

KOBAYASHI

PHARMACEUTICAL CO., LTD.

Consolidated Annual Financial Results For the Fiscal Year Ended March 31, 2005

Note: This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese language original. All numbers are rounded down to the nearest unit in accordance with standard Japanese practice.

KOBAYASHI PHARMACEUTICAL CO., LTD.

Summary of Consolidated Financial Results for the Year Ended March 31, 2005

Kobayashi Pharmaceutical, Co., Ltd. (4967)

Exchange Listed:	Osaka and Tokyo, First Section
Principal Office:	Osaka, Japan
Homepage:	http://www.kobayashi.co.jp
President and COO:	Yutaka Kobayashi
Contact:	Masaaki Tanaka, General Manager, Group Corporate Business Headquarters
Telephone:	+81-6222-0210
Date of the Board of Directors' meeting to approve financial statements:	May 24, 2005
U.S. (GAAP) accounting standard:	Not adopted for the purposes of these statements.

1. Consolidated Financial Results (April 1, 2004 – March 31, 2005)

(1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents			
	Fiscal Year Ended March 31,			
	2005	%	2004	%
Net Sales	215,708	1.9	211,670	0.4
Operating Income	15,698	(2.6)	16,123	1.7
Ordinary Income	14,159	0.2	14,127	9.1
Net Income	6,730	0.8	6,677	1.1
Net Income per Share (yen)	160.64		157.25	
Net Income per Share, Diluted (yen)	—		—	
Return on Equity (ROE)	11.7%		12.9%	
Return on Assets (ROA)	10.8%		11.1%	
Ordinary Income to Operating Revenues Ratio	6.6%		6.7%	

- Notes:
- Equity in earnings of affiliates and non-consolidated subsidiaries:
 Fiscal year ending March 31, 2005: 391 million yen
 Fiscal year ending March 31, 2004: 280 million yen
 - Average number of shares outstanding during the period (consolidated):
 Fiscal year ended March 31, 2005: 41,622,832 shares
 Fiscal year ended March 31, 2004: 42,196,235 shares
 - Changes in accounting policies: None
 - Percentages for operating revenues, operating income, ordinary income and net income represent changes compared with the previous period.
 - Stock split (awards 1.5 shares per original share) was effected on November 20, 2003, and net income is computed per stock as per the stock split were performed at the beginning of period.
 - After potential stock adjustment, since there are no potential stocks that have the diluting effect on the net income per share, there is no such information included.

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(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	As of March 31,	
	2005	2004
Total Assets	134,629	128,326
Shareholders' Equity	60,116	54,454
Shareholders' Equity Ratio	44.7	42.4
Shareholders' Equity per Share	1,443.30	1,307.16

- Notes: (1) Number of shares outstanding at the end of the year (consolidated):
 As of March 31, 2005: 41,621,423 shares
 As of March 31, 2004: 41,626,403 shares
- (2) Stock split (awards 1.5 shares per original share) was effected on November 20, 2003, and net income is computed per stock as per the stock split were performed at the beginning of period.
- (3) The price of capital stock per shareholders' equity is 1,166.69 yen concerning the first half computed by having assumed in that split-ups of stocks were performed in the first half.

(3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2005	2004
Cash Flows from Operating Activities	8,364	6,971
Cash Flows from Investing Activities	(3,936)	(2,358)
Cash Flows from Financing Activities	(3,369)	(4,574)
Cash and Cash Equivalents, End of Year	19,035	17,663

(4) Scope of Consolidation and Equity Method:

Number of consolidated subsidiaries:	22
Number of non-consolidated subsidiaries accounted for by the equity method:	0
Number of affiliated companies accounted for by the equity method:	1

(5) Changes in Scope of Consolidation and Equity Method:

Number of consolidated subsidiaries:	(Newly consolidated)	4
	(Excluded)	0
Number of companies for which equity method accounting has been adopted:	(Newly included)	0
	(Excluded)	1

2. Projections for the Year Ending March 31, 2006 (April 1, 2005 – March 31, 2006)

Consolidated	Millions of Yen	
	Full Year	Mid Year
Net Sales	250,000	126,000
Ordinary Income	14,900	7,200
Net Income	7,100	3,000

(Reference) Projected consolidated net income per share for the full year: 169.52 yen

*The projections shown above are prepared based on information available as of the issuing date of this report, and therefore the actual results may differ from the projected figures due to various unknown factors.

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II. Kobayashi Pharmaceutical Group Operation

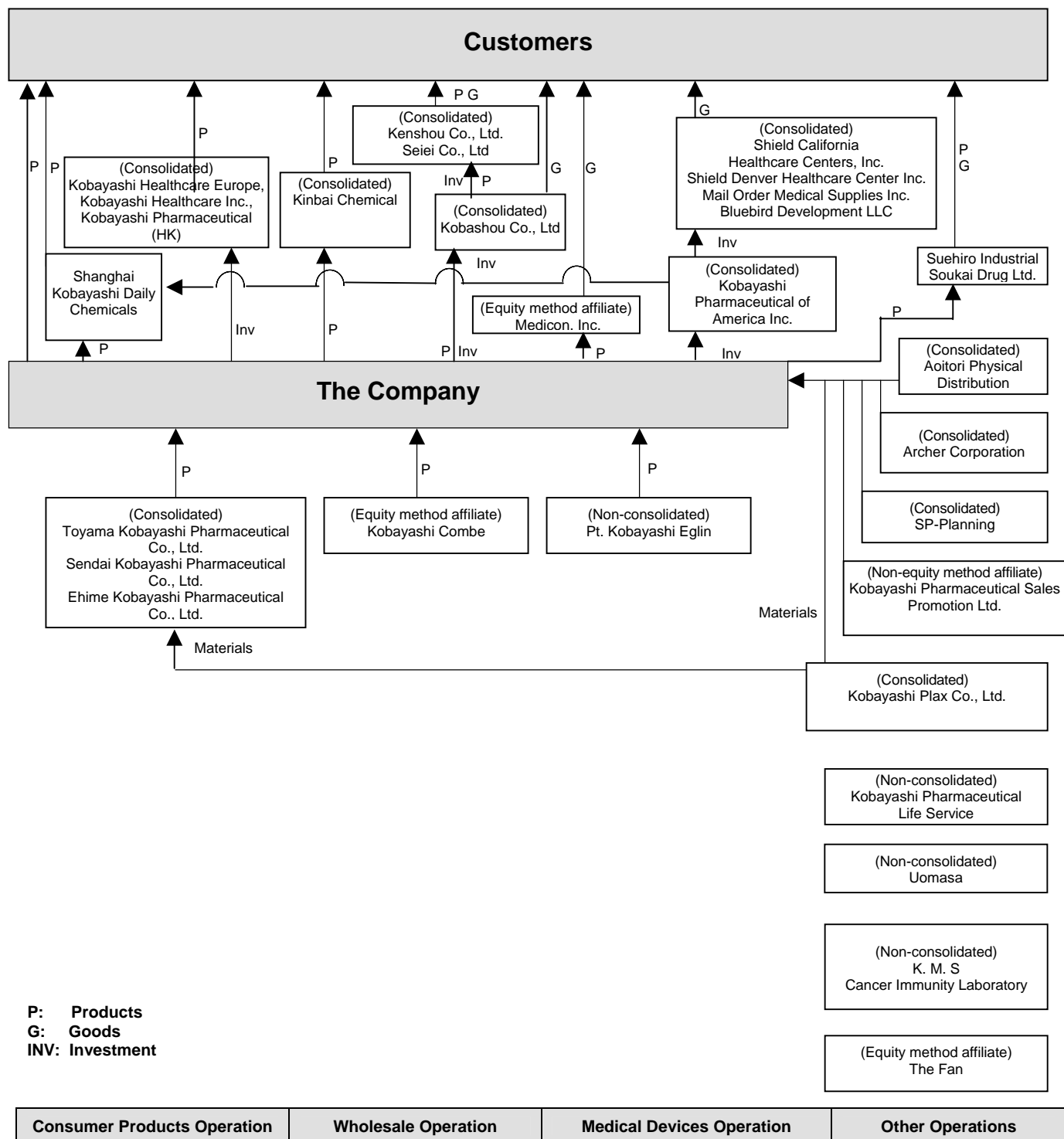
(1) Kobayashi Group Overview

The Kobayashi Group consists of Kobayashi Pharmaceutical, Co., Ltd. 27 subsidiaries and 4 affiliates. Its operations are Consumer Products Operation, Wholesale Operation, Medical Devices Operation, and Other Operation. The relationship between the Company and its affiliated companies with regards to these businesses and segments are specified in the following chart:

