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*Interim Term Financial Results Ended*  
*September 2009*

- Summary of Performance
- Progress of Business Policy implementation

November 11, 2009

KYORIN Co., Ltd.

President Masahiro Yamashita

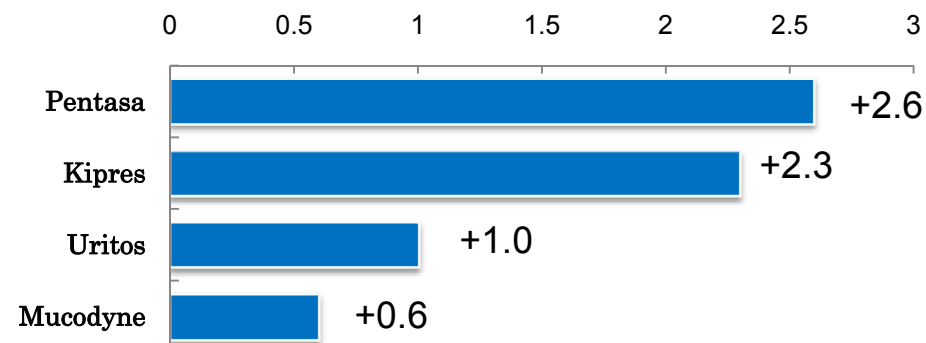
# Outline of Consolidated Financial Results for the Interim Term Ended September 2009

Units: ¥ billion	Sep/08 Interim term	Sep/09 Interim term	Change
Net sales	<b>40.3</b>	<b>45.7</b>	<b>+5.4</b>
Operating income	<b>1.2</b>	<b>4.6</b>	<b>+3.4</b>
Ordinary income	<b>1.2</b>	<b>5.2</b>	<b>+4.0</b>
Net income	<b>▲1.6</b>	<b>3.3</b>	<b>+4.9</b>

# Consolidated Financial Results for the Interim Term Ended September 2009 (Breakdown of Sales)

Units: ¥ billion	9/08 Actual	9/09 Actual	Change
Net sales (total)	<b>40.3</b>	<b>45.7</b>	<b>+5.4</b>
◆New ethical drugs	<b>33.0</b>	<b>38.0</b>	<b>+5.0</b>
○Japan	<b>31.2</b>	<b>36.7</b>	<b>+5.5</b>
○Overseas	<b>1.8</b>	<b>1.3</b>	<b>▲0.5</b>
◆Generic drugs	<b>2.9</b>	<b>3.6</b>	<b>+0.7</b>
◆Consumer healthcare business	<b>3.7</b>	<b>3.5</b>	<b>▲0.2</b>
◆Other businesses	<b>0.6</b>	<b>0.6</b>	<b>±0</b>

Sales of main products Change  
(Units: ¥ billion)



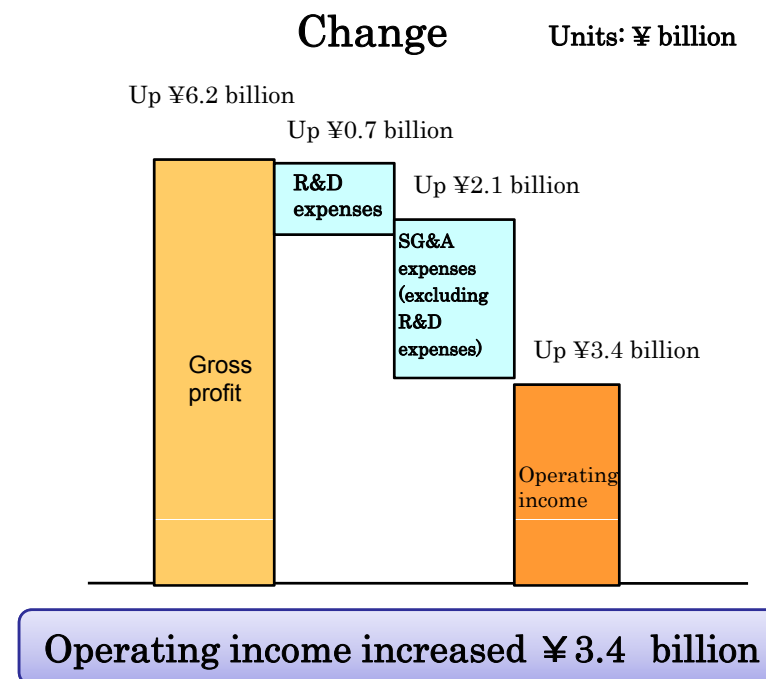
## Breakdown of Sales

【New ethical drugs in Japan】 +5.5 billion  
 【New ethical drugs Overseas】 ▲0.5 billion  
 【Generic drugs】 +0.7 billion

- Sales of mainstay products progressed favorably
- Sales of Gatifloxacin ophthalmic solution decreased
- The Company acquired the products of Nisshin Kyorin Pharmaceutical Co., Ltd. Sales of main products, including last year's and this year's new products, increased.

# Consolidated Financial Results the Interim Term Ended September 2009 (Breakdown of Gain and Loss)

Units: ¥ billion	9/08 actual	9/09 actual	Change
Sales	40.3	45.7	+5.4
COGS	17.7	17.0	▲0.7
SG&A	21.3	24.1	+2.8
R&D expenses	5.0	5.7	+0.7
SG&A expenses (excluding R&D expenses)	16.3	18.4	+2.1
Operating income	1.2	4.6	+3.4
Ordinary income	1.2	5.2	+4.0
Net income	▲1.6	3.3	+4.9



## Breakdown of Gain and Loss

### ○ Operating income increased ¥3.4 billion

- Gross profit increased ¥6.2 billion

(Net sales increased ¥5.4 billion and the cost of sales ratio improved 6.7 percentage points mainly because of Pentasa and Uritos)

- SG&A expenses increased ¥2.8 billion, mainly due to the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

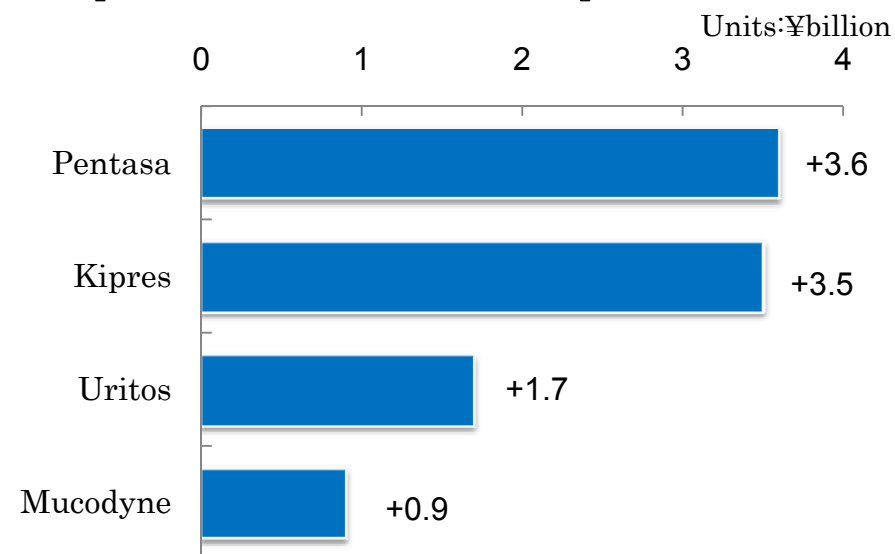
(R&D expenses increased ¥0.7 billion. SG&A expenses(excluding R&D expenses)increased¥2.1billion)

# Consolidated Financial Results Forecast for the Year Ending March 31, 2010

Units: ¥ billion	FY08 (actual)	FY09 (forecast)	Change
Net sales (total)	90.9	99.5	+8.6
◆New ethical drugs	75.7	82.1	+6.4
Japan	71.9	79.5	+7.6
Overseas	3.8	2.6	▲1.2
◆Generic drugs	6.3	8.6	+2.3
◆ Consumer healthcare business	7.7	7.6	▲0.1
◆Other businesses	1.2	1.1	▲0.1
Operating income	9.0	12.0	+3.0
Ordinary income	9.2	12.8	+3.6
Net Sales	2.0	8.1	+6.1

## Breakdown of Sales

[Sales of new ethical drugs in Japan]  
Espect to increase of the main products



## Breakdown of Sales and Operating income

**【Net Sales】** +8.6 billion  
 New ethical drugs in Japan +7.6 billion  
 New ethical drugs Overseas ▲1.2 billion  
 Generic drugs +2.3 billion

- Expected advance of mainstay products
- Decrease in sales to companies related to Activx Biosciences, Inc. and sales of Gatifloxacin.
- Expansion of sales of main product (Ex new product) and relocated products from Nisshin Kyorin Pharmaceutical.

