KOBAYASHI

PHARMACEUTICAL CO., LTD.

Consolidated Annual Financial Results
For the Fiscal Year Ended March 31, 2006

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 Full Year Ended March 31, 2006

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:	+81-6222-0084
Date of the Board of Directors' meeting to approve financial statements:	May 15, 2006
U.S. (GAAP) accounting standard:	Not adopted for the purposes of these statements.

1. Consolidated Financial Results (April 1, 2005 – March 31, 2006)

(1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents			
	Fiscal Year Ended March 31,			
	2006	%	2005	%
Net Sales	246,852	14.4	215,708	1.9
Operating Income	16,879	7.5	15,698	(2.6)
Ordinary Income	15,151	7.0	14,159	0.2
Net Income	7,474	11.1	6,730	0.8
Net Income per Share (yen)	179.17		160.64	
Net Income per Share, Diluted (yen)	179.01		–	
Return on Equity (ROE)	11.8%		11.7%	
Return on Assets (ROA)	10.6%		10.8%	
Ordinary Income to Operating Revenues Ratio	6.1%		6.6%	

Notes:
1) Equity in earnings of affiliates and non-consolidated subsidiaries:
   Fiscal year ending March 31, 2006: ..... 458 million yen
   Fiscal year ending March 31, 2005: ..... 391 million yen
2) Average number of shares outstanding during the period (consolidated):
   Fiscal year ended March 31, 2006: ..... 41,494,207 shares
   Fiscal year ended March 31, 2005: ..... 42,622,832 shares
3) Changes in accounting policies: ..... None
4) Percentages for net sales, operating income, ordinary income and net income represent changes compared with the previous period.
5) 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.

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	As of March 31,	
	2006	2005
Total Assets	151,945	134,629
Shareholders' Equity	66,811	60,116
Shareholders' Equity Ratio	44.0	44.7
Shareholders' Equity per Share	1,617.10	1,443.30

Note: Number of shares outstanding at the end of the year (consolidated):
As of March 31, 2006: 41,290,738 shares
As of March 31, 2005: 41,621,423 shares

(3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
Cash Flows from Operating Activities	13,159	8,364
Cash Flows from Investing Activities	(6,414)	(3,936)
Cash Flows from Financing Activities	(1,419)	(3,369)
Cash and Cash Equivalents, End of Year	24,436	19,035

(4) Scope of Consolidation and Equity Method

Number of consolidated subsidiaries:	26
Number of non-consolidated subsidiaries accounted for by the equity method:	0
Number of affiliated companies accounted for by the equity method:	2

(5) Changes in Scope of Consolidation and Equity Method

Number of consolidated subsidiaries:	(Newly consolidated)	5
	(Excluded)	1
Number of companies for which equity method accounting has been adopted:		
	(Newly included)	1
	(Excluded)	0

2. Projections for the Year Ending March 31, 2007
(April 1, 2006 – March 31, 2007)

Consolidated	Millions of Yen	
	Mid Year	Full Year
Net Sales	38,000	268,000
Ordinary Income	8,000	16,000
Net Income	4,500	8,600

(Reference) Projected consolidated net income per share for the full year: 207.31 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.