Products	Type	Main companies
Consumer Product Operation	Pharmaceuticals	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Kobayashi Combe
	Oral hygiene products	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Kobayashi Plax Co., Ltd.
	Deodorizing air fresheners	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Shanghai Kobayashi Daily Chemicals Co., Ltd. Kobayashi Pharmaceutical (Hong Kong) Co., Ltd.
	Household sundries	Kobayashi Pharmaceutical, Co., Ltd. Toyama Kobayashi Pharmaceutical Co., Ltd. Ehime Kobayashi Pharmaceutical Co., Ltd. Sendai Kobayashi Pharmaceutical Co. Ltd. Kiribai Chemical Co., Ltd. Kobayashi Healthcare Incorporated. Kobayashi Healthcare Europe, Ltd. Shanghai Kobayashi Daily Chemicals Co., Ltd. Kobayashi Pharmaceutical (Hong Kong) Co., Ltd.
Wholesale Operation	Pharmaceuticals	Kenshou Co., Ltd. Kobashou Co., Ltd. Seiei
	Household sundries, and foods	Kenshou Co., Ltd. Kobashou Co., Ltd. Seiei
Medical Devices Operation	Importing and Sale of medical devices	Kobayashi Pharmaceutical, Co., Ltd. Medicon, Inc.
	Production and sale of medical devices	Toyama Kobayashi Pharmaceutical Co., Ltd. Pt. Kobayashi Eglin Shanghai Kobayashi Daily Chemicals Co., Ltd.
	Integration of US affiliated company	Kobayashi Pharmaceuticals of America Incorporated
	Sale of home-use medical devices	Shield California Centers, Inc. Shield Denver Centers, Inc.
	Mail-order business for home-use medical devices	Mail Order Medical Supplies Incorporated.
	Medical Business Research	Bluebird Development LLC.
Other Operations	Transport	Aitori Physical Distribution
	Synthetic resin products manufacturing	Kobayashi Plax Co., Ltd.
	Real estate management	Suehiro Industrial
	Insurance agency	Kobayashi Pharmaceutical Life Service Co., Ltd.
	Advertising, planning and creation	Archer Corporation
	Displays and model production	SP-Planning
	Pharmaceutical products and daily goods, marketing and sales promotional activities	Kobayashi Pharmaceutical Sales Promotion of Ltd. Archer Corporation
	Retail, food business, and Information services	Soukai Drug Ltd. Suehiro Industrial Other 4 companies

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(2) Kobayashi Group Business Flow



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(3) Kobayashi Group Relationships

Company Name	Address	Capital (Million Yen)	Business Contents	Voting rights ownership ratio	Con-current Officers	Fund support	Business relationship	Lease of Facilities	Business Corporation
Toyama Kobayashi Pharmaceutical Co., Ltd.	Toyama	100	Pharmaceuticals and other manufacturing	100.0	-	Yes	Manufacturing of the Company's products	Leases of land, buildings, & facilities	-
Sendai Kobayashi Pharmaceutical Co. Ltd.	Sendai	200	Pharmaceuticals and other manufacturing	100.0	-	Yes	Manufacturing of the Company's products	Leases of land, buildings, & facilities	-
Ehime Kobayashi Pharmaceutical Co., Ltd.	Ehime	77	Hygienic and paper goods manufacturing	100.0	-	Yes	Manufacturing of the Company's products	-	-
Kiribai Chemical Co., Ltd.	Osaka	49	Manufacturing sales of heating pad	100.0	Yes	-	-	-	-
Kobayashi Plax Co., Ltd.	Toyama	95	Synthetic resin products manufacturing	100.0	-	Yes	Manufacturing of the Company's products, & materials	-	-
Kobashou Co., Ltd.	Tokyo	4,297	Pharmaceutical products wholesaling	92.8	Yes	-	Sale of the Company's products	Leases of land & buildings	-
Kenshou Co., Ltd.	Tokyo	465	Pharmaceutical products wholesaling	40.9	-	-	Sale of the Company's products	-	-
Aotori Physical Distribution	Osaka	99	Transport	92.8	Yes	-	Transport and storage of the Company's products	Leases of buildings & facilities	-
Archer Corporation	Tokyo	10	Advertising, planning and creation	100.0	Yes	-	Advertising, planning and Marketing	-	-
SP-Planning	Osaka	10	Displays and model production	100.0	Yes	-	Production of the Company's SP tools	Leases of buildings	-
Suehiro Industrial	Osaka	15	Retail sales of daily necessities etc.	100.0	Yes	Yes	Sale of the Company's products	Leases of buildings	-
Kobayashi Pharmaceutical Life Service Co., Ltd.	Osaka	10	Insurance agency and real estate management	100.0	Yes	-	Real estate management	Leases of buildings	-
Kobayashi Pharmaceuticals of America Incorporated	California USA	US\$ 1	Kobayashi Group U.S. Management	100.0	Yes	Yes	-	-	-
Shield California Centers, Inc.	California USA	US\$ 20,000	Home healthcare and medical device marketing	100.0	Yes	-	-	-	-
Shield Denver Centers, Inc.	Colorado USA	US\$ 1,000	Home healthcare and medical device marketing	100.0	Yes	-	-	-	-
Mail Order Medical Supplies Inc.	California USA	US\$ 10,000	Home healthcare and medical devices catalog sales	100.0	Yes	-	-	-	-
Bluebird Development LLC.	California USA	US\$ 4,601,009	Medical business research	99.0	Yes	-	Marketing of the Company's products	-	-
Kobayashi Healthcare, Inc.	Pennsylvania USA	US\$ 10,000	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Kobayashi Healthcare Europe, Ltd.	London UK	£ 6,999	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Shanghai Kobayashi Daily Chemicals Co., Ltd.	Shanghai	RMB 76,537,998	Daily goods manufacturing and sales	100.0	Yes	-	Manufacturing and sales of the Company's products	-	-
Kobayashi Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	HK\$1,570,000	Daily goods sales	100.0	Yes	-	Manufacturing and sales of the Company's products	-	-
Kobayashi Combe	Osaka	40	Pharmaceutical import and marketing	100.0	Yes	Yes	Importing of the company's products	-	-
Medicon, Inc.	Osaka	160	Medical equipment and device import and marketing	50.0	Yes	-	Sales of the company's products	-	-

Notes:

1. Special subsidiary companies are Kobashou Co., Ltd., Kenshou Co. Ltd., Bluebird Development LLC. and Shanghai Kobayashi Daily Chemicals Co., Ltd.
2. None of the companies listed above issue a securities report.
3. Figures in the "voting rights/ownership ratio" column include indirect ownership ratios.
4. Although sales for Kobashou Inc. account for more than 10% of consolidated sales (excluding sales between consolidated companies), since its sales account for more than 90% of the sales of the segment type in which it operates in the current term, major profit and loss information is omitted.

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III. Management Policy

1. Basic Management Policy

Kobayashi Group's management policy is to provide people and society with wonderful "comfort" as a result of our quest for the new through creativity and innovation. It is our mission to provide all our stakeholders with a "healthy," "comfortable," and "convenient" experience, that is, to "give a shape to desires." In an era of accelerating change and intensifying competition, the driving force for our growth is our unceasing pursuit of "Something New, Something Different," and our development of new products and services that satisfy customer needs. By doing so, we intend to increase the enterprise value so as to deliver greater satisfaction to all our stakeholders.