**【Operating income】** +3.0 billion  
 • Cost of sales ratio : down about 3 points  
 • R&D expenses are expected to increase ¥2 billion from ¥10.5 billion to ¥12.5 billion (The funds will be primarily used to accelerate R&D and introduce Neramexane)  
 • SG&A expenses ratio(excluding R&D expenses): Almost flat

# Effort of Consolidated Financial Results for the Interim Term Ended September 2009

## Position and Effort for FY09

A Challenge to Achieve the Target of the Kyorin MIC-'09  
Mid-Term Business Plan

**Target: ROE of 7%**

1. Reinforce the new drug business

2. Optimize the integrative effects of the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

3. Nurture and reinforce peripheral business  
KYORIN Rimedio and Dr. Program

Effort of Consolidated Financial Results for the Interim Term Ended September 2009

- Achieved favorable domestic sales progress
- Reinforced R&D pipelines by entering into a contract to introduce a new drug

- Achieved additional sales of Pentasa
- Cost of sales ratio declined due to in-house production of Pentasa
- Reinforced sales capability by adding approximately 70 MRs

- KYORIN Rimedio Improved the cost of sales ratio, resulting in a return to profitability (Appropriate pricing)
- Dr. Program Business decelerated

# 1. Reinforce New Drug Business

## (1) Develop a competitive domestic sales operation

### Promotion of the FC Strategies

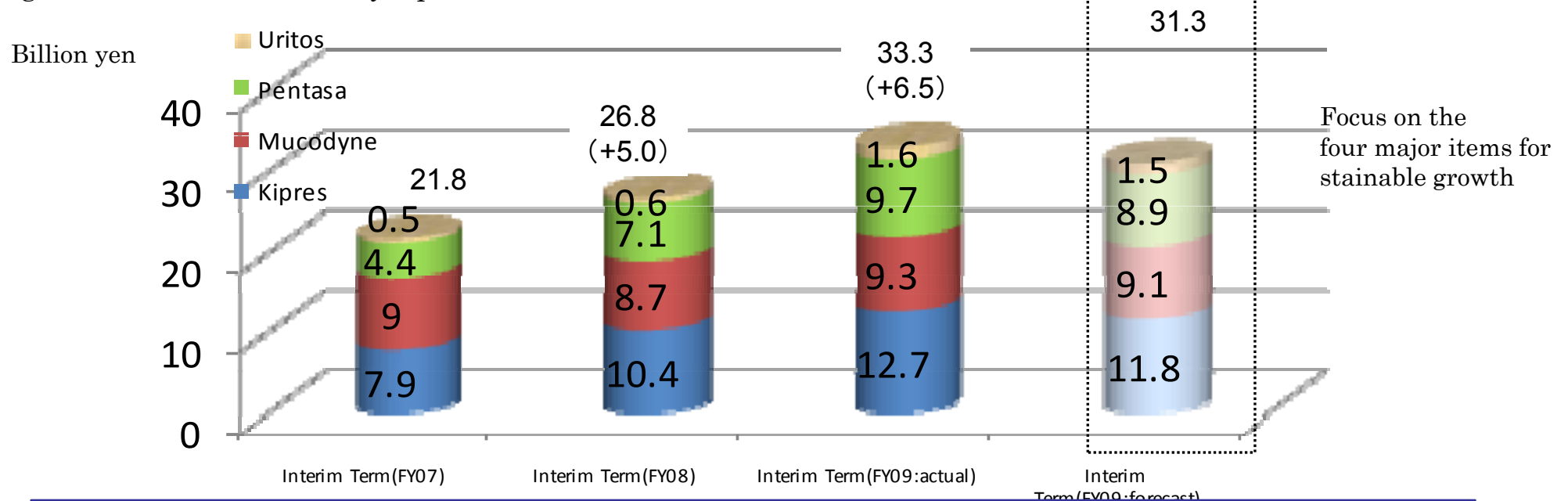
- ◆ Strengthening of relations with approximately 67,000 doctors who specialize in respiratory internal medicine, otolaryngology and urology
- ◆ Achieve sustainable growth by focusing on new domestic drugs and main products

#### Human resource and organizational reinforcement

- Reinforce sales through merger
- Adopt a team operation to reinforce organizational capabilities

#### Cooperation with the wholesale trade

Change in net sales for four major products

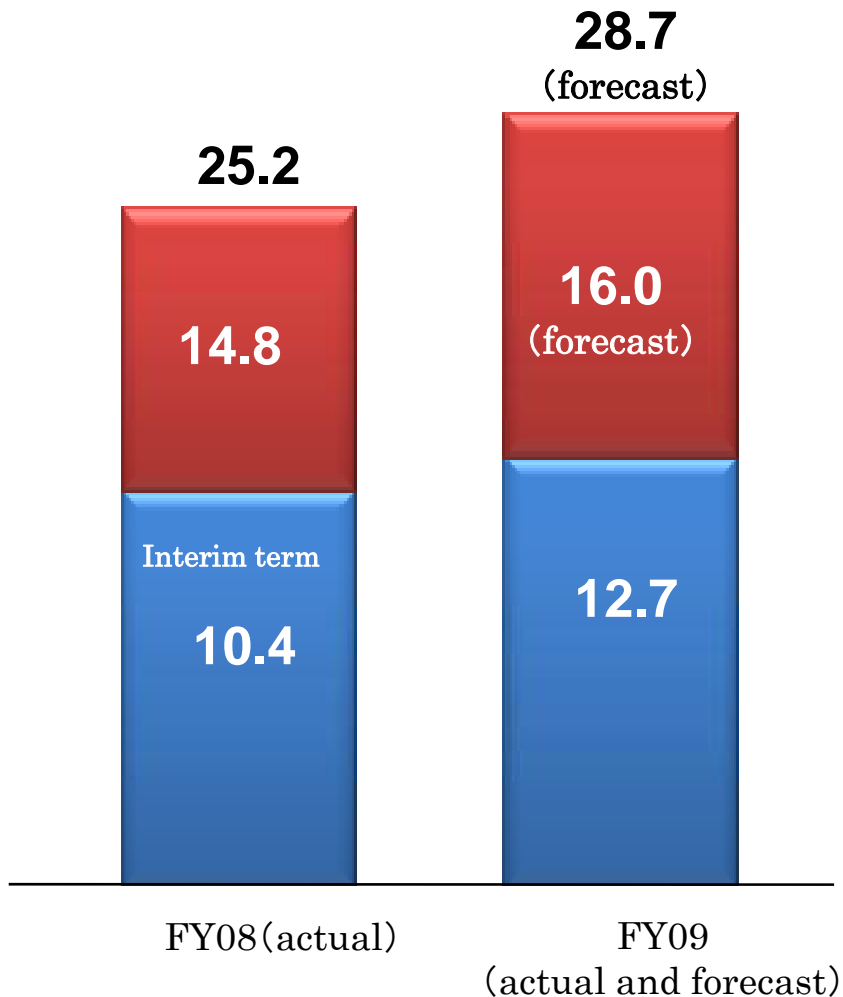


Domestic sales of new drugs    ¥71.9 billion (FY08 actual)    ⇒ ¥79.5 billion (FY09 forecast)

# 1. Reinforce New Drug Business

(1) Develop a competitive domestic sales operation : main product kipres

Sales(units:¥billion)



## Consolidated Financial Results for the Interim Term Ended September 2009

**Larger share in the leukotriene Receptor Antagonist Market**  
Source : IMS

9/08(month)  
**26.8%**



9/09(month)  
**29.4%**

※Aim to achieve 30% Share

### Sales progressed favorably

- Prescriptions for allergic rhinitis increased approximately 50%
- Fine granules 4 mg progressed favorably

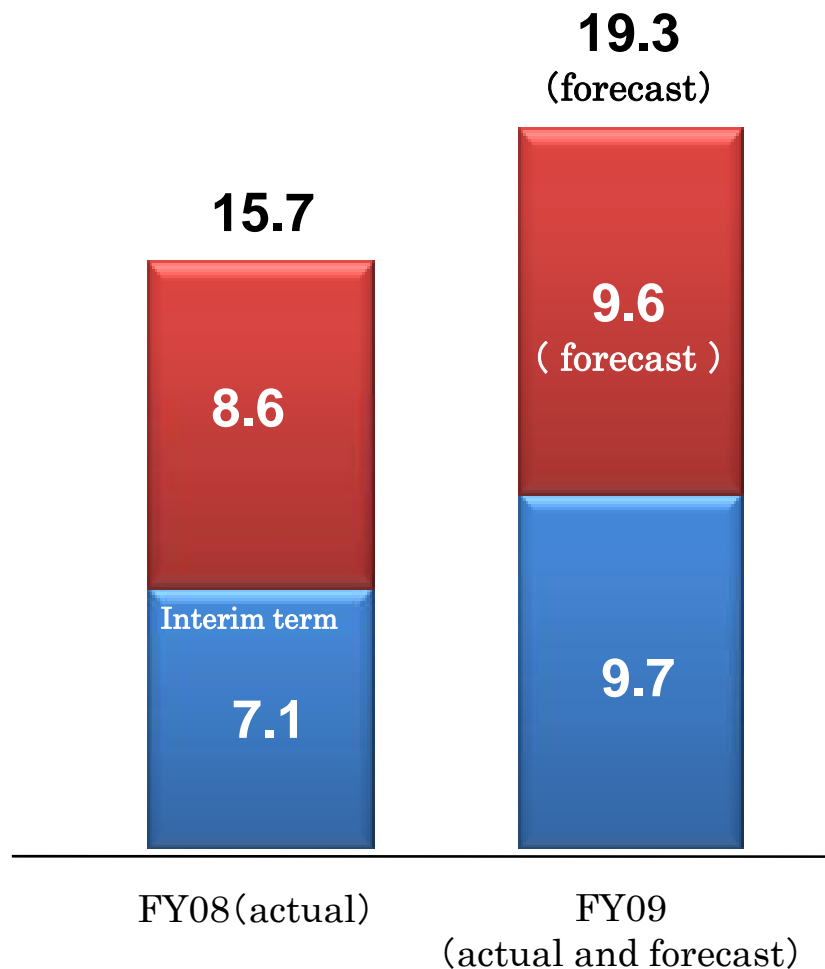
### Effort of Second Semester

- Strive to further expand prescriptions for allergic rhinitis

# 1. Reinforce New Drug Business

(1) Develop a competitive domestic sales operation : main product Pentasa

Sales(units:¥billion)



## Consolidated Financial Results for the Interim Term Ended September 2009

- Aggressively promote LCM and reinforce relationships with expert physicians
  - Add new formulations and acquire new usages and dosages to build a wall to head off generic products and new drugs that subsequently emerge

Additional pediatric indication	2/08
Tablets 500mg launched	10/08
Change in methods of use and dose Anti-ulcerative colitis Agent (additional dosage)	12/08

- Shift to in-house production to lower the cost of sales ratio and expand profits

