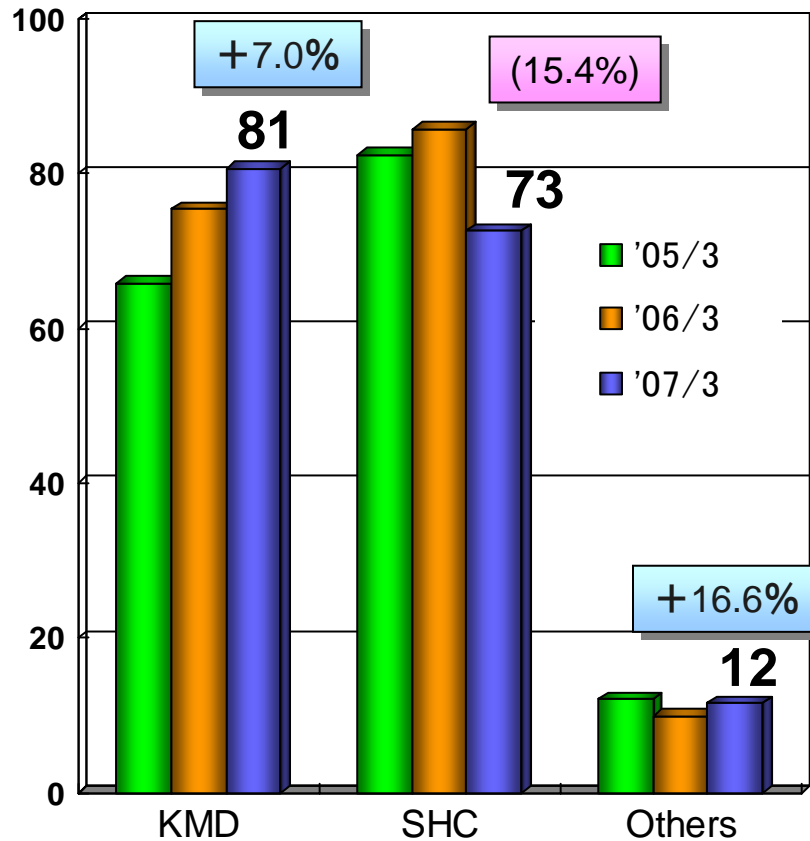


(100 Million Yen)

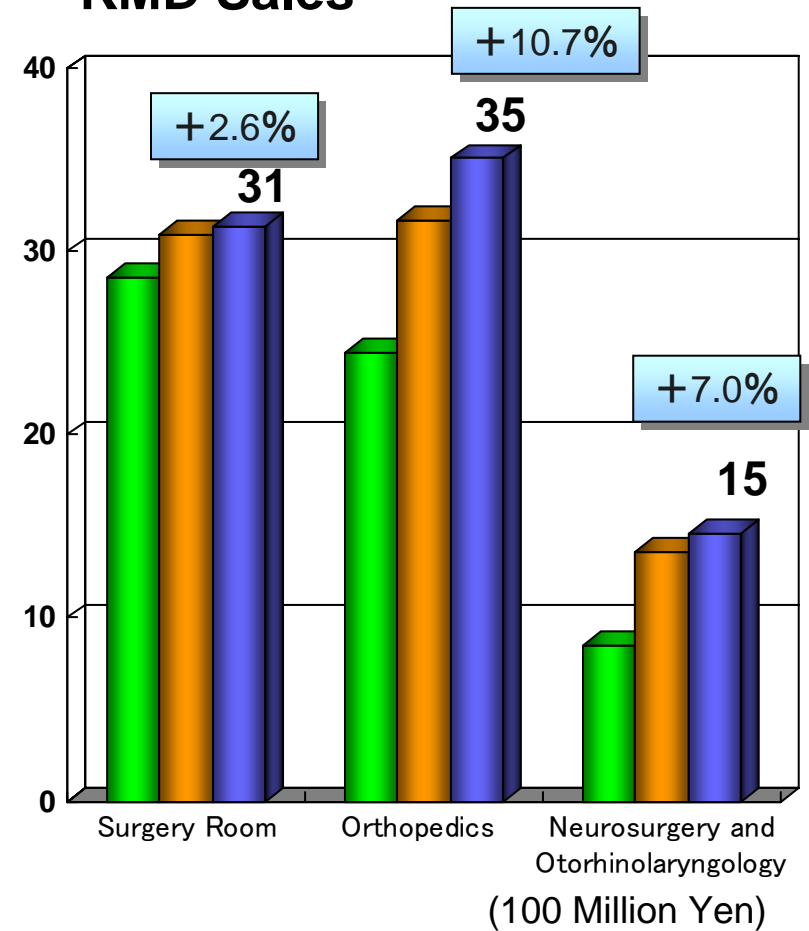
KOBAYASHI PHARMACEUTICAL CO., LTD.