2. Basic Policy on Profit Distribution

One of the Company's most important management policies is returning a profit for our shareholders, and thus placing emphasis on aspects of our operations to make this possible.

To this end, the basic policy is one of ensuring adequate internal reserves needed for high growth-oriented business development and a sound corporate structure, while at the same time maintaining stable dividend payments. Thus, the Company's efforts are directed toward incorporating this dividend policy into the consolidated results. Internal reserves will be utilized for M&A to expand operations in consumer products and medical-related areas and for proactive investment in the overseas arena.

A regular annual dividend of 33 yen per share is scheduled for the March 2005 term based on the above-mentioned policy (the regular dividend for the March 2004 term was 21 yen).

3. Policy on Reduction in the Minimum Trading Unit

We recognize that increasing share liquidity, broadening the investor base and increasing the number of shareholders are critical issues for the Company. To this end, the Company reduced the number of shares in a minimum trading unit from 1,000 to 100 shares in July 2000. Additionally, the Company executed a stock split at the rate of 1.5 for 1 on September 30, 2003, the record date. We will continue to consider measures to increase shareholder value, broaden the investor base and enhance share liquidity.

4. Targeted Management Indices

Kobayashi Pharmaceutical aims to achieve a return on assets of 12% and an equity ratio of 50%. The growth strategy for the Consumer Products Operation is based on vigorous development of new products. Our R&D targets are for sales of products commercialized in the last four year to account for at least 35% of total sales, and for new products released in any given fiscal year to account for at least 10% of total sales during that fiscal year. Moreover, with the aim of maximizing shareholder value, we have introduced a new management index, KOVA, that takes the efficiency of capital employed into account, and we will strive to increase KOVA over the long term. Note: KOVA is a management index unique to Kobayashi Pharmaceutical and is calculated by subtracting capital costs from operating income after taxes.

5. Medium- to Long-term Management Strategy

For Kobayashi Pharmaceutical to achieve sustainable growth, we need to address two tasks: strengthening of the product line-up of each operation to satisfy customer needs and expansion of geographical coverage.

More specifically, for the Consumer Products Operation and the Medical Devices Operation, we intend to strengthen the product line-up through vigorous development of new products, M&A and alliances and expand geographical coverage by entering new markets overseas. We have charted a new course for the Wholesale Operation in order to achieve continuing growth, in view of the increasingly drastic restructuring of the industry. Specifically, for the Wholesale Operation, we intend to pursue alliances with other wholesalers and M&A for the purpose of expanding the business in terms of both the range of products handled and geographical coverage.

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We aim to achieve annual sales of at least 300 billion yen as soon as possible. Also, in line with our focus on the cost of capital, we will review businesses that yield low returns and vigorously invest in growth businesses offering high returns so as to realize a continuous increase in KOVA.

6. Issues to Be Addressed

Adhering to our management policy of "Creativity and Innovation," it is our mission to constantly innovate so as to maintain high growth and to establish a robust foundation for the business. To this end, it is crucial for us to bring our new product development capability, which is our core competence, into full play, vigorously promote alliances and mergers that will strengthen the competitiveness of our operations and enhance profitability, and achieve an efficient and robust financial position. Moreover, we intend to develop our business overseas vigorously, reaching out from the domestic market. Since Kobayashi Pharmaceutical provides products and services that are associated with people's health and lives, we will also strive to realize more thorough quality control.

7. Basic Stance on Corporate Governance and Implementation of Measures

Kobayashi Pharmaceutical places enhancement of shareholder value at the heart of its efforts to maximize enterprise value, which is a key objective of management. Accordingly, management is endeavoring to swiftly disclose accurate information and achieve transparency.

The reshaping of management organizations, implemented upon resolution of the general meeting of shareholders held in June 2000, included optimization of the number of directors (seven as of June 2000, six at present), and introduction of the executive officer system (13 officers of whom seven were also directors as of June 2000, 12 officers of whom five are also directors at present) and the in-house company system. Such measures are aimed at having systems and procedures in place to vitalize the board of directors, streamline the decision-making process and strengthen the functions for business execution. In April 2004, overall management of the Kobayashi Pharmaceutical Group was concentrated into four divisions with the executive officers responsible for carrying out management under the president and division heads. The board of directors meets monthly and also holds extraordinary meetings as necessary, in order to make decisions on issues stipulated by laws and regulations and critical management issues and supervise the execution of operations sequentially.

In accordance with the above-mentioned reshaping, the Company implemented a growth strategy, including the spin-off of the wholesale operation into a separate company in April 2001, the acquisition of Kiribai Chemical Co., Ltd. in June 2001, a business tie-up in March 2004 involving our wholesale subsidiary Kobashou Inc. and Mitsubishi Corporation and RyoShoku Ltd., a capital tie-up between Kobashou Inc. and Suzuken Co., Ltd. in September 2004, acquisition of exclusive marketing rights for general-use women's pharmaceuticals in January 2005, and the change of a joint venture company to a wholly owned subsidiary in March 2005. At the same time, the Company withdrew from unprofitable business areas and pushed forward with reorganization efforts. The Company also withdrew from unprofitable businesses and promoted restructuring. At present, the Company has no non-executive directors because people who have an excellent understanding of the Company's management philosophy and are able to put it into practice are making decisions from their vantage point at the forefront of the business. Meanwhile, the Company is enhancing the auditor system. Of the four auditors, two are external auditors with whom the Company has neither capital nor business relationships.

The Company is requesting Shin Nihon & Co., the accountant auditor, to provide proposals in the course of its auditing that will lead to improvement in operations, through forums such as regular meetings that are held every month. Regarding management and business practices, the Company receives advice from legal counsel and other specialists from time to time that is reflected in the decision-making process. The chart below shows the names and status of the certified public accountants responsible for audit activity, the name of the affiliated audit firm, the number of years the parties have been assigned to the Company account, and the composition of staff providing assistance for the auditing activities.

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Names and Status of Certified Public Accountants Responsible for Audit Activity	Name of Affiliated Audit Firm	No. of Years Assigned to Account as Auditor	Composition of Staff Providing Assistance for Auditing Activities
Masanori Ishibashi, Assigned staff responsible for business execution	Ernst & Young ShinNihon	1	Certified public accountants: 6 persons Assistant certified public accountants: 4 persons
Hiroyuki Ito, Assigned staff responsible for business execution	Ernst & Young ShinNihon	14	
Tamon Tsuda, Assigned staff responsible for business execution	Ernst & Young ShinNihon	4	

When appropriate, the Company seeks advice from specialists such as consulting attorneys on matters relating to corporate management and daily business operations which is incorporated into management decision-making.

As a recent development, the Compliance Committee was set up in April 2003 with the aim of thoroughly implementing and reinforcing the principle of legal compliance in the Company's activities. In September 2003, the Company established "Basic Guidelines on Corporate Behavior" and "Standards for the Behavior of Executive Officer and Employees". Going forward, we plan to actively develop these basic guidelines and behavioral standards on a company-wide basis.

Furthermore, in January 2004, we set up the "Employee Consultation Department" as a point of contact for employees seeking advice regarding compliance, and we are also working to collect and action information concerning compliance at an early stage.

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IV. Business Results and Financial Condition

(1) Overview of Fiscal 2004 (ended March 31, 2005)

(Millions of Yen)

	FY2004, ended March 31, 2005		FY2003, ended March 31, 2004		Change	
	Amount	%	Amount		Amount	%
Net Sales	215,708	100.0	211,670	100.0	4,038	1.9
Operating Income	15,698	7.3	16,123	7.6	(424)	(2.6)
Ordinary Income	14,159	6.6	14,127	6.7	31	0.2
Net Income	6,730	3.1	6,677	3.2	52	0.8
Net Income per share (yen)	160.64		157.25		3.39	2.2

Note:

On November 20, 2003, the Company carried out a stock split (at a rate of 1.5 shares to 1.0), and interim net income was calculated on the assumption that the stock split had occurred at the beginning of the fiscal year.