## Effort of Second Semester

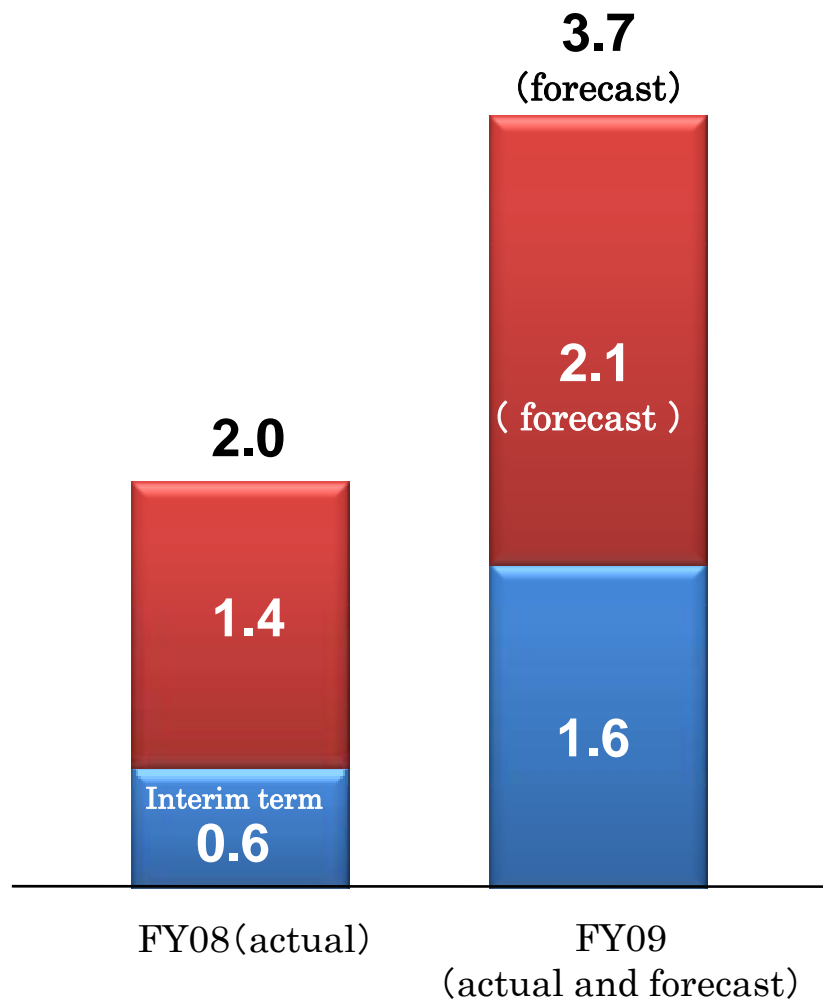
- Further promote measures for LCM

※LCM: Lifecycle Management

# 1. Reinforce New Drug Business

(1) Develop a competitive domestic sales operation : main product Uritos

Sales(units:¥billion)



## Consolidated Financial Results for the Interim Term Ended September 2009

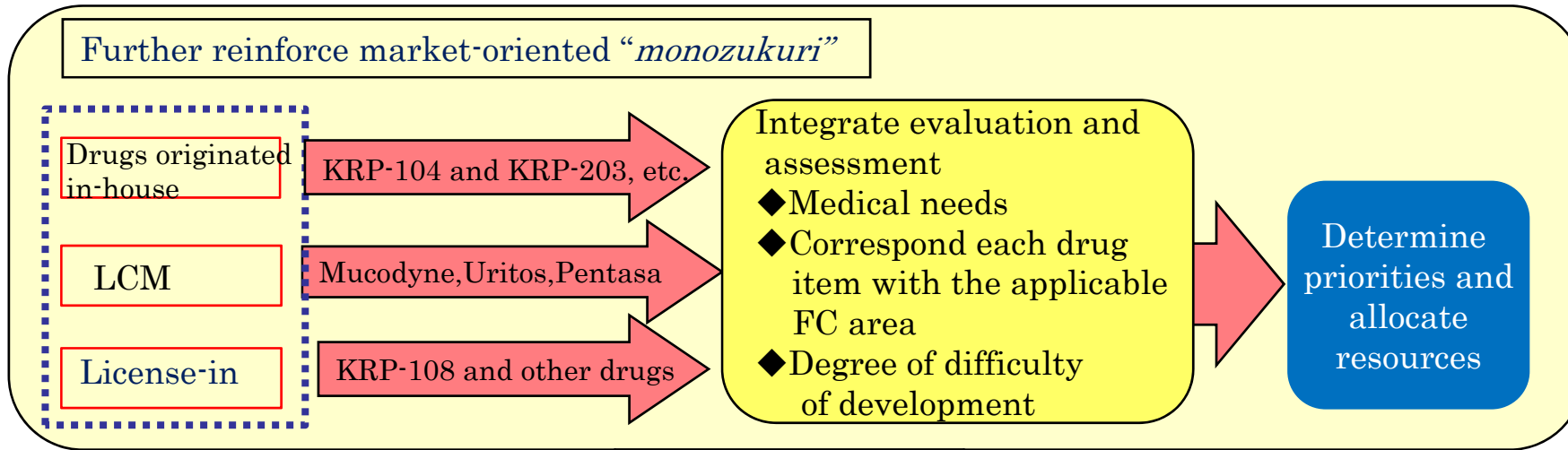
- Explored potential markets (through activities to educate patients and doctors about OAB)
- Promoted the features of Uritos
  - twice-daily administration
  - All eviation of side efects (e.g.,dry mouth and constipation)
  - Effect on nocturia

## Effort of Second Semester

- Explore potential markets (through activities to educate patients and doctors about OAB)
- Continue to offer useful information
  - Change of usage and dosage, etc.  
Note: Because the efficacy and safety levels with high dosages were confirmed, we plan to change the maximum dosage from 0.2 mg/day to 0.4 mg/day.
- Continue to discuss LCM

# 1. Reinforce New Drug Business

## (2) Reinforce the pipeline



FC area			Other
Respiratory internal medicine	Otolaryngology	Urology	
KRP-108 (Flutiform) License in(4/08) (SkyePharma)  Concentration of resources for early launch in the market	Neramexane <u>Execution of License Agreement with Merz Pharmaceuticals</u> (11/09)	Uritos LCM	Pentasa LCM
Mucodyne LCM			

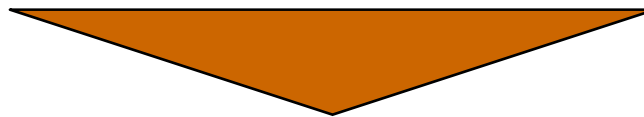
※LCM: Lifecycle Management

# 1. Reinforce New Drug Business

(2) Reinforce the pipeline Execution of License Agreement on Neramexane

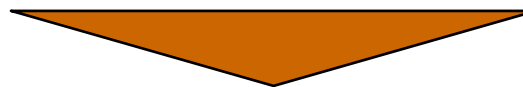
## Tinnitus treatment product 『Neramexane』

- Execution of License Agreement with Merz Pharmaceuticals GmbH(Germany) (11/09)
  - Kyorin acquires exclusive license rights to develop, manufacture, sell and market Neramexane in Japan.
  - Kyorin makes upfront and milestone payments to Merz. Kyorin also pays to Merz sales-related royalties after commercial sales.



### Purpose of introducing Neramexane

- Reinforce pipelines in the FC areas for sustainable growth
- Address medical needs (primarily unmet medical needs)



■ Aim for increased presence in otolaryngology

## 2. Optimize the integrative effect of the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

The integrative effect will be fully beneficial in fiscal 2009.

### Specific integrative effects

#### Up in sales

- Achieved additional sales of Pentasa
- Increased sales of generic drugs by assuming the products of Nisshin Kyorin Pharmaceutical Co., Ltd.

#### Reduction of cost percent

- Reduction of the cost of sales ratio due to in-house production of Pentasa

#### Enhancement of Sales

##### KYORIN Pharmaceutical

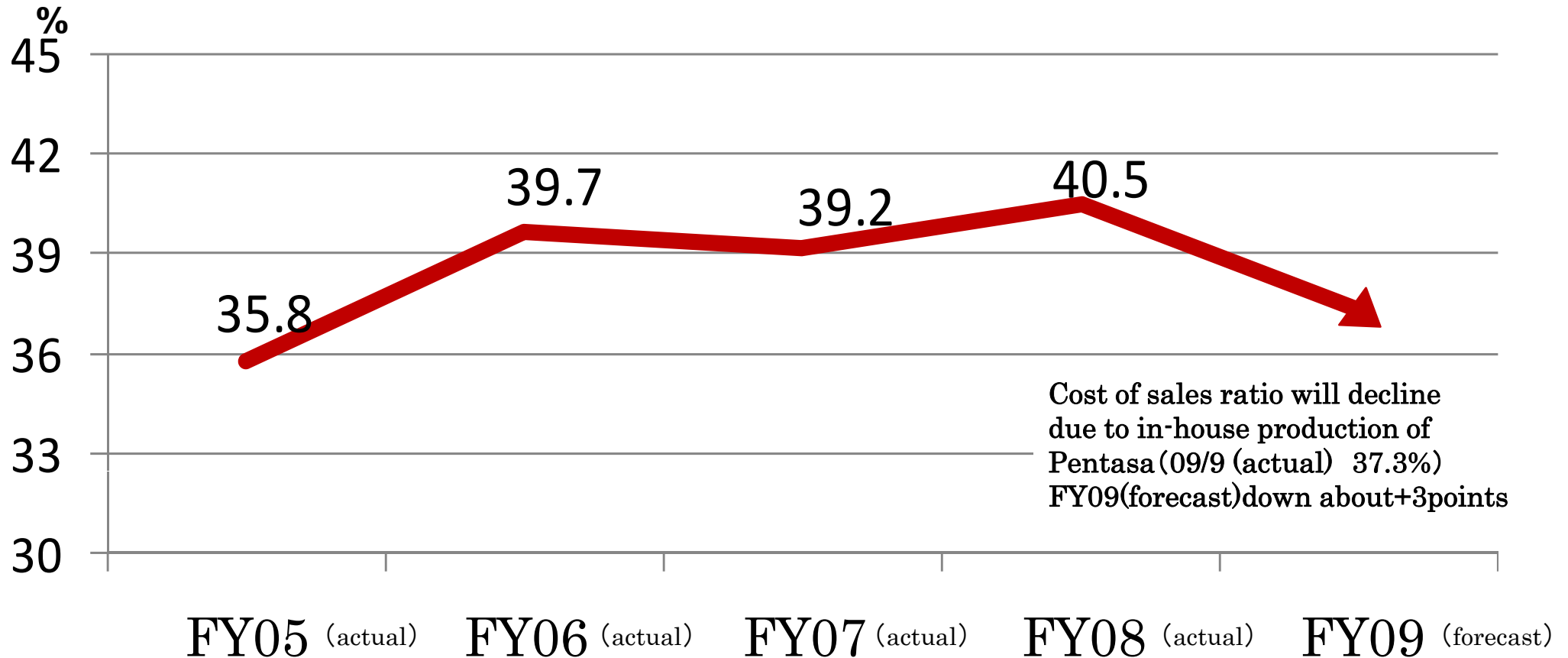
- Boosted sales by adding approximately 50 MRs  
Note: The number of visits to doctors increased and their sales advanced favorably.