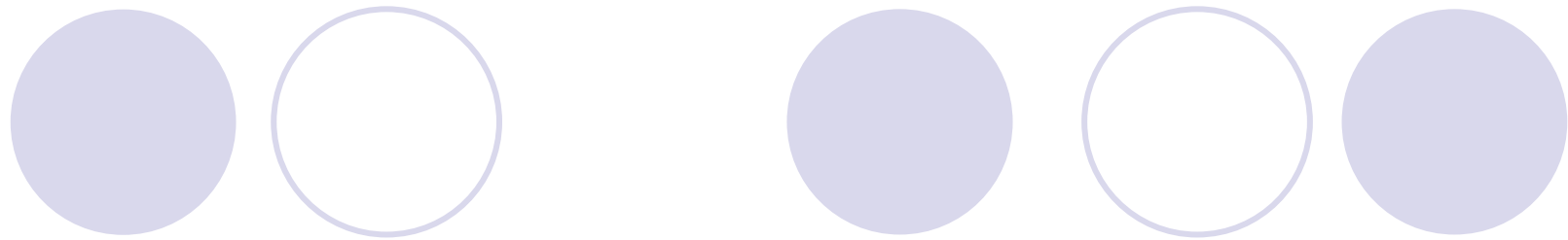
Medical Devices Operation

Sales by Category



KMD Sales





Consolidated Financial Forecast FY2008



Group Management Strategy

Accelerate growth strategies both in Japan
and overseas with fiscal 2008 as a new starting point