During the fiscal term under review, although signs were seen for a recovery of the Japanese economy from favorable increases in exports to the United States and East Asia, better corporate incomes and increased capital investment, personal spending remained mired from concerns over the increasing burden on social costs. Adding to this were a series of exceptionally unpleasant environmental factors such as a record-breaking heat wave, a number of typhoons, unseasonable winter weather, an influenza scare and remarkably high concentrations of allergy-causing pollen.

In these challenging circumstances, the Kobayashi Pharmaceutical Group unleashed the spirit expressed in its management policy of "Creativity and Innovation." Efforts were made to tap into potential customer needs with the introduction of new products and services to seed new markets as well as invigorating existing markets by offering products and services with new added value. As a result of these measures concurrent with proactive efforts to buy brand names, form company alliances and pursue overseas business expansion, sales posted an increase of 4,038 million yen over the previous year (1.9%) to 215,708 million yen.

In contrast, however, despite cost-cutting through sweeping reductions of manufacturing costs and carrying out a review of sale promotion expenses, aggressive commitment to advertising aimed at raising name recognition for the Company's brands both domestically and internationally, operating income posting at 15,698 million yen, down by 424 million yen (2.6%) from the previous consolidated fiscal year. Ordinary income benefited from an increase of royalties from merger companies to post at 14,159 million yen, up by 31 million yen (0.2%) over the previous consolidated fiscal year. As a result, net income for the term under review increased to 6,730 million yen, up by 52 million yen (0.8%) from the previous consolidated fiscal year.

Four consolidated subsidiaries were added in the current consolidated accounting period consisting of Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd., Kobayashi Pharmaceutical Life Service Co., Ltd. and Kobayashi Combe.

(2) Segment Analysis

The following is a summary of performance by business segment during fiscal 2004.

Consumer Products Operation

In this segment, 16 new products were launched (not including nutritional supplement food products) in an effort to create new markets and further expand on existing markets. Among these products (non-pharmaceuticals) which contributed to growth were Keshimin Cream, a skin care cream for discoloration and freckles from sun exposure with vitamin effectiveness; Ofloat, an pleasant aromatic essence that sits on the water surface during bathing; and Nodonuru, an oral antiseptic spray that went on sale following deregulation for pharmaceutical products. In addition, nutritional supplement food products, which are sold through the twin channels of mail order and drug store outlets, also benefited from the increased health consciousness and continued to post favorable results. Compared to last year, this year's marked increase in airborne pollens resulted in dramatically

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higher sales of allergy medicines such as the eyewash product Aibon. As a result, sales posted at 89,273 million yen, an increase of 2,218 million (2.5%) over the previous consolidated accounting period.

Nevertheless, despite cost-cutting through sweeping reductions of manufacturing costs and carrying out a review of sale promotion expenses, aggressive commitment to advertising aimed at raising name recognition for the Company's brands both domestically and internationally saw operating income drop off to 14,492 million yen, down by 139 million yen (1.0%) from the previous consolidated accounting period.

Sales by Category

(Millions of Yen)

	FY2004, ended March 31, 2005		FY2003, ended March 31, 2004		Change	
	Amount	%	Amount		Amount	%
Pharmaceuticals	15,164	17.0	14,957	17.2	207	1.4
Oral hygiene products	10,091	11.3	9,891	11.4	200	2.0
Sanitary products	12,506	14.0	11,879	13.7	627	5.3
Deodorizing air fresheners	28,036	31.4	27,258	31.3	778	2.9
Household sundries	4,598	5.2	5,008	5.7	(410)	(8.2)
Food products	11,196	12.5	9,958	11.4	1,238	12.4
Body warmers	7,682	8.6	8,104	9.3	(422)	(5.2)
Total	89,273	100.0	87,055	100.0	2,218	2.5

Notes:

1) Segment sales include internal sales and transfers among segments; the value of these totaled 19,532 million yen in fiscal 2003 and 20,532 million yen in fiscal 2004.

Wholesale Operation

The business environment for the Wholesale Operation segment was severe from factors such as the introduction of new pricing system at drug stores, our leading customer base, showing the tax-inclusive price, and the scorching summer heat followed by the warm winter. However, this was offset by the improved sales of products to treat the outbreak of influenza and pollen-related allergies together with new sales from our wholesaler in the Shikoku region. As a result, sales increased to 128,356 million yen, up by 2,276 million yen (1.8%) over the previous consolidated accounting period.

On the profit front, operating income, which posted an increase of 49.6% to 799 million yen (up by 265 million yen from the previous consolidated accounting period), benefited from marked reductions in costs resulting from bulk purchasing and lower delivery charges from manufactures associated with economies of scale accompanying the expansion of the scale of business operations.

Sales by Category

(Millions of Yen)

		FY2004, ended March 31, 2005		FY2003, ended March 31, 2004		Change	
		Amount	%	Amount		Amount	%
Drugs	Products	8,352	6.5	7,606	6.0	746	9.8
	Merchandising	42,025	32.7	43,165	34.2	(1,140)	(2.6)
Sanitary products	Products	15,976	12.5	14,594	11.6	1,382	9.5
	Merchandising	62,003	48.3	60,715	48.2	1,288	2.1
Total		128,356	100.0	126,080	100.0	2,276	1.8

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Medical Devices Operation

In Japan, the Kobayashi Pharmaceutical Group has paid particular attention to expanding its line of products in specific markets identified for penetration such as orthopedics, operating theaters, neurosurgery and otorhinolaryngology, and a particular emphasis has been given to developing products aimed at acquiring orders in the area of orthopedics. Greater effort has also been given to making the transition from a company engaging solely in sales to one that also engages in manufacturing, and four products developed in-house have been marketed.

Overseas, although the three Shield Health Centers were able to increase their customer base from the purchase customer lists, income was heavily effected by changes in the California State insurance system (cutbacks in insurance refunds and other measures) and the stronger yen.

As a result of these factors, sales posted at 16,056 million yen, an increase of 448 million yen (2.9%) over the previous consolidated accounting period, and operating income fell 455 million yen (70.7%) from the previous consolidated accounting period to 189 million yen.

Income from investment activity obtained from Medicon Inc., an affiliate included under the equity method, was 330 million yen (compared to 279 million in the previous consolidated accounting period).

Sales by Category

(Millions of Yen)

	FY2004, ended March 31, 2005		FY2003, ended March 31, 2004		Change	
	Amount	%	Amount		Amount	%
Kobayashi Medical Company	6,594	41.1	5,937	38.0	657	11.1
Shield Healthcare Centers (3 companies)	8,245	51.3	8,639	55.3	(394)	(4.6)
Others	1,217	7.6	1,032	6.7	185	17.9
Total	16,056	100.0	15,608	100.0	448	2.9

Other Operations

Other Operations are conducted by Kobayashi Pharmaceutical's subsidiaries in support of the Company's three principal businesses and to contribute to the profits of those businesses. The Group reviewed the transfer values of the materials and services these subsidiaries and affiliates provide.

As a result, sales for Other Operations posted an increase to 12,205 million yen, an increase of 346 million yen (2.9%) over the previous consolidated accounting period. Operating profit was down by 13 million yen (8.5%) relative to the previous consolidated accounting period to 140 million yen. Note, however, that sales also include internal sales and transfers among segments, and the value of these totaled 8,401 million yen compared to 8,434 million yen in the previous consolidated accounting period.

(3) Forecasts for Fiscal 2005/06 (ended March 31, 2006)

(Millions of Yen)

	FY2005, ended March 31, 2006		FY2004 ended March 31, 2005		Change	
	Amount	%	Amount	%	Amount	%
Net Sales	250,000	100.0	215,708	7.3	34,292	15.9
Operating Income	16,500	6.6	15,698	6.6	802	5.1
Ordinary Income	14,900	6.0	14,159	3.1	741	5.2
Net Income	7,100	2.8	6,730	7.3	370	5.5
Net Income per share (yen)	169.52		160.78		8.74	5.4

Given such an environment, to bolster competitiveness and become the leader in the fields in which the Company operates, it is imperative for the Kobayashi Pharmaceutical Group to implement strategies aimed at

KOBAYASHI PHARMACEUTICAL CO., LTD.

further strengthening existing businesses and brands which form the foundation for the Group's success, further expand the scope of business operations, and at the same time carry out strategies to foster growth.