##### KYORIN Rimedio

- Increased approximately 20MRs

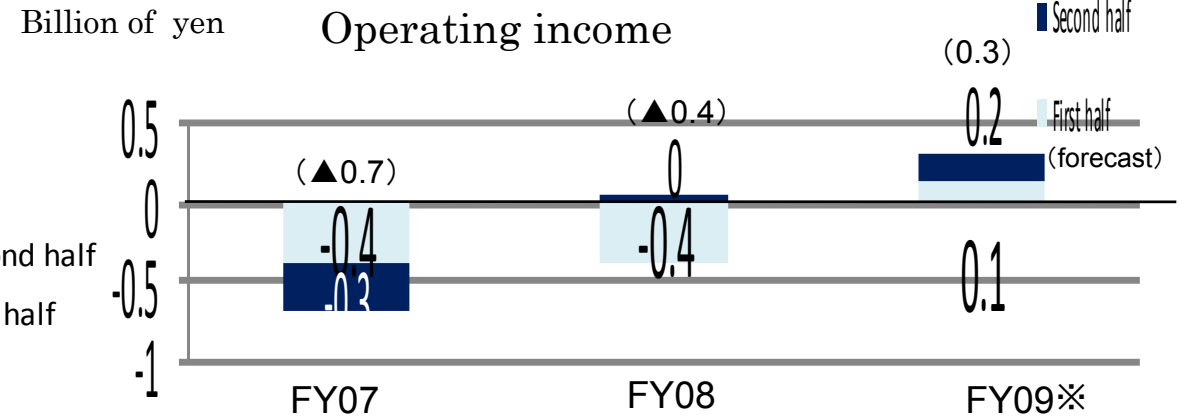
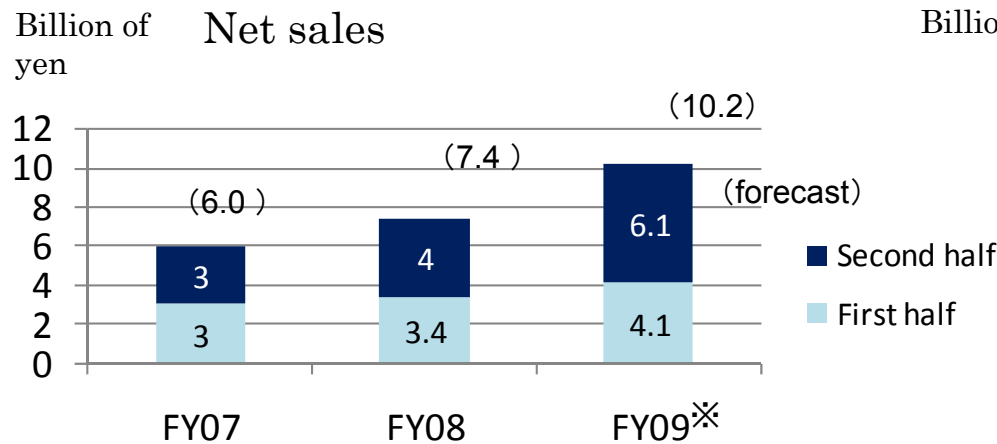
## 2. Optimize the integrative effect of the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

### Cost Percent (Consolidated) Trend



### 3. Nurture and Reinforce Peripheral Business

#### (1) Support and Strength of KYORIN Rimedio



※Because the closing date of KYORIN Rimedio is planned to be changed, the projections of business performance for the fiscal year ending 2010, will cover 14 months.

#### KYORIN Rimedio Financial Results for the Interim Term Ended September 2009

**【Sales: ¥3.4billion⇒¥4.1billion (Up by ¥0.7billion)】**

- Sales increased on products acquired from Nisshin Kyorin pharmaceutical Co., Ltd. and main products, contracted manufacturer

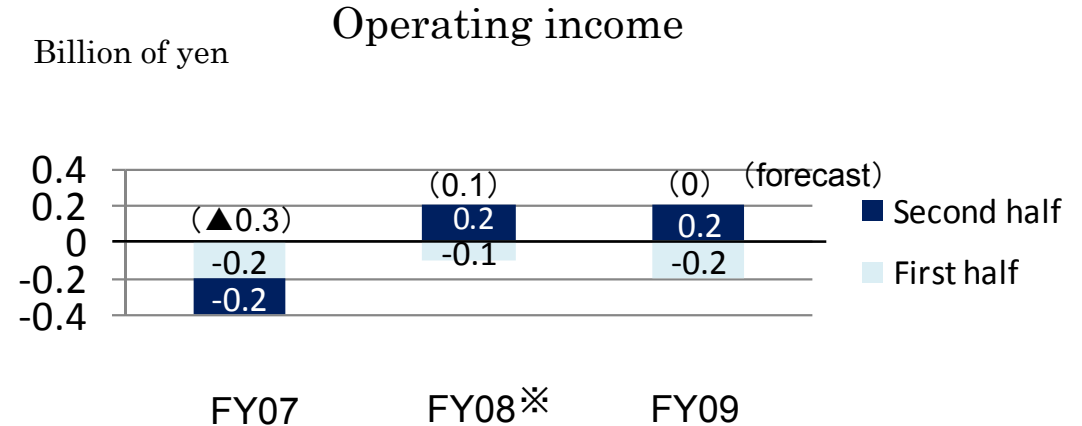
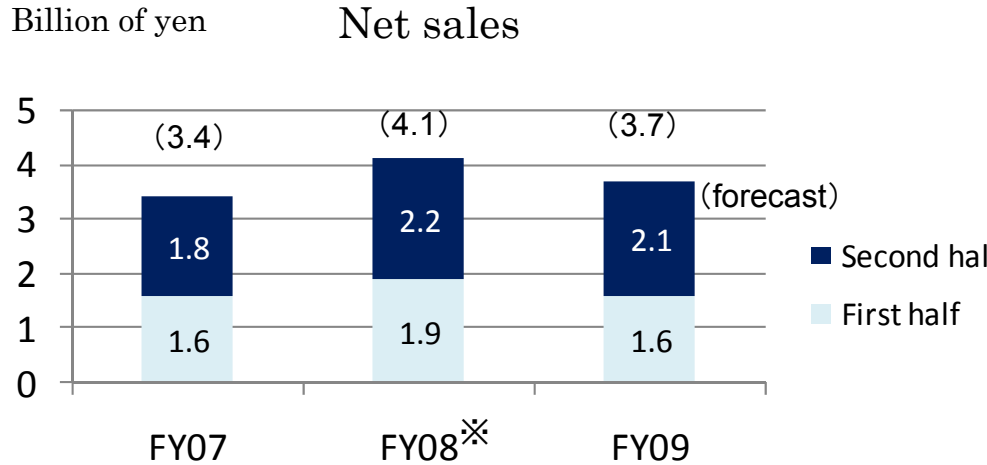
**【Operating income: ▲¥0.4billion⇒¥0.1billion】**

- Improved the cost of sales ratio via appropriate pricing and other measures

**Aim to achieve targets for fiscal 2009 ( Sales ¥ 10.2 billion、 Operating income ¥ 0.3 billion )**

- New items: Four ingredients and nine items are scheduled for launch in November 2009

### 3. Nurture and Reinforce Peripheral Business (2) Support and Strength of Dr . Program



\*The closing date changed from January 31 to March 31. (The year ended March 2009 covered 14 months.)

#### Dr. Program Financial Results for the Interim Term Ended September 2009

**【Sales: ¥1.9billion⇒¥1.6billion (Down by ¥0.3billion )】**

- Affected by the impact of sluggish demand and a change in the sales promotion strategy