I. Kobayashi Pharmaceutical Group Operation

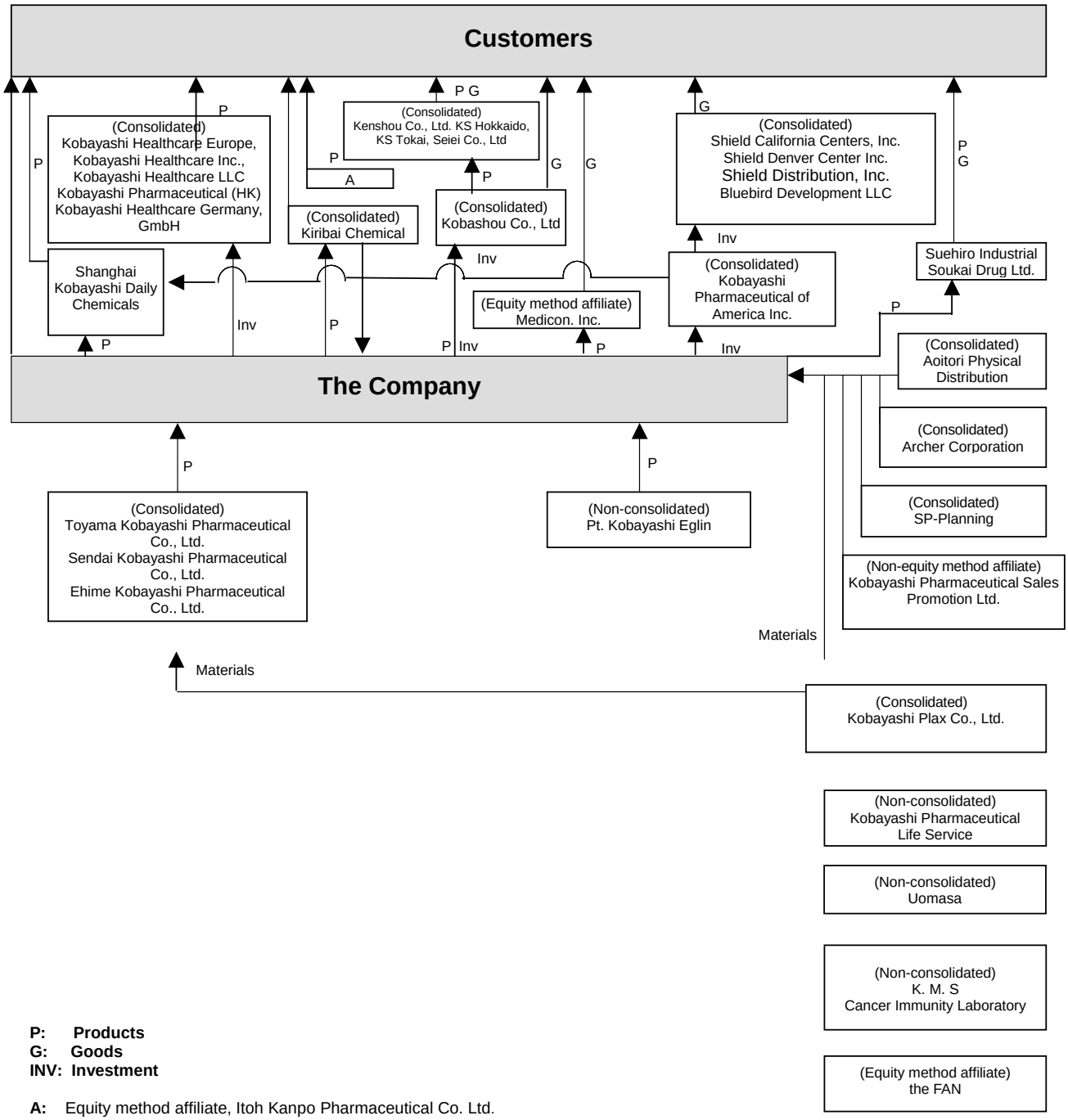
(1) Kobayashi Group Overview

The Kobayashi Group consists of Kobayashi Pharmaceutical, Co., Ltd. 32 subsidiaries and 3 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. Itoh Kanpo Pharmaceutical Co.,Ltd
	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. Itoh Kanpo Pharmaceutical Co.,Ltd Kobayashi Healthcare Incorporated. Kobayashi Healthcare LLC. Kobayashi Healthcare Europe, Ltd. Kobayashi Healthcare Germany, GmbH Shanghai Kobayashi Daily Chemicals Co., Ltd. Kobayashi Pharmaceutical (Hong Kong) Co., Ltd.
Wholesale Operation	Pharmaceuticals	Kenshou Co., Ltd. Kobashou Co., Ltd. Seiei KS Hokkaido KS Tokai
	Household sundries, and foods	Kenshou Co., Ltd. Kobashou Co., Ltd. Seiei KS Hokkaido KS Tokai
Medical Devices Operation	Importing and Sale of medical devices	Kobayashi Pharmaceutical of America, Inc. 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	Shield Distribution, Inc.
	Medical Business Research	Bluebird Development LLC.
Other Operations	Transport	Aoitori Physical Distribution
	Manufacturing and sales of plastic containers	Kobayashi Plax Co., Ltd.
	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

KOBAYASHI PHARMACEUTICAL CO., LTD.

(2) Kobayashi Group Business Flow



(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	74.2	Yes	-	Sale of the Company's products	Leases of land & buildings	-
Kenshou Co., Ltd.	Tokyo	465	Pharmaceutical products wholesaling	44.1 (44.1)	-	-	Sale of the Company's products	-	-
KS Hokkaido	Sapporo	10	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	
KS Tokai	Nagoya	10	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	
Seiei	Kagawa	300	Pharmaceutical products wholesaling	100.0 (100.0)	-	-	Sale of the Company's products	-	
Aoitori Physical Distribution	Osaka	99	Transport	100.0 (100.0)	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	SP tools production	100.0	Yes	-	Production of the Company's SP tools	Leases of buildings	-
Suehiro Industrial	Osaka	15	Retail sales of daily necessaries etc.	100.0	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	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 (100.0)	Yes	-	-	-	-
Shield Denver Centers, Inc.	Colorado USA	US$ 1,000	Home healthcare and medical device marketing	100.0 (100.0)	Yes	-	-	-	-
Shield Distribution inc..	California USA	US$ 10,000	Home healthcare and medical devices catalog sales	100.0 (100.0)	Yes	-	-	-	-
Bluebird Development LLC.	California USA	US$ 4,601,009	Medical business research	99.0 (99.0)	Yes	-	Marketing of the Company's products	-	-
Kobayashi Healthcare, Inc.	Pennsylvania USA	US$ 10,000	Daily goods sales	100.0 (100.0)	-	-	Sales of the company's products	-	-
Kobayashi Healthcare LLC	USA	US$ 3,710,000	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Kobayashi Healthcare Europe, Ltd.	London UK	£ 11,165	Daily goods sales	100.0	-	-	Sales of the company's products	-	-
Shanghai Kobayashi Daily Chemicals Co., Ltd.	Shanghai	RMB 98,370,198	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		

Company Name	Address	Capital (Million Yen)	Business Contents	Voting rights ownership ratio	Con-current Officers	Fund support	Business relationship	Lease of Facilities	Business Corporation
Medicon, Inc.	Osaka	160	Medical equipment and device import and marketing	50.0	Yes	-	Sales of the company's products	-	-
Itoh Kanpo Pharmaceutical Co. Ltd.	Osaka	2,085	Daily goods sales	33.4	Yes	-	-	-	

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. In the current fiscal year, KS Hokkaido, KS Tokai, Seiei, Kobayashi Healthcare LLC, Kobayashi Healthcare Germany, GmbH and Itoh Kanpo Pharmaceutical Co. Ltd. became affiliated companies.
5. On December 15, 2005, Kobayashi Combe was acquired by the Company.
6. Mail Order Medical Supplies Inc. has changed its name to Shield Distribution Inc.

II. Management Policy

1. Basic Management Policy

Kobayashi Group's management policy is to provide people and society with wonderful "comfort" as a result of its quest for the new through creativity and innovation. It is the Company's mission to provide all its 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 the Company's growth is its unceasing pursuit of "Something New, Something Different," and its development of new products and services that satisfy customer needs. By doing so, the Company intends to increase the enterprise value so as to deliver greater satisfaction to all its stakeholders.

2. Basic Policy on Profit Distribution

One of the Company's most important management policies is returning a profit for its shareholders, and thus placing emphasis on aspects of its 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 38 yen per share is scheduled for the March 2006 term based on the above-mentioned policy (the regular dividend for the March 2005 term was 33 yen).

3. Policy on Reduction in the Minimum Trading Unit

The Company recognizes that increasing share liquidity, broadening the investor base and increasing the number of shareholders are critical issues. 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. It 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%. The growth strategy for the Consumer Products Operation is based on vigorous development of new products. The Company's 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, in order to maximize shareholder value, the Company considers venture capital efficiency and tries to increase long-term stockholder value.

5. Medium- to Long-term Management Strategy

For Kobayashi Pharmaceutical to achieve sustainable growth, the Company needs 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, the Company intends 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. The Company 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, it intends 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.

The Company aims to achieve annual sales of at least 300 billion yen as soon as possible. Also, in line with its focus on the cost of capital, it will review businesses that yield low returns and vigorously invest in growth businesses offering high returns so as to realize a continuous increase in corporate value.

6. Issues to Be Addressed

Adhering to the Company's management policy of "Creativity and Innovation," its mission is 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 the Company to bring new product development, one of its core capabilities, into full play, vigorously promote mergers and acquisitions that will enhance profitability, and achieve an efficient and robust financial position. Moreover, the Company intends to develop its 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, it will also strive to realize more thorough quality control.