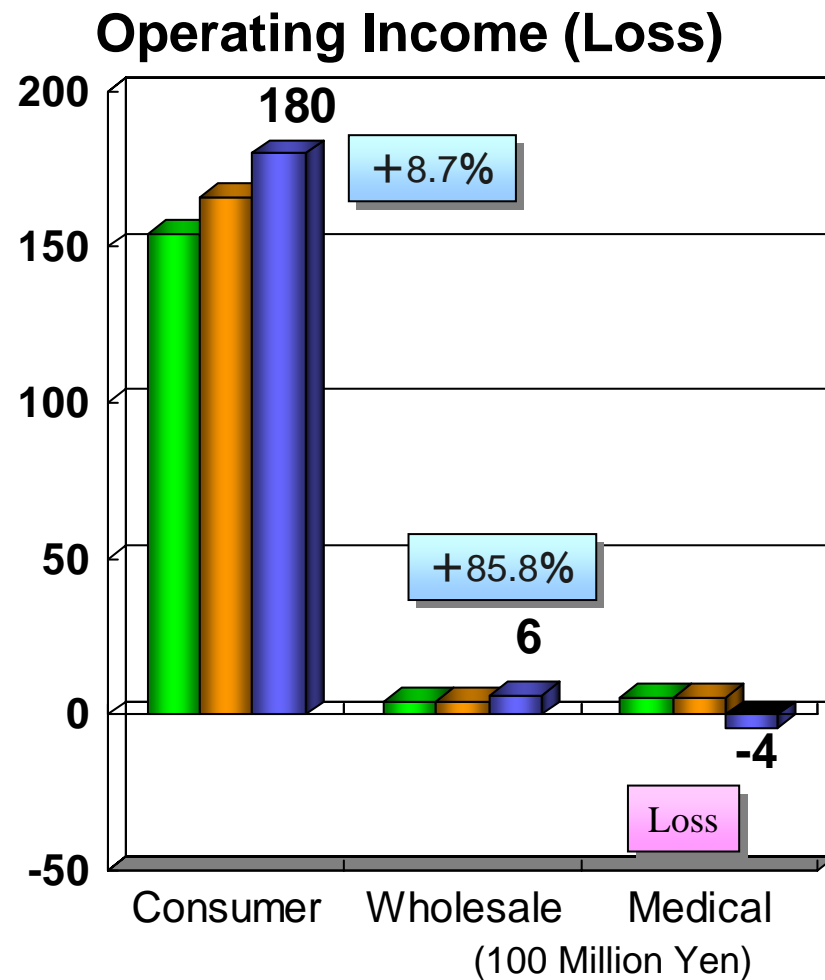
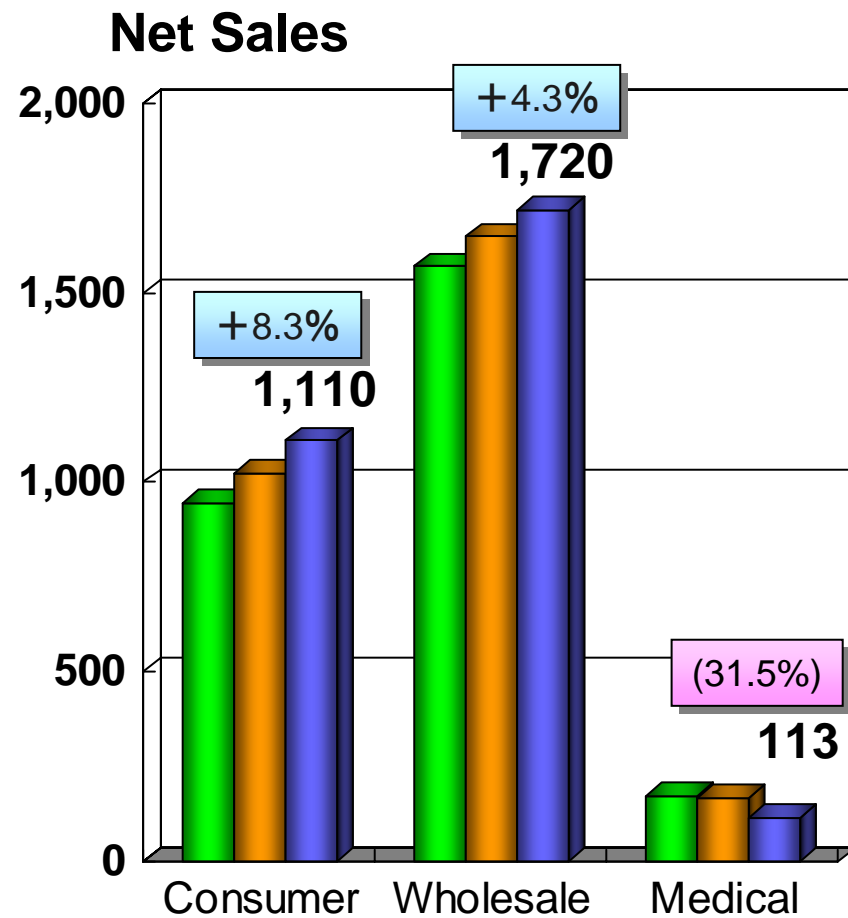
1. Stay on top of constant change to give form to the “You make a wish and we make it real” brand slogan
2. Create a vibrant organization where both the company and individual employees grow together
3. Strengthen employees’ sense of involvement and put a stronger emphasis on the frontline
4. Manage goals with an emphasis on execution and fairly evaluate results
5. Create a corporate brand trusted by employees and the public