For the coming fiscal year, the Company is projecting consolidated sales of 250,000 million yen, and increase of 34,292 million yen (15.9%) compared to the previous consolidated accounting period. On the profit side, by carefully continuing to implement measures aimed at holding costs down such as the costs of goods sold, the projections are for increases over the previous consolidated accounting period in operating income of 802 million yen (5.1%) to 16,500 million yen, ordinary income of 741 million yen (5.2%) to 14,900 million yen, and current net income of 370 million yen (5.5%) to 7,100 million yen.

The Company's basic policy is to continue providing stable dividends. The next dividend will be 33.00 yen per share as an ordinary allotment.

Kobayashi Pharmaceutical Group's earnings forecasts for its main business segments are as follows.

Consumer Products Operation

While the operating environment is expected to continue to be severe, in the spring of this year, the Company launched seven new products aimed at tapping into potential consumer needs such as Namaba Ekiyaku, a superior and effective treatment for pyorrhea with four active ingredients that, when applied, penetrates into the affected areas; Fanderichi, a fragrant room deodorizer that spreads to every corner of a room by means of a small fan; and Sarasati Yawaraka Silk Touch, a soft and delicate panty liner designed to be comfortable to wear at all times.

In June 2005, Inochino Haha A is slated to go on sale, a feminine health product to which the Company acquired exclusive rights aimed at the treatment of menopausal discomfort. Sales from these products is expected to generate income of 93,000 million yen, an increase of 3,717 million yen (4.2%) over the previous consolidated accounting period. On the profit side, by keeping costs down such as the cost of goods sold and, at the same time, carrying out an aggressive advertising campaign to foster brand recognition, operating income is estimated to show an increase of 508 million yen (3.5%) over the previous consolidated accounting period to 15,000 million yen.

	(Millions of Yen)			
	FY2004, ended March 31, 2005	FY2003, ended March 31, 2004	Change	
	Amount	Amount	Amount	%
Net sales	89,273	93,000	3,727	4.2
Operating Income	14,492	15,000	508	3.5

Notes:

1) Segment sales include internal sales and transfers among segments; the value of these totaled 21,748 million yen in fiscal 2004 and 24,000 million yen in fiscal 2005.

Wholesale Operation

In addition promoting more alliances with other companies aimed at expanding the geographical coverage to cater to the increasingly wide-ranging operations of drug stores, a major customer segment, the Company will strengthen its product lines for the discriminating customer in health foods and contact lens care, markets that are experiencing growth. The Company will also actively pursue measures in new categories such as products for infants and the elderly. The estimates are for increases in both sales and operating income over the previous consolidated accounting period, with the former at 161,000 million yen, up by 32,644 million yen (25.4%), and the latter at 800 million yen, up by 1 million yen (0.1%).

Beginning in April 2005, the operations of Suzuken Co., Ltd., a wholesaler of ordinary pharmaceuticals, will be taken over by Kobashou, Inc. and two subsidiaries newly included in the scope of consolidation, KS Hokkaido Co., Ltd. and KS Tokai Co., Ltd.

(Millions of Yen)

KOBAYASHI PHARMACEUTICAL CO., LTD.

	FY2004, ended March 31, 2005	FY2003, ended March 31, 2004	Change	
	Amount	Amount	Amount	%
Net sales	128,356	161,000	32,644	25.4
Operating Income	799	800	1	0.1

Medical Devices Operation

The Kobayashi Medical Company will add to its product lines in areas such as orthopedics primarily through partnerships with overseas manufactures and, at the same time, will actively pursue development of the Company's own products under the Kobamed brand name. The three Shield Healthcare companies that operate in the United States will continue working toward increasing customer numbers through measures such as the purchase of customer lists as well as seeking out ways to reduce the cost of doing business. These measures are expected to produce sales of 17,000 million yen, an increase of 944 million yen (5.9%) over the previous consolidated accounting period, and operating income of 400 million yen, an increase of 211 million yen (111.6%) over the previous consolidated accounting period.

(Millions of Yen)

	FY2004, ended March 31, 2005	FY2003, ended March 31, 2004	Change	
	Amount	Amount	Amount	%
Net sales	16,056	17,000	944	5.9
Operating Income	189	400	211	111.6

KOBAYASHI PHARMACEUTICAL CO., LTD.

Financial Position

(1) Summary of Cash Flows in Fiscal 2004 (ended March 31, 2005)

(Millions of Yen)

	FY2004, ended March 31, 2005	FY2003, ended March 31, 2004	Change	
	Amount	Amount	Amount	%
Cash flows from operating activities	8,364	6,971	1,393	20.0
Cash flows from investing activities	(3,936)	(2,358)	(1,578)	(66.9)
Free cash flow	4,428	4,613	(185)	(4.0)
Cash flows from financing activities	(3,369)	(4,574)	1,205	--
Term-end balance of cash and cash equivalents	19,035	17,663	1,372	7.8

Cash flows from operating activities

Net cash generated from operating activities were 8,364 million yen, an increase of 1,393 over the previous consolidated accounting period.

This was the result of the combined increase in net pre-tax income to 944 million yen, improved operating expenditures, and a reduction in the amount of corporation tax paid from the increase in the special deduction for testing and research expenses.

Cash flows from investing activities

Net cash generated from investment activities was 3,936 million yen, an increase of 1,578 over the previous consolidated accounting period.

This was attributed to the procurement of metal molds for new product development, purchase of customer lists by U.S. subsidiaries, and acquiring good will and trademarks in Japan.

Cash flow from financing operations

Net cash generated from financing activities was 3,369 million yen, a decrease of 1,205 from the previous consolidated accounting period. Although there was an increase of dividend payments to 283 million yen, this is also attributed to the fact that the Company has conducted no purchases of treasury stock in the current consolidated accounting period as it did in the previous term.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the term posted an increase of 1,372 million yen over the previous consolidated accounting period to 19,035 million yen.

Note: The following formula was used to calculate free cash flow:

Free cash flow = Cash flows from operating activities + cash flows from investing activities

(2) Fiscal 2005 Forecasts

The operating environment is severe, but we will endeavor to reduce inventories and accounts receivable so as to improve the KOVA (Kobayashi Value Added) management index, which takes the efficiency of capital employed into account.

During the current consolidated accounting period, ongoing capital investment for activities such as product development is projected to be about the same, and funds earmarked for investment are likely to decline given the fact that the Company presently has no other major investment projects.

Financing activities are also projected to be about the same during the current consolidated accounting period.

KOBAYASHI PHARMACEUTICAL CO., LTD.

(3.) Cash Flow Indicator Trends

	As of March 31,				
	2005	2004	2003	2002	2001
Equity Ratio (%)	44.7	42.4	39.2	36.8	36.1
Equity Ratio at Market Value Basis (%)	90.5	91.8	82.9	99.7	133.2
Debt Repayment Period (years)	0.3	0.8	0.7	2.3	0.9
Interest Coverage Ratio (times)	96.7	90.5	87.9	20.0	36.0

Notes:

1. Each index is calculated by relevant formulas with financial figures quoted from the consolidated balance sheet.

- Equity Ratio = Shareholder's equity ÷ Total assets
- Equity Ratio at market value basis = Total market value of listed shares ÷ Total assets
- Liability Maturity = Liability with interest ÷ Cash flows from operating activities
- Interest Coverage Ratio = Cash flows from operating activities ÷ interest payment

2. Consolidated financial figures constitute the basis for calculating these indicators.

2. Market capitalization is calculated by multiplying a closing price of a share at the year-end by the number of shares issued after deduction of own shares at the year-end.

3. Liabilities with interest, liabilities accounted in the consolidated balance sheet, all debts that incur interest payment.

4. For the amount of cash flows from operating activities and interest payment, "Cash flows from operating activities" and "Interest payment" in the consolidated statement of cash flow are used.