**【Operating in come: ▲¥0.1billion⇒▲¥0.2billion】**

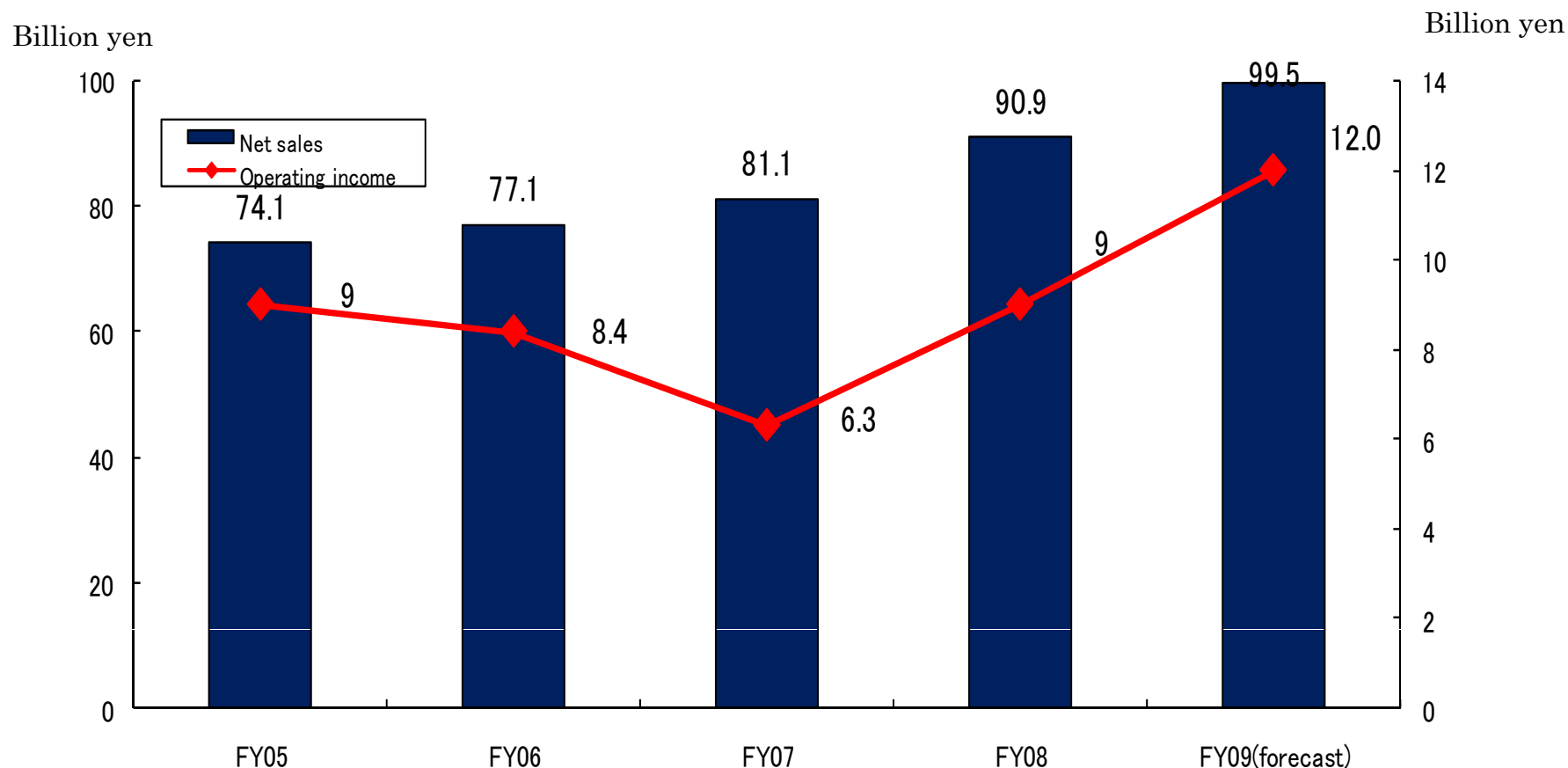
- Decreased profits due to a decline in sales

**In fiscal 2009, we aim to improve the full-year income/expenditure balance by achieving higher sales and controlling expenditures**

# Achieving the Target of the Kyorin MIC-'09 Mid-Term Business Plan

**Aim to achieve operating income of ¥12.0 billion and Net income of ¥8.1 billion (ROE of 7% or higher) by reinforcing the new drug business, optimizing the integrative effects of the merger with Nisshin Kyorin Pharmaceutical Co.,Ltd., and turning from losses to profitability in the peripheral businesses.**

Cash dividend per share(forecast):¥45.00(End of the 2<sup>nd</sup> quarter ¥10.00,Year-end ¥35.00)



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# *Interim Term Financial Results Ended* *September 2009*

- ~ Reinforce the R&D Pipeline
- Status of the pipeline

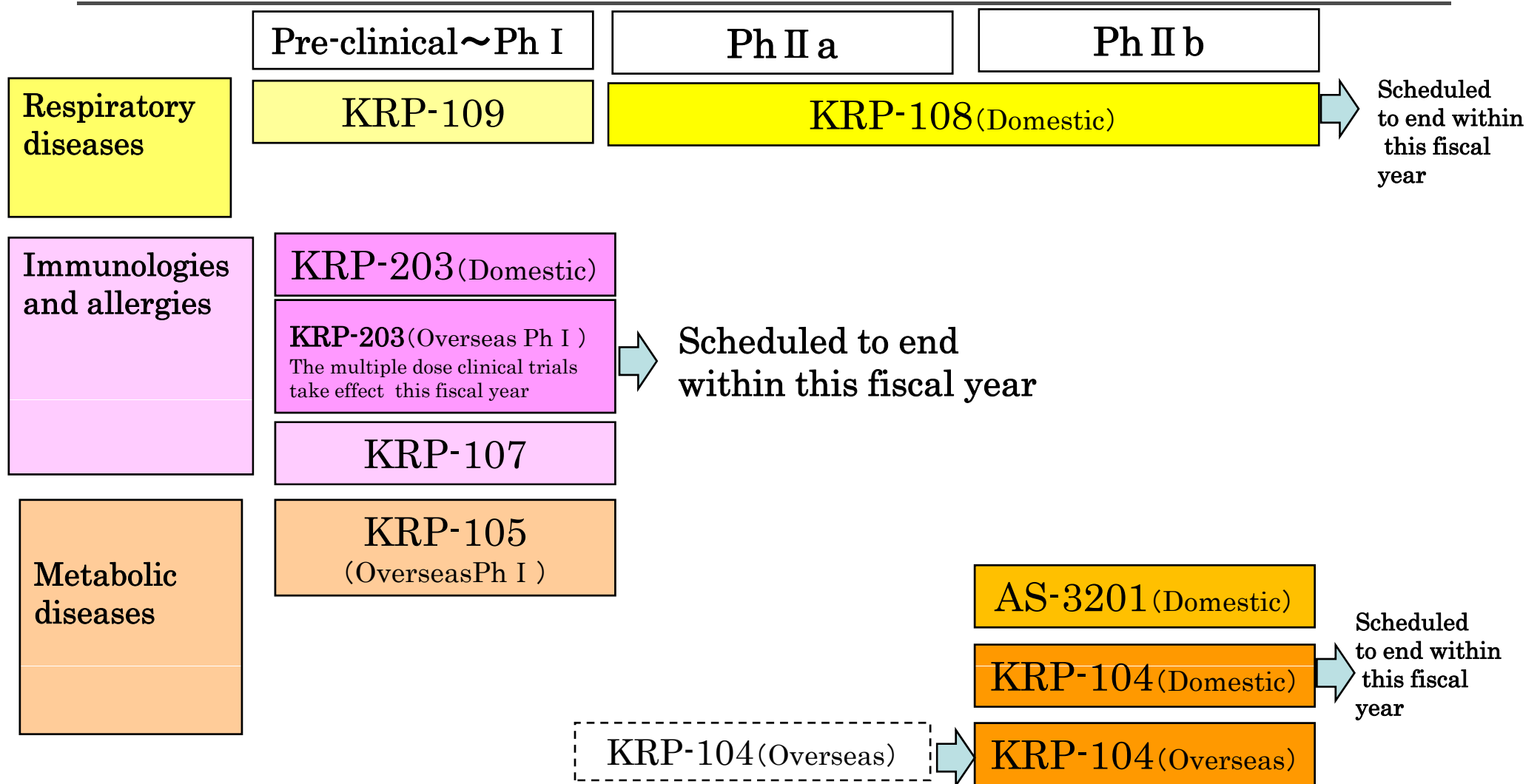
November 11, 2009

KYORIN Co., Ltd. Executive Director

KYORIN Pharmaceutical Co., Ltd

President and Chief Executive Officer Keiji Hirai

# R&D Activities



● Execution of License Agreement on Neramexane for Tinnitus

Note: The development of KRP-101 and KRP-204 will be terminated and eliminated from the list of items to be developed.

## Conducting Ph II b in Japan and Overseas Assess product values and aggressively seek business partners

### Progress to date

#### ❑ Confirmed the POC

##### ❑ Ph II a conducted overseas

Significant reductions in HbA1c, primary endpoint, were observed after a 12-week administration period both in the 60-mg BID and 120-mg QD groups compared to the placebo group. No significant difference was observed between the BID and QD dosages.

##### ❑ Ph II a conducted in Japan

Significant reductions in HbA1c were observed after a 12-week administration period in both the 30-mg BID and 10-mg BID groups (lower dosage than overseas) compared to the placebo-controlled group.

#### ❑ Safety was confirmed after four-week human test administration period

#### ❑ A favorable profile was confirmed as a result of 52-week monkey study

#### ❑ Based on these results, we will continue Ph II b to further confirm its efficacy, therapeutic profile and clinically optimal dose and safety

#### Current development status

- ❖ In Japan: Ph II b
  - Fiscal 2009: Check the results
- ❖ Overseas: Ph II b
  - November 2009: Start clinical trials
  - Fiscal 2010: Check the results

#### Ph II b: Outline of the tests

- ❖ In Japan
  - Verify the clinically optimal dose for Type 2 diabetes patients
  - Twice a day for 12 weeks
- ❖ Overseas
  - Verify the clinically optimal dose for Type 2 diabetes patients insufficiently controlled by metformin
  - Once a day for 24 weeks

## Implementing Ph II b Clinical Trials

Concentrate resources with an aim to obtain early approval



The best combination, the most potent ICS, fast onset LABA ; and the optimal device