Consolidated Financial Forecasts

| | FY2007 | | FY2008 (Forecast) | | Change | |
|-------------------------|----------------|-------------|-------------------|-------------|--------------|------------|
| | Amount | Profit rate | Amount | Profit rate | Amount | Percentage |
| | Million Yen | % | Million Yen | % | Million Yen | % |
| Net Sales | 257,022 | — | 265,000 | — | 7,978 | 3.1 |
| Operating Income | 18,029 | 7.0 | 18,500 | 7.0 | 471 | 2.6 |
| Ordinary Income | 15,012 | 5.8 | 16,000 | 6.0 | 988 | 6.6 |
| Net Income | 8,297 | 3.2 | 8,750 | 3.3 | 453 | 5.5 |
| EPS (Yen) | 200.77 | — | 211.60 | — | 10.83 | 5.4 |

※The relatively low projected growth rate for operating income reflects substantially lower earnings in the Medical Devices Operation.

Net Sales and Operating Income



KOBAYASHI PHARMACEUTICAL CO., LTD.

Promote Growth Strategies



Drive powerful sales growth

Expand sales

Invest significantly in growth areas



< Specific initiatives >

**Conduct New product development initiatives and M&As
focusing on healthcare domain**

Expand overseas operations centered on body warmers

**Strengthen both trading and manufacturing functions in the
Medical Devices Operation**



Growth Strategy for Consumer Products Operation

Strategy for new products and brand development

- **Launch approximately 30 new products every year (including trial sales)**
- **Maintain high profit margins**
- **Focus on healthcare domain**

Strategy for retail and overseas operations

- **Establish separate approaches for each retail channel**
- **Promote body warmers in overseas market**

New Products in Spring 2007

15 New Products

Combined First-year Sales Target: ¥6.8 billion



KOBAYASHI PHARMACEUTICAL CO., LTD.



Maintain and Improve Operating Margin of 16%

- **Niche Strategies**

- Capture No.1 share**

- Become resilient to price competition**

- **Establish criteria for bringing products to market**

- Base product launch decisions on gross profit margin**

Increase focus on OTC Pharmaceuticals



Overseas Expansion With Body Warmers as Strategic Products

Acquired shares of Heatmax, Inc. which has the No.1 share in U.S. body warmer market

This gives the Company retail channels in U.S. and enables it to leverage high profit margins



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Growth Strategy for Medical Device Operation

Enhance trading functions

- Focus on sales in orthopedics and surgery room fields
- Promote introduction of new products