KOBAYASHI PHARMACEUTICAL CO., LTD.

V. Annual Consolidated Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen				
	As of March 31,				
	2005	%	2004	%	Change
Assets					
Current assets:					
Cash and time deposits	19,035		17,663		1,372
Trade notes and accounts receivable	44,137		41,771		2,365
Securities	1,000		--		1,000
Inventories	15,783		14,093		1,689
Deferred income taxes	2,417		2,453		(35)
Other current assets	4,976		4,577		399
Allowance for doubtful accounts	(647)		(529)		(117)
Total Current Assets	86,704	64.4	80,030	62.4	6,673
Fixed Assets:					
Tangible Fixed Assets:					
Buildings and Structures	12,234		11,964		269
Machinery and equipment	1,360		1,149		211
Land	9,928		9,949		(21)
Other	1,479		1,504		(24)
Total Fixed Assets	25,002	18.6	24,568	19.1	434
Intangible Assets:					
Goodwill	1,148		964		183
Trademark	1,423		--		1,423
Software	910		875		35
Consolidation Adjustments account	3,099		3,759		(659)
Other	294		367		(73)
Total Intangible Assets	6,877	5.1	5,967	4.7	910
Investments and Other Assets:					
Investments in securities	8,758		9,871		1,112
Long Term Loans	119		132		(13)
Deferred Tax Assets	2,329		2,460		(130)
Other Assets	6,781		7,738		(957)
Allowance for investment liability loss	(188)		(332)		144
Allowance for doubtful receivables	(1,756)		(2,110)		353
Total Investments and Other Assets	16,044	11.9	17,760	13.8	(1,716)
Total Fixed Assets	47,924	35.6	48,296	37.6	(371)
Total Assets	134,629	100.0	128,326	100.0	6,302

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen				
	As of March 31,				
	2005	%	2004	%	Change
Liabilities					
Current Liabilities:					
Trade notes and accounts payable.....	43,532		41,277		2,254
Short-term loans payable.....	2,692		4,512		(1,820)
Accrued expenses	10,321		10,208		112
Accrued income taxes	3,790		3,479		310
Accrued consumption taxes	383		709		(325)
Reserve for unsold goods	499		344		154
Allowance for bonus payable	1,879		1,852		27
Other current liabilities.....	1,907		1,912		(4)
Total Current Liabilities.....	65,007	48.3	64,297	50.1	709
Fixed Liabilities					
Long term loans payable	341		905		(563)
Provision for retirement benefits.....	6,474		6,320		153
Provision for allowances for directors and corporate auditors	1,263		1,157		106
Other long-term liabilities.....	880		710		169
Total Fixed Liabilities	8,959	6.6	9,093	7.1	(134)
Total Liabilities	73,966	54.9	73,391	57.2	575
Shareholders' Equity					
Minority Interests					
Minority interests	546	0.4	480	0.4	65
Shareholders' Equity					
Common stock.....	3,450	2.6	3,450	2.7	--
Capital surplus.....	4,183	3.1	4,183	3.2	--
Earned Surplus.....	53,585	39.8	48,185	37.5	5,399
Net unrealized holding gains on securities	1,851	1.4	1,640	1.3	211
Foreign currency translation adjustments	(622)	(0.5)	(688)	(0.5)	65
Cost of treasury stock.....	(2,331)	(1.7)	(2,317)	(1.8)	(14)
Total Shareholders' Equity.....	60,116	44.7	54,454	42.4	5,661
Total Liabilities, Minority Interest and Shareholders' Equity.....	134,629	100.0	128,326	100.0	6,302

KOBAYASHI PHARMACEUTICAL CO., LTD.

2. Consolidated Annual Statements of Income

	Millions of Yen					
	As of March 31,					
	2005	%	2004	%	Change	%
Net Sales	215,708	100.0	211,670	100.0	4,038	1.9
Cost of sales	143,912	66.7	141,387	66.8	2,524	1.8
Gross profit	71,795	33.3	70,282	33.2	1,513	2.2
Selling, general, & administrative expenses	56,096	26.0	54,159	25.6	1,937	3.6
Operating Income	15,698	7.3	16,123	7.6	(424)	(2.6)
Other Income and Expenses						
Other Income:						
Interest and dividend income	131		115		16	
Royalty income	440		381		59	
Investment income due to equity method	391		280		111	
Income from rents and real estate	229		240		(11)	
Income from other rents	8		8		0	
Exchange gain	79		--		79	
Miscellaneous income	425		435		(10)	
Other Income	1,705	0.8	1,461	0.7	243	16.7
Other Expenses:						
Interest expenses	86		72		13	
Sales Discount	1,027		1,025		1	
Unrealized loss on investments	--		7		(7)	
Losses on disposal of inventory evaluation	1,835		1,675		159	
Real estate lease expense	105		100		5	
Additional lease expense	28		40		(11)	
Exchange loss expense	--		47		(47)	
Miscellaneous expenses	161		487		(325)	
Other Expenses	3,245	1.5	3,456	1.6	(211)	(6.1)
Ordinary Income	14,159	6.6	14,127	6.7	31	0.2
Extraordinary Gain and Loss:						
Gains on sales of fixed assets	6		1,310		(1,304)	
Goodwill transfer benefit	735		714		21	
Other extraordinary gains	105		72		32	
Extraordinary Gains	847	0.4	2,097	1.0	(1,250)	(59.6)
Losses on sales and disposal of fixed assets	118		1,993		(1,875)	
Losses on sale of investment securities	227		--		227	
Losses on valuation of investment securities	162		--		162	
Losses on disposal of inventory evaluation	874		521		352	
Affiliate Restructuring expenses	277		357		(80)	

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen					
	As of March 31,					
	2005	%	2004	%	Change	%
Allowance for doubtful receivables transfer amount.....	--		974		(974)	
Allowance for investment loss liability transfer	188		332		(144)	
Other extraordinary losses	389		221		167	
Extraordinary Losses.....	2,237	1.1	4,400	2.1	(2,163)	(49.2)
Income Before Provision for Income Taxes	12,769	5.9	11,825	5.6	944	8.0
Corporate Income, Local and Business Taxes.....	6,024	2.8	5,993	2.8	31	0.5
Adjustments to Income Taxes.....	(56)	(0.0)	(778)	(0.4)	721	(92.7)
Minority Interest in Net Income of Consolidated Subsidiaries.	70	(0.0)	66	(0.0)	137	
Net Income.....	6,730	3.1	6,677	3.2	52	0.8

KOBAYASHI PHARMACEUTICAL CO., LTD.

3. Consolidated Statements of Retained Earnings

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2005	2004
Capital Surplus		
I. Beginning balance of capital surplus	4,183	4,183
III. Increase in capital surplus	0	--
Gain or loss on disposal of treasury stock	0	--
III. Ending balance of capital surplus	4,183	4,183
Earned Surplus		
I. Beginning balance of earned surplus	48,185	42,141
II. Increase in earned surplus		
Net income	6,802	6,677
Increase in adjustment associated with change in scope of consolidation	72	--
III. Decrease in earned surplus	1,403	633
Cash dividends paid	874	591
Directors' bonuses	38	42
Decrease in adjustment associated with change in scope of consolidation	490	--
IV. Ending balance of earned surplus	53,585	48,185

KOBAYASHI PHARMACEUTICAL CO., LTD.