7. Matters Relating to the Parent Company

Not applicable as the Company has no parent company.

III. Business Results and Financial Position

Business Results

(1) Overview of Fiscal Year Ended March 31, 2006

(Millions of Yen)

	Full Year ended March 31, 2006		Full Year ended March 31, 2005		Change	
	Amount	%	Amount		Amount	%
Net sales	246,852	100.0	215,708	100.0	31,144	14.4
Operating Income	16,879	6.8	15,698	7.3	1,180	7.5
Ordinary Income	15,151	6.1	14,159	6.6	992	7.0
Net Income	7,474	3.0	6,730	3.1	744	11.1
Net Income per share (yen)	**179.17**		**160.64**		**18.53**	**11.5**

During the consolidated fiscal year under review, Japan's economy was beset by uncertainties related to soaring crude oil prices. However, driven by corporate earnings improvement that stimulated capital investment, a comeback in consumer spending and other factors, it broke out of a holding pattern and embarked on a gradual recovery trend.

In this situation, the Company fully manifested the spirit of its "Creativity and Innovation" management concept, drawing out latent customer needs by offering products and services that encourage the development of new markets while invigorating existing markets by offering products and services with new added value. As a result of business transfers, brand purchases and aggressive promotion of overseas deployment, sales increased by 31,144 million yen, a year-on-year increase of 14.4%, to 246,852 million yen.

In terms of profits, aggressive advertising investment was carried out with a view to brand cultivation in Japan and overseas, but thoroughgoing manufacturing cost price reductions cut costs, and SG&A expenses were revamped. As a result, operating income rose by 1,180 million yen (7.5%) year-on-year to 16,879 million yen and ordinary income by 992 million yen (7.0%) to 15,151 million yen. Accordingly, net income gained by 744 million yen (11.1%) to 7,474 million yen.

(2) Segment Analysis

The following is a summary of performance by business segment during the fiscal year ended March 31, 2006.

Consumer Products Operation

With a view to new market creation and expansion of existing markets, the segment saw the start of sales of 14 new products (excluding nutritional supplement foods). In addition to efforts to cultivate such existing brands as the *Shoushu Gen* deodorizer and the *Shouyou* oral hygiene preparation, the *Inochi-no-Haha A* female hygiene preparation went on sale in June, while the record cold winter stimulated chiropractic sales. As a result, segment sales rose by 5,503 million yen (6.2% year-on-year) to 94,776 million yen.

In addition to the sales gain, profits benefited from thoroughgoing manufacturing cost price reductions, with the result that segment operating income increased by 954 million yen (6.6% year-on-year) to 15,446 million yen.

Sales by Category (Millions of Yen)

	Full Year ended March 31, 2006		Full Year ended March 31, 2005		Change	
	Amount	%	Amount		Amount	%
Pharmaceuticals	16,434	17.3	15,164	17.0	1,270	8.4
Oral hygiene products	10,741	11.3	10,091	11.3	650	6.4
Sanitary products	13,256	14.0	12,506	14.0	750	6.0
Deodorizing air fresheners	28,307	29.9	28,036	31.4	271	1.0
Household sundries	4,517	4.8	4,598	5.2	(81)	(1.8)
Food products	11,421	12.0	11,196	12.5	225	2.0
Body warmers	10,099	10.7	7,682	8.6	2,417	31.5
Total	**94,776**	**100.0**	**89,273**	**100.0**	**5,503**	**6.2**

Notes:
1) Segment sales include internal sales and transfers among segments; the value of these totaled 21,748 million yen in previous fiscal year (ended March 31, 2005) and 25,907 million yen in the current fiscal year (ended March 31, 2006).

Wholesale Operation

Sales rose by 28,577 million yen (22.3%) year-on-year to 156,934 million yen upon the transfer, on April 1, of Suzuken's general pharmaceutical wholesaling business to this segment.

Business expansion enabled the benefits of scale and bundled product stocking-in from manufacturers improved profit margins, but business transfer-driven integration effects were not fully reflected in operating results. Segment operating income declined by 364 million yen, a decrease of 45.6% year-on-year, to 435 million yen.

Sales by Category (Millions of Yen)

		Full Year ended March 31, 2006		Full Year ended March 31, 2005		Change	
		Amount	%	Amount		Amount	%
Drugs	Products	10,459	6.7	8,352	6.5	2,107	25.2
	Merchandising	56,210	35.8	42,025	32.7	14,185	33.8
Sanitary products	Products	19,493	12.4	15,976	12.5	3,517	22.0
	Merchandising	70,772	45.1	62,003	48.3	8,769	14.1
Total		**156,934**	**100.0**	**128,356**	**100.0**	**28,577**	**22.3**

Medical Devices Operation

At Kobayashi Medical Company, stress was placed on sales of electrical scalpels and other surgical equipment, and on the cosmetic surgery domain, for which market growth is foreseen. In the Company, with proprietary brand development being vigorously pursued, January saw the start of artificial bone marketing.

At the three Shield Health Care Center companies in the U.S., purchase of customer lists enabled sales growth by locking in customers. At the same time, the Company worked to improve margins by bringing in a new customer management system and reducing indirect expenses. As a result, segment sales rose by 1,070 million yen (6.7%) year-on-year to 17,126 million yen, and operating income gained by 393 million yen (207.9%) year-on-year to 582 million yen.

Investment income of 263 million yen, down from 330 million yen in the previous period, was derived from the Medicon equity method affiliate.

Sales by Category (Millions of Yen)

	Full Year ended March 31, 2006		Full Year ended March 31, 2005		Change	
	Amount	%	Amount	%	Amount	%
Kobayashi Medical Company	7,544	44.1	6,594	41.1	950	14.4
Shield Healthcare Centers (3 companies)	8,586	50.1	8,245	51.3	341	4.1
Others	996	5.8	1,217	7.6	(221)	(18.2)
Total	**17,126**	**100.0**	**16,056**	**100.0**	**1,070**	**6.7**

Other Operations

Other Operations supports the above three segments with transportation, sales promotion, market research and other services. Although they are managed as independent income centers, this segment contributes to their profits. Delivery prices of materials and services were appropriately revised.

As a result, segment sales rose by 771 million yen, an increase of 6.3% year-on-year to 12,976 million yen, while operating income increased by 262 million yen (187.1%) year-on-year to 402 million yen. Sales here include inter-segment sales or internal transfers; that amount was 9,053 million yen in the current consolidated fiscal year and 8,434 million yen in the previous period.