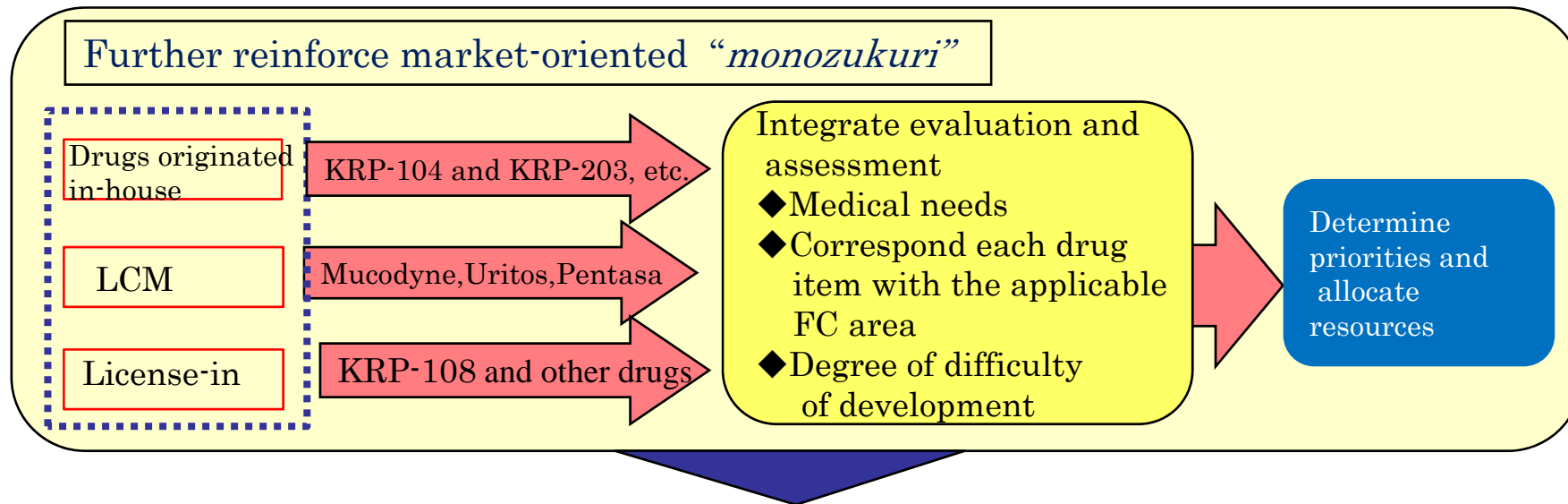
- ❑ New combination drug for Rx use
  - ICS: Fluticasone propionate
  - LABA: Formoterol fumarate
  - Device : Pressurized Metered Dose Inhalers(pMDI)

ICS : Inhaled corticosteroid  
LABA : Long-acting beta-agonist

### Development status

- ❖ In Japan: Implementing Ph II b clinical trials
  - Fiscal 2009: Scheduled to end
  - Fiscal 2012: Aim to file an application for approval
- ❖ Overseas: U.S.A.  
<Abbott/SkyePharma>
  - March 2009: NDA application
- Europe <Mundipharma>
  - Implementing Ph III clinical trials

# Reinforce New Drug Business Reinforce the pipeline



FC area			Other
Respiratory internal medicine	Otolaryngology	Urology	
KRP-108 (Flutiform) License in(4/08) (SkyePharma)  Concentration of resources for early launch in the market	<b>Neramexane</b> <u>Execution of License Agreement with Merz Pharmaceuticals (11/09)</u>	Uritos LCM	Pentasa LCM
Mucodyne LCM			

※LCM: Lifecycle Management

# Tinnitus treatment product : Neramexane

■ Reinforce product portfolio in the FC areas

■ Meet unmet medical needs

○ Expected Indications:

▪ Alleviation of the psychological suffering and difficulties in the life associated with tinnitus in patients suffering from moderate to severe tinnitus

■ Unique mechanisms of action

① NMDA receptor antagonist    ② Nicotinic acetylcholine receptor antagonist

▪ Neramexane is expected to improve excitation in the auditory pathway from the inner ear to nerve and cerebral cortex via mainly its two pharmacological properties.

○ Progress in development (overseas)

Merz Pharmaceuticals    Europe and the United States : Ph III

United States : Ph I in Japanese volunteers

※ Japan : aim for Ph II in next fiscal year or later

# Main R&D Activities① (November 10 , 2009 Release)

Ph II ~ Application		※Describe the latest changes				
Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
	(Galderma, Launched)	Amorolfine HCl Nail lacquer	Anti- onycomycosis	Roche	First nail varnish formulation for nail mycosis in Japan	
Ph II (3/05)	(Eisai PhIII)	AS-3201 (Tablets )	Diabetic neuropathy	Dainippon Sumitomo	Aldose reductase inhibitor to reduce the sorbitol accumulation in the cell, and improve diabetic neuropathy	Co-development with Dainippon Sumitomo ・Ph II b (9/07)
Ph II (2/08)	Ph II (9/07)	KRP-104	Anti-diabetes agent	In-house	A DPPIV inhibitor to reduce blood glucose through suppression of the degradation of insulin-releasing hormone. Diabetic therapy with fewer side effects is expected than existing treatments.	※Ph II b in overseas (11/09) ・Ph II b in domestic (3/09)
Ph II (8/08)	(Abbott in the US and Mundipharma in Europe)	KRP-108	Anti- asthmatic	Skye Pharma PLC	An ICS/LABA combination product, which offers better compliance and convenience to the patients.	Licensing agreement with SkyePharma (4/08)

※Note: The development of KRP-101 and KRP-204 will be terminated and eliminated from the list of items to be developed.

# Main R&D Activities② (November 10 , 2009 Release)

## Pre-clinical ~ Ph I

※Describe the latest changes

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
	Ph I (7/07)	KRP-203	Transplantation and autoimmune diseases treatment	In-house	An immunosuppressant with novel mechanism called S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunosuppressants.	Licensing agreement with Novartis (2/06)
	Ph I (10/07)	KRP-105	Anti-dyslipidemia	In-house	A highly selective PPAR $\alpha$ agonist. In addition to lipid metabolism improvement, KRP-105 increased adiponectin, reduced leptin, and suppressed weight gain in animal models, suggesting potential to be a unique and anti-dyslipidemia agent.	
Pre-clinical		KRP - 107	Transplantation and autoimmune diseases treatment	In-house	Selective S1P1 receptor agonist.	
Pre-clinical		KRP - 109	Anti acute lung injury(ALI)	In-house	Neutrophil elastase inhibitor with high distribution into lungs	

## License-in product

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
Clinical trial to be prepared	Ph III (Merz)	※Neramexane	Tinnitus	Merz	Neramexane is expected to improve the patients' psychological suffering and difficulties in their life associated with tinnitus via mainly its two pharmacological properties as 1) NMDA antagonistic activity and 2) Nicotinic acetylcholine receptor antagonistic activity.	Licensing agreement with Merz (11/09)

# Main R&D Activities③ (November 10 , 2009 Release)

## Licensing development

※Describe the latest changes

Product name・Code	Licensee・Collaborative research	Stage	Therapy area/Action	Origin	Comments
Alphagan/ Alphagan P	Senju Seiyaku	Domestic PhIII (7/07)	Glaucoma	Allergan (US)	<ul style="list-style-type: none"> <li>•Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution)</li> <li>•License-out to Senju (5/04)</li> </ul>
Ketas	MediciNova (US)	Overseas Ph II (8/05)	Cerebrovascular disorders	In-house	<ul style="list-style-type: none"> <li>•KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan,China, South Korea and Taiwan to develop, manufacture and sell the compound and products for the multiple sclerosis indication.(10/04)</li> <li>Result of Ph II was reported in April 2008.</li> </ul>
KCA-757	MediciNova (US)	Overseas PhIII (Anti-bronchial Asthma:11/06) Ph II/III (Interstitial cystitis: 5/05)	Anti-bronchial asthma and Interstitial cystitis agent	In-house	<ul style="list-style-type: none"> <li>•KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan,China, South Korea and Taiwan to develop, manufacture and sell the compound and products</li> <li>•Interstitial cystitis:Results of Ph II/III was reported in January 2007 and ceased development</li> <li>•Bronchial asthma: Clinical trial oversea was discontinued.</li> </ul>
KRP-203	Novartis (Switzerland)	Overseas Ph I (7/07)	Transplantation and autoimmune diseases treatment	In-house	An immunosuppressant with novel mechanism called S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunosuppressants.



# Outline of Consolidated Financial Results for the Interim Term Ended September 2009

# P&L summary : Consolidated-1

( Units: ¥ million)

	Sep/08 Interim term		Sep/09 Interim term			
	Actual	% Sales	Actual	% Sales	YoY	Amt chg
Sales	40,261	100.0%	45,714	100.0%	13.5%	5,453
Sales of new ethical drugs	33,046	82.1%	38,011	83.1%	15.0%	4,965
Japan	31,239	77.6%	36,733	80.4%	17.6%	5,493
Overseas	1,806	4.5%	1,278	2.8%	▲29.2%	▲528
Generic drugs	2,929	7.3%	3,584	7.8%	22.3%	654
Consumer healthcare business	3,684	9.2%	3,469	7.6%	▲5.8%	▲214
Other businesses	600	1.5%	649	1.4%	8.1%	48

Consolidated companies (7): KYORIN Pharmaceutical, Kyobundo, ,Kyorin USA, Kyorin Europe GmbH, ActivX Biosciences, Inc., KYORIN Rimedio, Dr. Program, Japan Medical Advance

Affiliated companies (1):Nippon Rika Co.,Ltd.