4. Consolidated Statements of Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2005	2004
I. Cash flows from operating activities:		
Income before income taxes and minority interests.....	12,769	11,825
Loss on disposal or write off of obsolete inventories.....	2,735	2,662
Losses on depreciation of consolidated adjustment.....	502	687
Provision for allowance of doubtful accounts.....	(232)	1,159
Accrued severance indemnities, net.....	149	(59)
Interest and dividend income.....	(131)	(115)
Interest expenses.....	86	72
Losses on devaluation of equity of affiliates.....	277	357
Equity in earnings of affiliates.....	(391)	(280)
Losses on disposal of inventory evaluation.....	2,709	2,197
Gain on sale of goodwill.....	(735)	(714)
Loss on sales or disposal of property, plant and equipment.....	118	2,458
Loss on sale of investment securities	277	--
Exchange gain.....	188	332
Loss on valuation of investment securities	162	--
(Decrease) increase in trade notes and accounts receivable.....	(1,503)	(3,254)
Increase (decrease) in inventories.....	(4,174)	(2,355)
(Decrease) increase in trade notes and accounts payable.....	2,044	54
Increase (decrease) in consumption taxes payable.....	(332)	129
Bonuses paid to directors.....	(38)	(42)
Others.....	(391)	(1,808)
Sub Total	14,042	13,307
Interest and dividends received.....	131	118
Interest paid.....	(86)	(77)
Income taxes paid.....	(5,722)	(6,377)
Net cash provided by operating activities	8,364	6,971

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2005	2004
II. Cash flows from investing activities:		
Increase (decrease) in time deposits	--	10
Purchases of property, plant and equipment	(2,256)	(1,288)
Proceeds from sales of property, plant and equipment.....	25	2,391
Payments for purchases of intangible assets.....	(2,322)	(574)
Increase in investments in securities.....	(177)	(3,542)
Purchase of investments in securities.....	(400)	(725)
Proceeds from sale of securities.....	174	493
Increase in short term loans receivable.....	62	274
Purchase of securities of subsidiaries.....	(9)	(25)
Proceeds from long-term receivables.....	22	25
Proceeds from sale of goodwill.....	735	714
Others.....	208	(112)
Net cash used in investing activities.....	(3,936)	(2,358)
III. Cash flows from financing activities:		
Increase (decrease) in short-term loans, net.....	(1,336)	(145)
Proceeds from long-term debt.....	--	212
Repayment of long-term debt.....	(1,143)	(2,508)
(Increase) decrease treasury stock.....	(16)	(1,539)
Dividends paid.....	(874)	(591)
Others.....	2	(2)
Net cash used in financing activities.....	(3,369)	(4,574)
IV Effect of exchange rate changes on cash and cash equivalents.....	41	(127)
V. Net increase in cash and cash equivalents	1,099	(88)
VI. Cash and cash equivalents at beginning of year	17,663	17,752
VII. Beginning of period adjustment associated with change in scope of consolidation	272	--
VIII. Cash and cash equivalents at end of year	19,035	17,663

KOBAYASHI PHARMACEUTICAL CO., LTD.

VI. Notes to Consolidated Financial Statements

(Related to consolidated balance sheet)

Current Financial year (As of March 31, 2005)	Previous Financial year (As of March 31, 2004)																																				
<p>1 Accumulated depreciation of property, plant and equipment amounts to 18,876 million yen.</p> <p>2. Assets and liabilities of non-consolidated subsidiaries and affiliates is as follows</p> <table> <tr> <td>Investment and other assets</td><td></td></tr> <tr> <td>Investment securities (Stocks)</td><td>2,374 Million yen</td></tr> <tr> <td>Other (Capital)</td><td>3 Million yen</td></tr> </table> <p>3. Contingent liabilities for guarantees of bank loans</p>	Investment and other assets		Investment securities (Stocks)	2,374 Million yen	Other (Capital)	3 Million yen	<p>1 Accumulated depreciation of property, plant and equipment amounts to 17,887 million yen</p> <p>2. Assets and liabilities of non-consolidated subsidiaries and affiliates is as follows</p> <table> <tr> <td>Investment and other assets</td><td></td></tr> <tr> <td>Investment securities (Stocks)</td><td>2,309 Million yen</td></tr> <tr> <td>Other (Capital)</td><td>1,008 Million yen</td></tr> </table> <p>3. Contingent liabilities for guarantees of bank loans The Company has provided a guarantee for a loan from a financial institution to a company that is not a consolidated subsidiary.</p> <table> <tr> <td>Shanghai Kobayashi Daily Chemicals Co., Ltd.</td><td>184 million yen</td></tr> <tr> <td>Total</td><td>184 million yen</td></tr> </table>	Investment and other assets		Investment securities (Stocks)	2,309 Million yen	Other (Capital)	1,008 Million yen	Shanghai Kobayashi Daily Chemicals Co., Ltd.	184 million yen	Total	184 million yen																				
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<p>4 The following assets have been provided as security</p> <table> <tr> <td>Bill receivable</td><td>137 million yen</td></tr> <tr> <td>Buildings & structures</td><td>1,079 million yen</td></tr> <tr> <td>Land</td><td>2,122 Million yen</td></tr> <tr> <td>Investment securities</td><td>124 million yen</td></tr> <tr> <td>Total</td><td>3,464 million yen</td></tr> </table> <p>(Liabilities corresponding to the above)</p> <table> <tr> <td>Trade notes and accounts payable</td><td>8,312 million yen</td></tr> <tr> <td>Short-term loans</td><td>180 million yen</td></tr> <tr> <td>Long-term loans</td><td>32 million yen</td></tr> <tr> <td>Total</td><td>8,524 million yen</td></tr> </table>	Bill receivable	137 million yen	Buildings & structures	1,079 million yen	Land	2,122 Million yen	Investment securities	124 million yen	Total	3,464 million yen	Trade notes and accounts payable	8,312 million yen	Short-term loans	180 million yen	Long-term loans	32 million yen	Total	8,524 million yen	<p>4 The following assets have been provided as security</p> <table> <tr> <td>Bill receivable</td><td>109 million yen</td></tr> <tr> <td>Buildings & structures</td><td>1,141 million yen</td></tr> <tr> <td>Land</td><td>2,122 Million yen</td></tr> <tr> <td>Investment securities</td><td>98 million yen</td></tr> <tr> <td>Total</td><td>3,472 million yen</td></tr> </table> <p>(Liabilities corresponding to the above)</p> <table> <tr> <td>Trade notes and accounts payable</td><td>7,071 million yen</td></tr> <tr> <td>Short-term loans</td><td>350 million yen</td></tr> <tr> <td>Long-term loans</td><td>39 million yen</td></tr> <tr> <td>Total</td><td>7,460 million yen</td></tr> </table>	Bill receivable	109 million yen	Buildings & structures	1,141 million yen	Land	2,122 Million yen	Investment securities	98 million yen	Total	3,472 million yen	Trade notes and accounts payable	7,071 million yen	Short-term loans	350 million yen	Long-term loans	39 million yen	Total	7,460 million yen
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Long-term loans	39 million yen																																				
Total	7,460 million yen																																				
<p>5. The number of shares of treasury stock held by the Company 903,577 shares</p>	<p>5. The number of shares of treasury stock held by the Company 898,597 shares</p>																																				

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Related to consolidated statement of Income)