(3) Forecasts for Fiscal Year Ending March 31, 2007

(Millions of Yen)

	Full Year ending March 31, 2007		Full Year ended March 31, 2006		Change	
	Amount	%	Amount	%	Amount	%
Net Sales	268,000	100.0	246,852	100.0	21,148	8.6
Operating Income	17,800	6.6	16,879	6.8	921	5.5
Ordinary Income	16,000	6.0	15,151	6.1	849	5.6
Net Income	8,600	3.2	7,474	3.0	1,126	15.1
Net Income per Share (yen)	**207.31**		**179.17**		**28.14**	**15.7**

Prospects are for an all-around recovery in Japan's economy, supported by ongoing corporate earnings improvement and firming trends in consumer spending. Against this background, and with a view to reinforcing competitiveness toward premier status in its business domains, it is necessary to adopt strategies to further strengthen the Company's existing businesses and brands that are its foundation, seek further expansion in its business content and simultaneously carry out strategies to promote growth.

Consolidated targets for the next consolidated fiscal year are sales of 268,000 million yen (up by 21,148 million yen, 8.6% year-on-year), operating income of 17,800 million yen (921 million yen, 5.5%), ordinary income of 16,000 million yen (849 million yen, 6.0%) and net income of 8,600 million yen (1,126 million yen, 15.1%), with profits driven by ongoing cost price reductions and other cost cuts.

The Company's basic policy is to maintain stable dividends at 38 yen per share in the coming term.

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

Consumer Products Operation

In an operating environment of stable prices, the Company brought to market an unprecedented 18 new products to expand sales and address latent customer needs. They included "Naicitol 85," for promotion of stomach fat decomposition and combustion, the anemia improvement agent "Faichi," the ion-based deodorizer "Kuri Air" and the cleansing gel "Hot Clear" for clearing nose discolorations. Based on marketing plans formulated for each existing brand, the Company will work aggressively for sales. On this basis, the sales target is 101,500 million yen, an increase of 6,724 million yen, or 7.1% year-on-year. With cost price and other cost reductions and aggressive advertising and publicity investment, the operating income target is 16,500 million yen, an increase of 1,054 million yen (6.8% year-on-year).

(Millions of Yen)

	Full Year ending March 31, 2007	Full Year ended March 31, 2006	Change	
	Amount	Amount	Amount	%
Net Sales	101,500	94,776	6,724	7.1
Operating Income	16,500	15,446	1,054	6.8

Notes:
1) Segment sales include internal sales and transfers among segments; the value of these totaled 25,907 million yen in the fiscal year ended March 31, 2006 and is forecasted at 28,500 million yen in the next fiscal year ending March 31, 2007.

Wholesale Operation

To expand deployment areas in response to the widening scope of the drug stores that are the Company’s principal customers, the Company will work toward further promotion of and greater efficiency in its tie-up links with others companies, and in the growing health food and contact care markets, reinforce its lineup of differentiated products. Through aggressive measures in the elderly and other new categories, sales are targeted at 173,000 million yen, up by 16,066 million yen, a 10.2% year-on-year increase, with operating income up 600 million yen, an increase of 165 million yen, or 37.9%, over the previous consolidated fiscal year.

The Company acquired all shares of Sowa Co., which operates in the Tohoku area and will become a consolidated subsidiary in the following term.

(Millions of Yen)

	Full Year ending March 31, 2007	Full Year ended March 31, 2006	Change	
	Amount	Amount	Amount	%
Net Sales	173,000	156,934	16,066	10.2
Operating Income	600	435	165	37.9

Medical Devices Operation

At Kobayashi Medical Co., the product lineup of operating room, cosmetic surgery and other existing fields is to be filled out, and proprietary brand product development is to be aggressively pursued simultaneously. At the three Shield Health Care companies in the U.S., efforts will be made toward customer number increases by ongoing customer list purchases as well as thoroughgoing expense reduction. Sales are targeted at 17,200 million yen (up by 74 million yen, 0.4% year-on-year). But official price reductions will have an impact, and operating income is expected to decrease by 282 million yen, or 48.5%, to 300 million yen.

(Millions of Yen)

	Full Year ending March 31, 2007	Full Year ended March 31, 2006	Change	
	Amount	Amount	Amount	%
Net Sales	17,200	17,126	74	0.4
Operating Income	300	582	(282)	(48.5)

Financial Position

(1) Full Year Overview

Consolidated Financial Position (Millions of Yen)

	Millions of Yen - Except Per Share Data and Ratios		
	As of March 31,		Change
	2006	2005	
Total Assets	151,945	134,629	17,315
Shareholders' Equity	66,811	60,116	6,695
Shareholders' Equity Ratio	44.0%	44.7%	(0.7%)
Shareholders' Equity per Share (Yen)	1,617.10	1,443.30	173.8

Summary of Cash Flows in Fiscal Year Ended March 31, 2006 (Millions of Yen)

	Full Year ended March 31, 2006	Full Year ended March 31, 2005	Change
	Amount	Amount	Amount
Cash flows from operating activities	13,159	8,364	4,795
Cash flows from investing activities	(6,414)	(3,936)	(2,478)
Free cash flow	6,744	4,428	2,316
Cash flows from financing activities	(1,419)	(3,369)	1,950
Term-end balance of cash and cash equivalents	**24,436**	**19,035**	**5,401**

Total assets increased by 17,316 million yen year-on-year, but shareholders equity rose by only 6,695 million yen, so the equity capital ratio declined by 0.7 points.

In the principal increases and decreases, notes receivable and accounts receivable in current assets increased by 3,564 million yen due to new subsidiary consolidation. Capital tie-ups and others increased investment securities by 6,850 million yen, and inventories increased by 1,739 million yen. In current liabilities, notes and accounts payable increased by 5,688 million yen. In the capital section, the income surplus increased by 6,501 million yen.

Cash flows from operating activities

Cash acquired as a result of operating activities was 13,159 million yen, higher by 4,795 million yen year-on-year, due to a gain of 1,240 million yen in income before tax and other adjustments and to improvement in the working capital balance.

Cash flows from investing activities

Cash used in investing activities was 6,414 million yen, higher by 2,478 million yen, due to purchase of metal molds and others for new product development and acquisition of investment securities incident to capital tie-ups.