## Change

■ Net sales ¥45,714 million (+ ¥5,453 million)

### ● Sale of new ethical drugs in Japan

¥36,733 million (+ ¥5,493million)

3/09 3/10 (Billion yen)

• Kipres	10.4	→	12.7 (+2.3)
• Mucodyne	8.7	→	9.3 (+0.6)
• Pentasa	7.1	→	9.7 (+2.6)
• Uritos	0.6	→	1.6 (+1.0)

### ● Sales of new ethical drugs overseas

¥1,278 million (▲ ¥528 million)

• Gatifloxacin 1.4 → 1.1 (▲0.3) (Billion yen)

### ● Generic drug ¥3,584 million (+¥654 million)

\*Increase of sales for products acquired from Nisshin Kyorin Pharmaceutical Co., Ltd. , newly released drugs and main products

### ● Consumer healthcare business

¥3,469 million (+¥214 million)

• Milton	0.9	→	0.1 (+0.1) (Billion yen)
• Dr. Program	1.9	→	1.6 (▲0.3)

### ● Other business ¥649 million (+¥48 million)

# P&L Summary: Consolidated-2

(Units: ¥ million)

	Sep/08 Interim term		Sep/09 Interim term			
	Actual	% sales	Actual	% sales	YoY	Change
Sales	40,261	100.0%	45,714	100.0%	13.5%	5,453
COGS	17,718	44.0%	17,035	37.3%	▲ 3.9%	▲683
Gross profit	22,542	56.0%	28,679	62.7%	27.2%	6,137
SG&A expenses (of which R&D)	21,298 (4,968)	52.9% 12.3%	24,109 (5,670)	52.7% 12.4%	13.2% (14.1%)	2,811 (702)
Operating profit	1,243	3.1%	4,569	10.0%	267.4%	3,325
Non-op. income	418	1.0%	671	1.5%	60.7%	253
Non-op. expenses	486	1.2%	69	0.2%	▲85.8%	▲416
Recurring profit	1,175	2.9%	5,172	11.3%	339.9%	3,996
Extraordinary profits	92	0.2%	9	0.0%	▲89.6%	▲83
Extraordinary losses	3,116	7.7%	50	0.1%	▲98.4%	▲3,066
Pretax profit	▲1,847	▲4.6%	5,131	11.2%	—	6,979
Corporate, inhabitants and enterprise taxes	1,353	3.4%	2,129	4.6%	57.3%	775
Tax adjustments	▲1,594	▲4.0%	▲290	▲0.6%	—	1,303
Net profit	▲1,606	▲4.0%	3,293	7.2%	—	4,900

◆ Cost of sales ratio: down 6.7 percentage points  
(44.0% → 37.3%)

\*Factors for decrease : Cost of sales ratio declined due to in-house production of Pentasa.

◆ R&D ratio: up 0.1 percentage points  
(12.3% → 12.4%)

\*¥5.0 billion → ¥5.7 billion (+¥0.7 billion)

Factors for increase : Effect for the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

◆ SG&A expenses ratio (excluding R&D expenses):  
down 0.3 percentage points (40.6% → 40.3%)

\*¥16.3 billion → ¥18.4 billion (+¥2.1 billion)

The ratio of sales costs and general administrative overhead other than R&D expenses decreased 0.3 percentage points due to the sales increase.

■ Operating income ¥4,569 million  
(+¥3,325 million)

\* The operating margin improved 6.9 percentage points to 10.0%.

■ Net income ¥3,293 million  
(▲ ¥4,900 million)

■ Cash dividend per share ¥10.00

# BS summary:Consolidated

	Mar/09		Sep/09		
	Actual	%total	Actual	%total	Amt chg
Current assets	75,140	60.3%	79,729	62.4%	4,589
Cash, deposits	12,223		16,682		
A/R, notes receivable	35,615		32,054		
Mk securities	3,500		4,954		
Inventory	18,187		19,551		
Other	5,613		6,487		
Fixed assets	49,412	39.7%	47,999	37.6%	▲1,412
Tangible assets	17,122		16,650		
Intangible assets	1,632		1,306		
Investments	30,657		30,041		
Assets	124,552	100.0%	127,728	100.0%	3,176
Current liabilities	21,715	17.4%	21,512	16.8%	▲202
A/P, notes payable	8,258		8,591		
Other	13,456		12,921		
Non-current liab.	6,336	5.1%	6,191	4.9%	▲144
Total liabilities	28,051	22.5%	27,704	21.7%	▲347
Owner's equity	97,513	78.3%	100,116	78.4%	2,602
Net unrealized gain and translation adjustments	▲1,012	▲0.8%	▲91	▲0.1%	920
Total equity	96,501	77.5%	100,024	78.3%	3,523
Total liabilities and equity	124,552	100.0%	127,728	100.0%	3,176

(Units: ¥ million)

■ Current assets : up ¥4,589 million yoy

- Cash,deposits ( up ¥4,458 million yoy )
- A/R,notes receivable ( down ¥3,560million yoy )
- MK securities (up 1,453 million yoy)
- Inventory (up ¥ 1363 million yoy)
- Other (up ¥873 million yoy)

■ Fixed assets : down¥ 1,412 million yoy

- Tangible assets (down ¥ 471 million yoy)
- Intanagible assets (down ¥ 325 million yoy)
- Investments (down ¥ 616 million yoy)

■ Current liabilities : up ¥ 202 million yoy)

- A/P, notes payable (down ¥ 332 million yoy)
- Other (down ¥ 535 million yoy)

■ Non-current liabilities : up ¥ 144 million yoy)

# R&D, capex & depreciation < Consolidated > Interim term



( Units: ¥ million)

	9/06	9/07	9/08	9/09		3/09	3/10 (Forecast)	3/09 (Original Forecast)
				Actual	YoY			
R&D expense	3,982	5,676	4,968	5,670	14.1%	10,531	12,500	11,600
Capex (book base)	1,223	1,451	1,115	709	▲36.4%	1,612	1,700	2,600
Depreciation expense	2,304	2,214	2,028	1,362	▲32.8%	3,799	2,900	3,000

## < Capital expenditure (Actual/Forecast) >

	3/09	3/10	
	Actual	Interim term (Actual)	Full term (Forecast)
(Actual) Plant facilities Equipment for control, sales activities Equipment for research	¥0.5 billion ¥0.7 billion ¥0.4 billion	¥0.4 billion ¥0.1 billion ¥0.2 billion	
(Actual/Forecast) Plant facilities Equipment for control, sales activities Equipment for research			¥0.8 billion ¥0.5 billion ¥0.4 billion

# Product sales update : Interim term

( Units: ¥ billion )

		9/06	9/07	9/08	9/09		3/09	3/10 (Forecast)	3/10 (Original Forecast)
					actual	YoY			
	Kipres (LT receptor antagonist)	6.9	7.9	10.4	12.7	22.5%	25.2	28.7	27.4
	Mucodyne (Mucuregulant)	8.9	9.0	8.7	9.3	7.2%	20.6	21.5	21.5
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	4.0	4.4	7.1	9.7	37.6%	15.7	19.3	18.6
	Ketas (For bronchial asthma and cerebrovasculas disorders)	2.9	2.8	2.6	2.3	▲9.8%	5.0	4.7	5.0
	Uritos (Kyorin) (Overactive bladder)	-	0.5	0.6	1.6	142.8%	2.0	3.7	3.7
	Aplace (Anti-ulcer agent)	1.0	0.9	0.8	0.7	▲5.7%	1.5	1.4	1.5
	Rocaltrol (Osteoporosis remedy)	1.0	0.9	0.8	0.7	▲9.1%	1.5	1.4	1.4
<b>Total</b>		<b>2.2</b>	<b>2.5</b>	<b>1.8</b>	<b>1.3</b>	<b>▲29.2%</b>	<b>3.8</b>	<b>2.6</b>	<b>2.7</b>
Gatifloxacin (Bulk · Royalty)		1.8	1.6	1.4	1.1	▲18.0%	2.5	2.2	2.3
Foreign sales ratio (%)		6.3%	6.4%	4.5%	2.8%	—	4.1%	2.6%	2.8%
	Milton (Effervescent disinfectant)	1.0	1.0	0.9	1.0	5.0%	1.8	2.0	2.0

# Financial summary (Consolidated)

(Units: ¥ million)

	9/07	9/08	9/09	3/09	3/10 (Forecast)	3/10 (Original Forecast)
Sales (Exports)	39,363 (2,518)	40,261 (1,835)	45,714 (1,305)	90,889 (3,830)	99,500 (2,600)	96,400 (2,700)
COGS Ratio to sales(%)	14,701 (37.3%)	17,718 (44.0%)	17,035 (37.3%)	36,791 (40.5%)	—	—
SGA Ratio to sales(%)	21,873 (55.6%)	21,298 (52.9%)	24,109 (52.7%)	45,146 (49.7%)	—	—
R&D expense Ratio to sales(%)	5,676 (14.4%)	4,968 (12.3%)	5,670 (12.4%)	10,531 (11.6%)	12,500 (12.6%)	11,600 (12.0%)
Operating profit Ratio to sales(%)	2,788 (7.1%)	1,243 (3.1%)	4,569 (10.0%)	8,952 (9.8%)	12,000 (12.1%)	11,500 (11.9%)
Recurring profits Ratio to sales(%)	3,118 (7.9%)	1,175 (2.9%)	5,172 (11.3%)	9,208 (10.1%)	12,800 (12.9%)	12,300 (12.8%)
Net profit Ratio to sales (%)	953 (2.4%)	▲1,606 (▲4.0%)	3,293 (7.2%)	2,037 (2.2%)	8,100 (8.1%)	7,300 (7.6%)
EPS (¥)	12.74	▲21.48	44.05	27.24	108.35	97.64
Capital	700	700	700	700		
Assets	121,776	123,299	127,728	124,552		
Total equity	97,427	94,304	100,024	96,501		
BPS (¥)	1,301.82	1,260.93	1,338.01	1,290.67		
ROE (%)	1.0%	▲1.7%	3.3%	2.1%		
Equity ratio (%)	80.0%	76.5%	78.3%	77.5%		
Employee	2,003	2,059	2,262	2,247		
Capital expenditure	1,451	1,115	709	1,612	1,700	2,600
Depreciation expense	2,214	2,028	1,362	3,799	2,900	3,000

# P&L summary : KYORIN pharmaceutical-1

( Units: ¥ million)

	Sep/08 Interim term		Sep/09 Interim term			
	Actual	% Sales	Actual	% Sales	YoY	Amt chg
Sales	34,425	100.0%	39,545	100.0%	14.9%	5,120
Sales of new ethical drugs	32,998	95.9%	37,998	96.1%	15.2%	5,000
Japan	31,239	90.8%	36,733	92.9%	17.6%	5,493
Overseas	1,758	5.1%	1,264	3.2%	▲28.1 %	▲493
Generic drugs	146	0.4%	210	0.5%	44.1%	64
Consumer healthcare business	1,281	3.7%	1,337	3.4%	4.4%	56