Current Financial year (April 1, 2004 to March 31, 2005)	Previous financial year (April 1 2003 to March 31, 2004)																																																																				
<p>1 The major components of selling, general & administrative expenses were as follows.</p> <table> <tr><td>Sales promotion</td><td>4,715 million yen</td></tr> <tr><td>Freight & storage</td><td>8,059 million yen</td></tr> <tr><td>Advertising</td><td>11,494 million yen</td></tr> <tr><td>Salaries & bonuses</td><td>11,571 million yen</td></tr> <tr><td>Rent</td><td>2,705 million yen</td></tr> <tr><td>Fees for payments</td><td>3,572 million yen</td></tr> <tr><td>R&D</td><td>2,115 million yen</td></tr> </table> <p>2 Within extraordinary gains, gains on the sale of fixed assets comprise the following.</p> <table> <tr><td>Land</td><td>5 million yen</td></tr> <tr><td>Other</td><td>0 million yen</td></tr> <tr><td>Total</td><td>6 million yen</td></tr> </table> <p>3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following.</p> <table> <tr><td>Buildings & structures</td><td>18 million yen</td></tr> <tr><td>Machinery & equipment</td><td>62 million yen</td></tr> <tr><td>Land</td><td>2 million yen</td></tr> <tr><td>Other</td><td>35 million yen</td></tr> <tr><td>Total</td><td>118 million yen</td></tr> <tr><td>Loss on retirement of fixed assets</td><td>118 million yen</td></tr> <tr><td>Total</td><td>118 million yen</td></tr> </table> <p>4. R&D included selling, general & administrative expenses 2,115 million yen</p>	Sales promotion	4,715 million yen	Freight & storage	8,059 million yen	Advertising	11,494 million yen	Salaries & bonuses	11,571 million yen	Rent	2,705 million yen	Fees for payments	3,572 million yen	R&D	2,115 million yen	Land	5 million yen	Other	0 million yen	Total	6 million yen	Buildings & structures	18 million yen	Machinery & equipment	62 million yen	Land	2 million yen	Other	35 million yen	Total	118 million yen	Loss on retirement of fixed assets	118 million yen	Total	118 million yen	<p>1 The major components of selling, general & administrative expenses were as follows.</p> <table> <tr><td>Sales promotion</td><td>4,395 million yen</td></tr> <tr><td>Freight & storage</td><td>7,741 million yen</td></tr> <tr><td>Advertising</td><td>10,820 million yen</td></tr> <tr><td>Salaries & bonuses</td><td>11,474 million yen</td></tr> <tr><td>Allowance for retirement</td><td>2,717 million yen</td></tr> <tr><td>Fees for payments</td><td>3,505 million yen</td></tr> <tr><td>R&D</td><td>2,010 million yen</td></tr> </table> <p>2 Within extraordinary gains, gains on the sale of fixed assets comprise the following.</p> <table> <tr><td>Land</td><td>1,299 million yen</td></tr> <tr><td>Other</td><td>10 million yen</td></tr> <tr><td>Total</td><td>1,310 million yen</td></tr> </table> <p>3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following.</p> <table> <tr><td>Buildings & structures</td><td>355 million yen</td></tr> <tr><td>Machinery & equipment</td><td>99 million yen</td></tr> <tr><td>Land</td><td>1,011 million yen</td></tr> <tr><td>Other</td><td>527 million yen</td></tr> <tr><td>Total</td><td>1,993 million yen</td></tr> <tr><td>Loss on retirement of fixed assets</td><td>1,993 million yen</td></tr> <tr><td>Total</td><td>1,993 million yen</td></tr> </table> <p>4. R&D included selling, general & administrative expenses 2,010 million yen</p>	Sales promotion	4,395 million yen	Freight & storage	7,741 million yen	Advertising	10,820 million yen	Salaries & bonuses	11,474 million yen	Allowance for retirement	2,717 million yen	Fees for payments	3,505 million yen	R&D	2,010 million yen	Land	1,299 million yen	Other	10 million yen	Total	1,310 million yen	Buildings & structures	355 million yen	Machinery & equipment	99 million yen	Land	1,011 million yen	Other	527 million yen	Total	1,993 million yen	Loss on retirement of fixed assets	1,993 million yen	Total	1,993 million yen
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(Related to semiannually consolidated cash flow statement)

Current Financial year (April 1, 2004 to March 31, 2005)	Previous financial year (April 1 2003 to March 31, 2004)																
<p>1 A reconciliation of cash and time deposits in the consolidated interim balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the first half is as follows:</p> <p style="text-align: right;">(As of March 31, 2005)</p> <table> <tr><td>Cash & deposits</td><td>19,035 million yen</td></tr> <tr><td>Time deposits with original maturity of more than 3 months</td><td>— million yen</td></tr> <tr><td>Short-term investment with original maturity of less than 3 months (Investment securities)</td><td>— million yen</td></tr> <tr><td>Cash & cash equivalents</td><td>19,035 million yen</td></tr> </table>	Cash & deposits	19,035 million yen	Time deposits with original maturity of more than 3 months	— million yen	Short-term investment with original maturity of less than 3 months (Investment securities)	— million yen	Cash & cash equivalents	19,035 million yen	<p>1 A reconciliation of cash and time deposits in the consolidated interim balance sheets to the balance of cash and cash equivalents in the statements of cash flows at the end of the first half is as follows:</p> <p style="text-align: right;">(As of March 31, 2004)</p> <table> <tr><td>Cash & deposits</td><td>17,663 million yen</td></tr> <tr><td>Time deposits with original maturity of more than 3 months</td><td>— million yen</td></tr> <tr><td>Short-term investment with original maturity of less than 3 months (Investment securities)</td><td>— million yen</td></tr> <tr><td>Cash & cash equivalents</td><td>17,663 million yen</td></tr> </table>	Cash & deposits	17,663 million yen	Time deposits with original maturity of more than 3 months	— million yen	Short-term investment with original maturity of less than 3 months (Investment securities)	— million yen	Cash & cash equivalents	17,663 million yen
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KOBAYASHI PHARMACEUTICAL CO., LTD.

VII. Segment Information

1. Segment Information by Business Category

Current Consolidated Fiscal Year (April 1, 2004 - March 31, 2005)

(Millions of Yen)

	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations	Total	Eliminations	Consolidated
1. Sales and operating income							
I. Sales to third parties	67,524	128,356	16,056	3,770	215,708	--	215,708
II. Inter-group sales and transfers	21,748	--	--	8,434	30,182	(30,182)	--
Total net sales	89,273	128,356	16,056	12,205	245,891	(30,182)	215,708
III. Operating expense	74,780	127,556	15,866	12,064	230,269	(30,259)	200,009
IV. Operating income	14,492	799	189	140	15,621	76	16,698
2. Assets, depreciation and capital expenditures							
I. Total Assets	53,687	46,150	8,687	8,084	116,609	18,019	134,629
II. Depreciation	1,827	162	466	158	2,614	121	2,735
III. Capital expenditure	3,305	176	781	727	4,991	29	5,020

Previous Consolidated Fiscal Year (April 1, 2003 - March 31, 2004)

(Millions of Yen)

	Consumer Products Operation	Wholesale Operation	Medical Operation	Other Operations	Total	Eliminations	Consolidated
1. Sales and operating income							
I. Sales to third parties	66,522	126,080	15,608	3,458	211,670	--	211,670
II. Inter-group sales and transfers	20,532	--	--	8,401	28,933	(28,933)	--
Total net sales	87,055	126,080	15,608	11,859	240,603	(28,933)	211,670
III. Operating expense	72,424	125,545	14,964	11,706	224,639	(29,092)	195,546
IV. Operating income	14,631	534	644	153	15,963	159	16,123
2. Assets, depreciation and capital expenditures							
I. Total Assets	51,968	43,319	9,082	7,334	111,704	16,621	128,326
II. Depreciation	1,764	207	408	149	2,530	132	2,662
III. Capital expenditure	1,647	500	172	83	2,404	37	2,441

KOBAYASHI PHARMACEUTICAL CO., LTD.

(Notes)

1. Method of business classification:
 - Businesses segments are classified into four principle areas: Consumer Products, Wholesale, Medical and Others following the product line, and the markets in which the products are distributed.
2. Main products of each business operation:
 - Consumer Products Operations --- household pharmaceuticals, oral hygiene products, deodorizing air fresheners, household sundries.
 - Wholesale Operation --- household pharmaceuticals, household sundries and foods
 - Medical Devices Operation --- medical devices, medical facilities
 - Other Operation --- transport, synthetic resin products manufacturing, printing, advertising, planning and creation
3. Corporate assets included in "Eliminations (Corporate)" in FY2004 amounted to 33,342 million yen, which consists mainly of the parent company's investment of surplus funds (cash, time deposits and marketable securities) and securities held as investments, as compared with 30,728million yen in fiscal FY2003.
4. Depreciation and capital expenditures include amortization of long-term prepaid expenses.

2. Segment Information by Area

Because the amount of domestic sales and assets are more than 90% of the total amount of all sales of segments and the total amount of all assets of segments, such information is omitted.

3. Overseas Sales

In this term, overseas sales are omitted from this report because this item accounted for less than 10% of consolidated sales.

In the previous term, overseas sales were omitted from this report because this item accounted for less than 10% of consolidated sales.