Cash flow from financing activities

Cash used in financing activities decreased by 1,950 million yen to 1,419 million yen, due to higher dividend payouts and stock buybacks, but the subsidiary Kobashou, Ltd received capital.

In consequence of the foregoing, the balance of cash and equivalents at the end of the period increased by 5,401 million yen year-on-year to 24,436 million yen.

(2) Fiscal Year Ending March 31, 2007 Forecasts

The business environment is still difficult, but with management awareness of investment capital efficiency, the Company is striving to improve the working capital balance further by such measures as inventory cutbacks and reduction of accounts receivable.

Expectations are for product development and other constant capital investment on par with that of the year under review. No other major investment matters are presently foreseen, so the outlook is for a year-on-year decline in cash used for investment.

In financing activities, no year-on-year change is envisioned.

(3) Cash Flow Indicator Trends

	As of March 31,				
	2006	2005	2004	2003	2002
Equity Ratio (%)	44.0%	44.7	42.4	39.2	36.8
Equity Ratio at Market Value Basis (%)	113.9%	90.5	91.8	82.9	99.7
Debt Repayment Period (years)	0.1	0.3	0.8	0.7	2.3
Interest Coverage Ratio (times)	140.6	96.7	90.5	87.9	20.0

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.

3. Market a 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.

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

5. 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.

IV. Annual Consolidated Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen				
	As of March 31,				
	2006	**%**	**2005**	**%**	**Change**
Assets					
Current assets:					
Cash and time deposits	24,436		19,035		5,401
Trade notes and accounts receivable	47,702		44,137		3,564
Securities	1,502		1,000		501
Inventories	17,523		15,783		1,739
Deferred income taxes	2,819		2,417		401
Other current assets	5,492		4,976		515
Allowance for doubtful accounts	(569)		(647)		77
Total Current Assets	**98,906**	**65.1**	**86,704**	**64.4**	**12,202**
Fixed Assets:					
Tangible Fixed Assets:					
Buildings and Structures	11,444		12,234		(790)
Machinery and equipment	1,319		1,360		(40)
Land	8,487		9,928		(1,441)
Other	1,536		1,479		56
Total Fixed Assets	**22,788**	**15.0**	**25,002**	**18.6**	**(2,214)**
Intangible Assets:					
Goodwill	1,052		1,148		(96)
Trademark	1,414		1,423		(8)
Software	1,162		910		251
Consolidation Adjustments account	2,597		3,099		(502)
Other	293		294		(1)
Total Intangible Assets	**6,520**	**4.3**	**6,877**	**5.1**	**(357)**
Investments and Other Assets:					
Investments in securities	15,609		8,758		6,850
Long Term Loans	372		119		253
Deferred Tax Assets	2,291		2,329		(38)
Other Assets	7,052		6,781		270
Allowance for investment liability loss	(252)		(188)		(64)
Allowance for doubtful receivables	(1,343)		(1,756)		413
Total Investments and Other Assets	**23,730**	**15.6**	**16,044**	**11.9**	**7,686**
Total Fixed Assets	**53,038**	**34.9**	**47,924**	**35.6**	**5,113**
Total Assets	**151,945**	**100.0**	**134,629**	**100.0**	**17,315**

KOBAYASHI PHARMACEUTICAL CO., LTD.

	Millions of Yen				
	As of March 31,				
	2006	**%**	**2005**	**%**	**Change**
Liabilities					
Current Liabilities:					
Trade notes and accounts payable	49,221		43,532		5,688
Short-term loans payable	1,371		2,692		(1,320)
Accrued expenses	11,950		10,321		1,629
Accrued income taxes	4,664		3,790		874
Accrued consumption taxes	628		383		245
Reserve for unsold goods	616		499		116
Allowance for bonus payable	2,082		1,879		203
Other current liabilities	1,503		1,907		(404)
Total Current Liabilities	**72,040**	**47.4**	**65,007**	**48.3**	**7,033**
Fixed Liabilities					
Long term loans payable	261		341		(80)
Provision for retirement benefits	7,065		6,474		591
Provision for allowances for directors and corporate auditors	1,358		1,263		94
Other long-term liabilities	1,490		880		610
Total Fixed Liabilities	**10,175**	**6.7**	**8,959**	**6.6**	**1,216**
Total Liabilities	**82,215**	**54.1**	**73,966**	**54.9**	**8,249**
Shareholders' Equity					
Minority Interests					
Minority interests	2,917	1.9	546	0.4	2,371
Shareholders' Equity					
Common stock	3,450	2.3	3,450	2.6	--
Capital surplus	4,191	2.8	4,183	3.1	8
Earned Surplus	60,086	39.5	53,585	39.8	6,501
Net unrealized holding gains on securities	2,856	1.9	1,851	1.4	1,005
Foreign currency translation adjustments	(293)	(0.2)	(622)	(0.5)	328
Cost of treasury stock	(3,480)	(2.3)	(2,331)	(1.7)	(1,148)
Total Shareholders' Equity	**66,811**	**44.0**	**60,116**	**44.7**	**6,695**
Total Liabilities, Minority Interest and Shareholders' Equity	**151,945**	**100.0**	**134,629**	**100.0**	**17,315**

2. Consolidated Annual Statements of Income

	Millions of Yen					
	As of March 31,					
	2006	%	2005	%	Change	%
Net Sales	**246,852**	**100.0**	**215,708**	**100.0**	**31,144**	**14.4**
Cost of sales	**167,239**	**67.7**	**143,912**	**66.7**	**23,326**	**16.2**
Gross income	79,613	32.3	71,795	33.3	7,818	10.9
Selling, general, & administrative expenses	62,734	25.5	56,096	26.0	6,637	11.8
Operating Income	**16,879**	**6.8**	**15,698**	**7.3**	**1,180**	**7.5**
Other Income and Expenses						
Other Income:						
Interest and dividend income	156		131		25	
Royalty income	544		440		103	
Investment gains from companies accounted for by the equity method	458		391		67	
Income from rents and real estate	212		229		(17)	
Income from other rents	8		8		0	
Translation gain	--		79		(79)	
Miscellaneous income	518		425		92	
Other Income	**1,897**	**0.8**	**1,705**	**0.8**	**191**	**11.3**
Other Expenses:						
Interest expenses	93		86		7	
Sales Discount	1,117		1,027		89	
Losses on disposal of inventory evaluation	2,105		1,835		269	
Real estate lease expense	110		105		4	
Additional lease expense	10		28		(18)	
Translation loss	21		--		21	
Miscellaneous expenses	166		161		5	
Other Expenses	**3,625**	**1.5**	**3,245**	**1.5**	**380**	**11.7**
Ordinary Income	**15,151**	**6.1**	**14,159**	**6.6**	**992**	**7.0**
Extraordinary Gain and Loss:						
Gains on sales of fixed assets	53		6		46	
Goodwill transfer benefit	1,065		735		329	
Reimbursement of allowance for doubtful debt	220		--		220	
Proceeds from transfer of building lease rights	242		--		242	
Other extraordinary gains	190		105		85	
Extraordinary Gains	1,771	0.7	847	0.4	676	30.2
Losses on sales and disposal of fixed assets	133		118		15	
Losses on sale of investment Securities	--		227		(227)	
Losses on valuation of investment securities	--		162		(162)	
Losses on disposal of inventory	654		874		(219)	