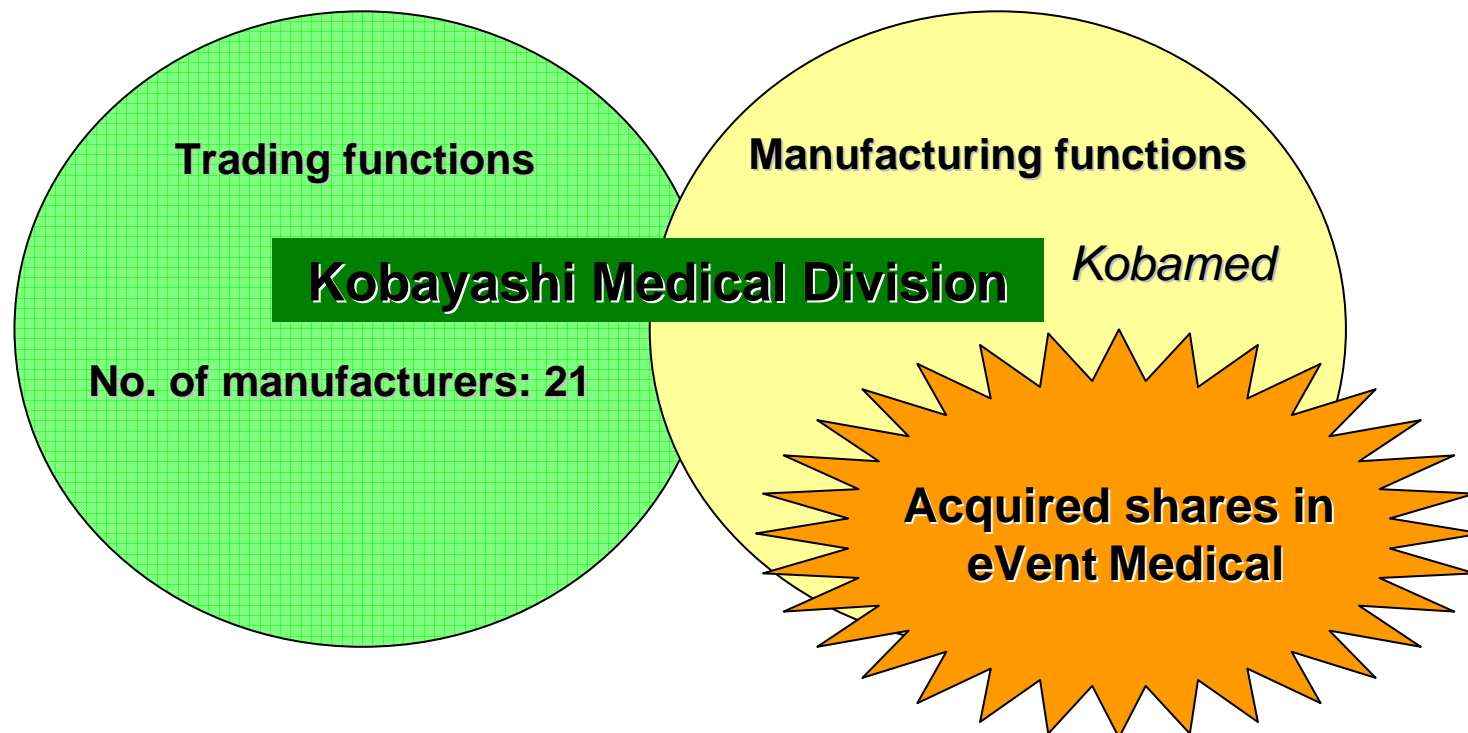
Develop manufacturing functions

- Promote proprietary brand *Kobamed*
- Made eVent Medical Limited a subsidiary

Focusing Resources on Strategic Fields in Medical Device Operation

Augmenting Manufacturing Functions

Global business expansion in proprietary products and minimizing risk of trading functions





Business Plan of eVent Medical

Development of New Products and Improvement of Existing Products

- **Extend lineup with simplified ventilator**
- **Develop peripheral products**

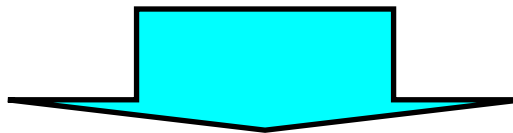
Strengthen Global Sales Framework

- **Expand sales framework in U.S.**

Growth Strategy for Wholesale Operation

Accelerate restructuring from industry-specific wholesaling to total wholesaling business

- Management integration currently under consideration with Mediceo Paltac Holdings Co, Ltd.
- Separated and merged Aoitori Distribution Co, Ltd.



Promote expansion strategy utilizing management expertise as a leading OTC drug wholesaler

Dividend Policy and Internal Reserves

Increase returns to shareholders

Raised dividend from ¥38 to ¥50

Dividend payout ratio of 25%

Plan to pay ¥54 as dividend for fiscal 2008

Growth strategy (M&As)

**Healthcare domain in
Consumer Products Operation**