	Millions of Yen					
	As of March 31,					
	2006	%	2005	%	Change	%
Evaluation						
Affiliate restructuring expenses	25		277		(252)	
Allowance for investment loss Liability transfer	64		188		(124)	
Impairment loss	1,655		--		1,655	
Other extraordinary losses	380		389		(8)	
Extraordinary Losses	2,913	1.1	2,237	1.1	676	30.2
Income Before Provision for Income Taxes	**14,009**	**5.7**	**12,769**	**5.9**	**1,240**	**9.7**
Corporate Income, Local and Business Taxes	7,240	2.9	6,024	2.8	1,216	20.2
Adjustments to Income Taxes	(959)	(0.3)	(56)	(0.0)	(902)	1,588.7
Minority Interest in Net Income of Consolidated Subsidiaries.	253	(0.1)	70	0.0	182	
Net Income	**7,474**	**3.0**	**6,730**	**3.1**	**744**	**11.1**

3. Consolidated Statements of Retained Earnings

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
Capital Surplus		
I. Beginning balance of capital surplus	4,183	4,183
III. Increase in capital surplus	8	0
Gain or loss on disposal of treasury stock	8	0
III. Ending balance of capital surplus	4,191	4,183
Earned Surplus		
I. Beginning balance of earned surplus	53,585	48,185
II. Increase in earned surplus	7,972	6,802
Net income	7,472	6,730
Increase in adjustment associated with change in scope of consolidation	--	72
Difference due to change in equity	497	--
III. Decrease in earned surplus	1,470	1,403
Cash dividends paid	1,373	874
Directors' bonuses	44	38
Decrease in adjustment associated with change in scope of consolidation	52	490
IV. Ending balance of earned surplus	**60,086**	**53,585**

4. Consolidated Statements of Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
I. Cash flows from operating activities		
Income before income taxes and minority interests……..	14,009	12,769
Depreciation or amortization……..	2,813	2,735
Impairment loss…….	1,655	--
Depreciation of consolidated adjustment account……..	599	502
Provision for allowance of doubtful accounts……	(531)	(232)
Accrued severance indemnities, net……..	591	149
Interest and dividend income……	(156)	(131)
Interest expenses……..	93	86
Losses on requisition of affiliated companies……	25	277
Proceeds from investment by equity method……	(458)	(391)
Losses on disposal of inventory evaluation……	2,759	2,709
Gain on transfer of goodwill……	(1,065)	(735)
Proceeds from transfer of building lease rights……	(242)	--
Loss on sales or disposal of property, plants and equipment…….	133	118
Loss on sale of investment securities……	--	227
Provision for investment loss carried over……	64	188
Loss on valuation of investment securities……	--	162
(Decrease) increase in trade notes and accounts receivable……	(1,190)	(1,503)
Increase (decrease) in inventories……	(4,417)	(4,174)
(Decrease) increase in trade notes and accounts payable……	3,943	2,044
Increase (decrease) in consumption taxes payable……	239	(332)
Bonuses paid to directors……	(44)	(38)
Others……..	660	(391)
Sub Total ……	**19,483**	**14,042**
Interest and dividends received……	156	131
Interest paid……	(93)	(86)
Income taxes paid……	(6,387)	(5,722)
Net cash provided by operating activities …. ……	**13,159**	**8,364**

		Millions of Yen	
		Fiscal Year Ended March 31,	
		2006	2005
II.	**Cash flows from investing activities**		
	Purchases of property, plants and equipment	(1,391)	(2,256)
	Proceeds from sales of property, plants and equipment	300	25
	Payments for purchases of intangible assets	(894)	(2,322)
	Purchase of investment securities	(6,489)	(177)
	Proceeds from redemption of investment securities	1,005	--
	Purchase of investment securities and other assets	(437)	(400)
	Proceeds from investment securities and other assets	214	174
	Increase in short-term loans receivable	139	62
	Repayment of long-term loans receivable	(23)	(9)
	Proceeds from long-term loans receivable	35	22
	Proceeds from purchase of shares of newly consolidated subsidiaries	47	--
	Proceeds from transfer of goodwill	1,065	735
	Others	14	208
	Net cash used in investing activities	**(6,414)**	**(3,936)**
III.	**Cash flows from financing activities**		
	Increase (decrease) in short-term loans, net	(930)	(1,336)
	Repayment of long-term loans	(629)	(1,143)
	Income from minority interests	2,650	--
	Payment for purchase of treasury stock	(1,219)	(16)
	Proceeds from purchase of treasury stock	83	--
	Dividends paid	(1,373)	(874)
	Others	--	2
	Net cash used in financing activities	**(1,419)**	**(3,369)**
IV	**Effect of exchange rate changes on cash and cash equivalents**	**76**	**41**
V.	**Net increase in cash and cash equivalents**	**5,401**	**1,099**
VI.	**Cash and cash equivalents at beginning of year**	**19,035**	**17,663**
VII.	**Beginning of period adjustment associated with change in scope of consolidation**	**--**	**272**
VIII.	**Cash and cash equivalents at end of year**	**24,436**	**19,035**

V. Important Items Forming the Basis for Preparation of Consolidated Financial Statements

1. Principles of consolidation

(1) Number of subsidiaries: 26 companies
Names of major consolidated subsidiaries
Kobashou Co., Ltd., Toyama Kobayashi Pharmaceutical Co., Ltd., Sendai Kobayashi Pharmaceutical Co., Ltd., Ehime Kobayashi Pharmaceutical Co., Ltd., Kobayashi Plax Co., Ltd., Aoitori Physical Distribution, Suehiro Industrial, Archer Corporation, SP-Planning, Kiribai Chemical Co., Ltd., Kenshou Co., Ltd., KS Hokkaido, KS Tokai, Seiei, Shield California Centers, Inc., Shield Denver Centers, Inc., Shield Distribution Inc, Bluebird Development LLC., Kobayashi Healthcare Inc., Kobayashi Healthcare LLC., Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany, GmbH, Kobayashi Pharmaceuticals of America Inc., Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd., and Kobayashi Pharmaceutical Life Service Co., Ltd.

(2) Names of major non-consolidated subsidiaries
Kobayashi Sales Promotion, Uomasa, Pt Kobayashi Eglin, KMS, Sokai Drug Ltd., Cancer Immunity Information Research Center.

Reason for exclusion from scope of consolidation
All of the six non-consolidated subsidiaries are small companies, and their combined total assets, sales, net income (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding) all have no important impact on consolidated financial statements.

2. Application of equity method

(1) Number of companies accounted for by equity method: 2 companies
Names of Major companies
Medicon Inc. Itoh Kanpo Pharmaceutical Co., Ltd.

(2) Names of non-consolidated subsidiaries and major affiliated companies not accounted for by the equity method
Pt Kobayashi Eglin, the FAN, Sokai Drug Ltd.

(3) Reason why the equity method is not applied
Companies not accounted for by the equity method have been excluded from the application of the equity method because they have minimal impact on consolidated net earnings and consolidated retained earnings, and have little importance in terms of overall group earnings.

3. Fiscal years of consolidated subsidiaries

Among the consolidated companies, Shield California Health Centers, Inc., Shield Denver Health Centers, Inc., Shield Distribution Inc., Bluebird Development LLC., Kobayashi Healthcare Inc., Kobayashi Healthcare LLC., Kobayashi Healthcare Europe, Ltd., Kobayashi Healthcare Germany GmbH, Kobayashi Pharmaceuticals of America Inc., Shanghai Kobayashi Daily Chemicals Co., Ltd., Kobayashi Pharmaceutical (Hong Kong) Co., Ltd. have a full year consolidated account settlement date of December 31. When preparing the consolidated financial statements, financial statement as of that date were used, and in the case of important transactions that occurred between that date and the full year consolidated account settlement date, necessary adjustments were made on a consolidated basis.

In addition, as the account settlement date of the consolidated subsidiary Kiribai Chemical Co., Ltd. is September 30, the Company used the full year consolidated financial statements based on a provisional settlement of accounts that was conducted as of the full year consolidated account settlement date.

4. Accounting standards

(1) Valuation criteria and valuation methods for major assets

1) Marketable securities

Other marketable securities

With fair market value ･･･Market value method based on quoted market price on first-half consolidated account settlement date

(Unrealized holding gain or loss is directly charged or credited to shareholders' equity and cost of securities sold is principally computed by the moving average method.)

Without fair market value ･･･Principally stated at cost determined by the total cost method

2) Derivatives･･･Market value method

3) Inventories

Commodities and raw materials …Principally stated at cost determined by the moving average method

Finished goods, work in process and supplies …Principally stated at cost determined by the total average method

(2) Methods of depreciation for major depreciable assets

1) Property, plant and equipment

The Company and its domestic consolidated subsidiaries compute depreciation by the declining balance method. Overseas consolidated subsidiaries use the straight-line method. However, the Company and some domestic consolidated subsidiaries apply the straight-line method to buildings acquired after April 1, 1998 (excluding equipment belonging to buildings).

2) Intangible assets

Depreciation is computed by the straight-line method.

However, in the case of software used by the Company itself, the straight-line method based on the period of possible use within the Company (5 years) is adopted.

(3) Criteria for appropriation of important reserves

1) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio. In addition, an estimate of uncollectable amounts from certain specific doubtful receivables is provided.

Overseas consolidated subsidiaries post an estimate of uncollectable amounts in accordance with the actual state of loans.

2) Allowance for bonuses

The Company and its domestic consolidated subsidiaries post an estimated allowance to provide for the payment of bonuses to employees.

3) Reserve for sales returns

The Company and six domestic consolidated subsidiaries post an estimated amount of sales return losses to provide for sales return losses.

4)Reserve for retirement allowances

To provide for employees' accrued retirement benefits, the Company and two of its domestic consolidated subsidiaries charged to income the amount recognized as having been incurred at the end of the consolidated accounting period based on the projected amounts of the liability for accrued retirement benefit liabilities and pension assets at the end of the consolidated accounting fiscal year. Other domestic consolidated subsidiaries posted 100% of the payment amount required at term-end. In addition, some overseas consolidated subsidiaries have adopted defined contribution pension plans. Actuarial differences are amortized on a straight-line basis over a period which falls within the average estimated remaining years of service (ten years) of the participants commencing the year following.

5)Provision for directors' retirement allowances

To provide for the provision of retirement allowances for directors, the Company and four domestic consolidated subsidiaries posted a payment amount required at the end of the consolidated first-half term based on internal regulations.

(4) Method of accounting for major lease transactions

Finance leases, except for those that transfer the legal title of the underlying property from the lessor to the lessee at the end of the lease term, are accounted for as operating leases.

(5) Derivatives and hedging activities

1) Hedge accounting methods

The Company uses deferral hedge accounting. In the case of forward foreign exchange contracts, if conditions for appropriation are fulfilled, appropriation treatment is adopted, and in the case of interest-rate swaps, if special accounting treatment conditions are met, special accounting treatment is adopted.

2) Hedging measures and hedged items

Hedging instruments
Forward foreign exchange contracts, interest-rate swaps
Hedged items
Foreign currency-denominated liabilities and foreign currency-denominated options, loans

3) Hedging policy

In the case of foreign currency option contracts, the Company's policy is to hedge the foreign exchange fluctuation risk by attaching forward foreign exchange agreements.
In the case of interest-rate swaps, the Company's policy is to hedge within the range of the applicable liability in order to reduce the interest rate risk.

4) Method of evaluating effectiveness of hedging

In the case of currency-related transactions, the Company evaluates the effectiveness of hedging by comparing the accumulated gain or loss on each hedging instrument and on the related hedged item from the commencement of the hedge.
The Company does not evaluate the effectiveness of hedging interest-rate swaps.

(6) Other important items forming the basis for preparation of consolidated financial statements

Method of accounting for consumption tax, etc.
The Company adopts the tax exclusion method.

5. Amortization of consolidation adjustment accounts

The consolidation adjustment accounts are amortized over ten years in the case of Kiribai Chemical Co., Ltd., whereas Seiei's consolidation adjustment accounts are depreciated all at once in the consolidated fiscal year.

6. Scope of funds in consolidated cash flow statements

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and highly liquid, short-term investments with a maturity of three months or less that can be readily converted into cash and which represent a minor risk of fluctuations in value.

VI. Important Matters in the Preparation of Consolidated Financial Statements

Current Fiscal Year （April 1, 2005 to March 31, 2006）	Previous Fiscal Year （April 1, 2004 to March 31, 2005）
Accounting standards related to impairment losses in fixed assets Accounting standards related to impairment losses in fixed assets: “Opinion Concerning the Establishment of Accounting Standards for Fixed Asset Gain/Losses” (Business Accounting Council, August 09, 2002) and “Guidelines for Adopting Accounting Standards for Fixed Asset Gains/Losses” (Guidelines for Adopting Business Accounting Standards No.6, October 31, 2003) have been adopted since the start of the current consolidated fiscal year. Due to these changes, income before income tax and minority interests decreased by 1,655 thousand yen. Accumulated impairment losses are deducted directly from the amount of each asset, based on revised consolidated financial statement regulations.	――――――――――――――――

VII. Notes to Consolidated Financial Statements

(Related to consolidated balance sheet)

Current Fiscal Year (As of March 31, 2006)	Previous Fiscal Year (As of March 31, 2005)
1 Accumulated depreciation of property, plant and equipment amounts to 19,026 million yen.	1Accumulated depreciation of property, plant and equipment amounts to 18,876 million yen
2. Assets and liabilities of non-consolidated subsidiaries and affiliates is as follows Investment and other assets Investment securities (Stocks) 7,869 Million yen Other (Capital) 3 Million yen	2. Assets and liabilities of non-consolidated subsidiaries and affiliates is as follows Investment and other assets Investment securities (Stocks) 2,374 Million yen Other (Capital) 3 Million yen
3 The following assets have been provided as security	3 The following assets have been provided as security
Bill receivable -- million yen Buildings & structures 1,021 million yen Land 2,122 Million yen Investment securities 166 million yen Total 3,311 million yen	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
(Liabilities corresponding to the above) Trade notes and accounts payable 8,740 million yen Short-term loans -- million yen Long-term loans 24 million yen Total 8,765 million yen	(Liabilities corresponding to the above) 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
4. The number of shares of treasury stock held by the Company 1,234,262 shares	4. The number of shares of treasury stock held by the Company 903,577shares

（Related to consolidated statement of income）

Current Fiscal Year
（April 1, 2005 to March 31, 2006）

1 The major components of selling, general & administrative expenses were as follows.

Sales promotion	5,288 million yen
Freight & storage	9,927 million yen
Advertising	12,371 million yen
Salaries & bonuses	12,887 million yen
Rent	3,110 million yen
Fees for payments	4,011 million yen
R&D	2,377 million yen

2 Within extraordinary gains, gains on the sale of fixed assets comprise the following.

Land	43 million yen
Other	10 million yen
Total	53 million yen

3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following.

Buildings & structures	21 million yen
Machinery & equipment	49 million yen
Tools and equipment	28 million yen
Land	-- million yen
Other	35 million yen
Total	133 million yen

4. R&D included selling, general & administrative expenses
2,377 million yen

5. Impairment loss
The Group registers impairment losses of the following property groups.

Location	Category	Application	Impairment loss
Osaka, and other	Machinery and equipment	Manufacturing facility	66
Same as above	Lease	Same as above	151
Osaka	Land		1,075
Miyagi pref.	Land	Idle asset	362
		Total	1,655

The Group's assets for each business division are grouped as the company's basic units as the smallest units generating cash flow. Further, the headquarters and distribution centers are shared assets. As the land price of leased assets and idle land fell significantly, and there is little chance of manufacturing facilities being used in the future, the book value was reduced to the collectible amount and the amount reduced was recorded as an impairment loss (1,655 million yen) under extraordinary losses. The collectible amount for land is calculated using the net sales price and assessed on the basis of the valuation provided by a real estate assessor. Other assets are valued according to its utility value.

Previous Fiscal Year
（April 1, 2004 to March 31, 2005）

1 The major components of selling, general & administrative expenses were as follows.

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

2 Within extraordinary gains, gains on the sale of fixed assets comprise the following.

Land	5 million yen
Other	0 million yen
Total	6 million yen

3 Within extraordinary losses, losses on the disposal of fixed assets comprise the following.

Buildings & structures	18 million yen
Machinery & equipment	62 million yen
Land	2 million yen
Other	35 million yen
Total	118 million yen

4. R&D included selling, general & administrative expenses
2,115 million yen

(Related to semiannually consolidated cash flow statement)

Current Fiscal Year (April 1, 2005 to March 31, 2006)		Previous Fiscal Year (April 1, 2004 to March 31, 2005)	
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:		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:	
	(As of March 31, 2006)		(As of March 31, 2005)
Cash & deposits	24,436 million yen	Cash & deposits	19,035 million yen
Time deposits with original maturity of more than 3 months	－million yen	Time deposits with original maturity of more than 3 months	－million yen
Cash & cash equivalents	24,436 million yen	Cash & cash equivalents	19,035 million yen

VIII. Segment Information

1. Segment Information by Business Category

Current Consolidated Fiscal Year (April 1, 2005 - March 31, 2006) (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	68,869	156,933	17,126	3,923	246,852	--	246,852
II. Inter-group sales and transfers	25,907	0	--	9,053	34,961	(34,961)	--
Total net sales	94,776	156,934	17,126	12,976	281,814	(34,961)	246,852
III. Operating expense	79,330	156,498	16,543	12,573	264,946	(34,973)	229,973
IV. Operating income	15,446	435	582	402	16,867	11	16,879
2. Assets, depreciation and capital expenditures							
I. Total Assets	59,095	51,953	9,878	7,728	128,655	23,290	151,945
II. Depreciation	2,023	196	325	172	2,717	96	2,813
III. Impairment loss	580	--	--	--	580	1,075	1,655
IV. Capital expenditure	1,915	261	262	109	2,548	248	2,797

Previous 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	15,698
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

(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 the fiscal year ended March 31, 2005 amounted to 41,074 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 36,207million yen in the previous fiscal year ended March 31, 2005.

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.