	Change	
■ Net sales	¥39,545 million (+¥5,120 million)	
● Sale of new ethical drugs in Japan	¥36,773 million (+¥5,493 million)	
	9/08	9/09 (Billion yen)
· Kipres	10.4	→ 12.7 (+2.3)
· Mucodyne	8.7	→ 9.3 (+0.6)
· Pentasa	7.1	→ 9.7 (+2.6)
· Uritos	0.6	→ 1.6 (+1.0)
● Sales of new ethical drugs overseas	¥1,264 million (▲¥493 million)	
· Gatifloxacin	1.4	→ 1.1 (▲0.3) (Billion yen)
● Generic drug	¥210 million (+ ¥64 million)	
● Consumer healthcare business	¥1,337 million (+¥56 million)	
· Milton	0.9	→ 1.0 (+0.1) (Billion yen)

# P&L summary : KYORIN pharmaceutical-2

( Units: ¥ million )

	Sep/08		Sep/09			
	Actual	% Sales	Actual	% Sales	YoY	Amt chg
Sales	34,425	100.0%	39,545	100.0%	14.9%	5,120
COGS	14,096	40.9%	13,183	33.3%	▲6.5%	▲912
Gross profit	20,328	59.1%	26,361	66.7%	29.7%	6,033
SG&A (of which R&D)	18,642 (4,508)	54.2% 13.1%	21,603 (5,388)	54.6% 13.6%	15.9% (19.5%)	2,961 (880)
Operating profit	1,685	4.9%	4,757	12.0%	182.2%	3,072
Non-op income	456	1.3%	949	2.4%	107.8%	492
Non-op expense	16	0.0%	37	0.1%	126.8%	21
Recurring profit	2,125	6.2%	5,669	14.3%	166.7%	3,543
Extraordinary profits	76	0.2%	0	0.0%	▲99.3%	▲75
Extraordinary losses	2,646	7.7%	25	0.1%	▲99.0%	▲2,620
Pretax profit	▲443	▲1.3%	5,644	14.3%	—	6,088
Corporate, inhabitants and enterprise taxes	1,257	3.7%	2,118	5.4%	68.5%	861
Tax adjustments	▲1,421	▲4.1%	▲290	▲0.7%	—	1,130
Net profit	▲280	▲0.8%	3,816	9.6%	—	4,096

◆ **Cost of sales ratio: down 7.6 percentage points**  
(40.9→33.3%)

\*Factors for decrease : Cost of sales ratio declined due to in-house production of Pentasa.

◆ **R&D ratio: up 0.5 percentage points**  
(13.1%→13.6%)

\*¥4.5 billion → ¥5.4 billion (+¥0.9 billion)

Factors for increase : Effect for the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.

◆ **SG&A expenses ratio (excluding R&D expenses): down 0.1 percentage point** (41.1%→41.0%)

\* up from ¥14.1 billion to ¥16.2 billion

The ratio of sales costs and general administrative overhead other than R&D expenses decreased 0.1 percentage points due to the sales increase.

■ **Operating income ¥4,757 million**  
(+ 3,072 million)

\* The operating income margin increased 7.1 percentage points to 12.0%.

■ **Net income ¥3,816 million**  
(+ 4,096 million)

# BS summary : KYORIN pharmaceutical

( Units: ¥ million )

	Mar/09		Sep/10		
	Actual	% Total	Actual	% Total	Amt chg
Current assets	64,822	59.7%	67,755	61.2%	2,932
Cash, deposits	8,615		12,055		
Accounts receivable	32,018		28,446		
Mk securities	3,437		4,891		
Inventory	15,684		17,131		
Other	5,066		5,229		
Fixed assets	43,699	40.3%	42,913	38.8%	▲785
Tangible assets	13,789		13,473		
Intangible assets	486		380		
Investments	29,423		29,059		
Assets	108,522	100.0%	110,669	100.0%	2,147
Current liabilities	14,593	13.5%	14,759	13.3%	165
Notes payable	5,423		5,623		
Trade accounts payable	9,170		9,136		
Other					
Non-current liab.	5,457	5.0%	5,442	4.9%	▲14
Total liabilities	20,051	18.5%	20,202	18.3%	151
Owner's equity	89,328	82.3%	90,470	81.7%	1,142
Net unrealized gain and translation adjustments	▲857	▲0.8%	▲4	▲0.0%	853
Total equity	88,470	81.5%	90,466	81.7%	1,995
Total liabilities and equity	108,522	100.0%	110,669	100.0%	2,147

■ Current assets : up ¥2,932 million yoy

- Cash, deposits (up ¥3,440 million yoy)
- Accounts receivable (down ¥3,572 million yoy)
- Mk securities (up ¥1,453 million)
- Inventory (up ¥1,447 million)

■ Fixed assets : down ¥785 million yoy

- Tangible assets (down ¥316 million yoy)
- Intangible assets (down ¥105 million yoy)
- Investments (down ¥363 million yoy)

■ Current liabilities : up ¥165 million yoy

- A/P, notes payable (up ¥200 million yoy)
- Other (down ¥34 million yoy)

■ Non-current liabilities : down ¥14 million yoy

# Financial summary : KYORIN pharmaceutical

( Units: ¥ million )

	9/07	9/08	9/09
Sales (Exports)	34,171 (2,399)	34,425 (1,758)	39,545 (1,264)
COGS Ratio to sales(%)	11,522 (33.7%)	14,096 (40.9%)	13,183 (33.3%)
SGA Ratio to sales(%)	19,571 (57.3%)	18,642 (54.2%)	21,603 (54.6%)
R&D expense Ratio to sales(%)	5,155 (15.1%)	4,508 (13.1%)	5,388 (13.6%)
Operating profit Ratio to sales(%)	3,076 (9.0%)	1,685 (4.9%)	4,757 (12.0%)
Recurring profits Ratio to sales(%)	3,323 (9.7%)	2,125 (6.2%)	5,669 (14.3%)
Net profit Ratio to sales(%)	1,733 (5.1%)	▲280 (▲0.8%)	3,816 (9.6%)
EPS (¥)	23.34	▲3.78	51.38
Capital	4,317	4,317	4,317
Assets	104,454	106,478	110,669
Total equity	86,141	85,356	90,466
BPS (¥)	1,159.87	1,149.31	1,218.11
ROE (%)	2.0%	▲0.3%	4.2%
Equity ratio (%)	82.5%	80.2%	81.7%
Employee	1,532	1,567	1,733
Capital expenditure	729	577	624
Depreciation expense	1,880	1,656	1,071

	3 / 09	3/10 (Forecast)
Sales (Exports)	77,962 (3,148)	85,100 (2,500)
COGS Ratio to sales(%)	29,551 (37.9%)	—
SGA Ratio to sales(%)	39,894 (51.2%)	—
R&D expense Ratio to sales(%)	10,056 (12.9%)	11,700 (13.7%)
Operating profit Ratio to sales(%)	8,517 (10.9%)	11,800 (13.9%)
Recurring profits Ratio to sales(%)	9,463 (12.1%)	13,300 (15.6%)
Net profit Ratio to sales(%)	4,041 (5.2%)	8,600 (10.1%)
EPS (¥)	54.42	—
Capital	4,317	—
Assets	108,522	—
Total equity	88,470	—
BPS (¥)	1,191.24	—
ROE (%)	4.6%	—
Equity ratio (%)	81.5%	—
Employee	1,716	—
Capital expenditure	969	1,400
Depreciation expense	3,042	2,200

	3/10 (Original Forecast)
Sales (Exports)	81,700 (2,600)
COGS Ratio to sales(%)	—
SGA Ratio to sales(%)	—
R&D expense Ratio to sales(%)	10,800 (13.2%)
Operating profit Ratio to sales(%)	11,400 (14.0%)
Recurring profits Ratio to sales(%)	12,500 (15.3%)
Net profit Ratio to sales(%)	7,700 (9.4%)
EPS (¥)	—
Capital	—
Assets	—
Total equity	—
BPS (¥)	—
ROE (%)	—
Equity ratio (%)	—
Employee	—
Capital expenditure	2,300
Depreciation expense	2,300

# Reference : KYORIN Co., Ltd. (Actual and Forecast : Parent)



( Units: ¥ million )

	Sep/08 Interim term (Actual)	Sep/09 Interim term (Actual)
Net sales	2,084	4,008
Operating income	923	2,787
Ordinary income	800	2,731
Net income	497	2,840

	3 / 09 (Actual)	3 / 10 (Forecast)
	3,857	6,000
	1,411	3,500
	424	3,500
	150	2,900

3 / 10 (Original Forecast)
6,100
3,600
3,600
3,500

# Reference : Actual and Forecast of Main Subsidiary Company

健康はキョーリンの願いです。

( Units: ¥ billion )

Kyorin Pharmaceutical	Sep/08 Interim term	Sep/09 Interim term	3/09	3/10 (Forecast)	3/10 (Original Forecast)
Sales	34.4	39.5	78.0	85.1	81.7
Operating profit	1.7	4.8	8.5	11.8	11.4
Net profit	▲0.3	3.8	4.0	8.6	7.7
KYORIN Rimedio	Jul/08 Interim term	Jul/09 Interim term	1 / 08	3/10 <sup>※2</sup> (Forecast)	3/10 (Original Forecast)
Sales	3.4	4.1	7.4	10.2	10.3
Operating profit	▲0.4	0.1	▲0.4	0.3	0.1
Net profit	▲0.5	0.1	▲0.6	0.2	0.1
Dr.Program	Jul/08 Interim term	Jul/09 Interim term	3 / 09 <sup>※1</sup>	3 / 10 (Forecast)	3/10 (Original Forecast)
Sales	1.9	1.6	4.1	3.7	3.8
Operating profit	▲0.1	▲0.2	0.1	0	0.1
Net profit	▲0.1	▲0.2	0.1	0	0.1

\*1. Due to the change of the closing date of Dr. Program Co., Ltd., the business results for the fiscal year ended March 2009 covered 14 months.

\*2. Because the closing date of KYORIN Rimedio is planned to be changed, the projections of business performance for the fiscal year ending March 31, 2010, will cover 14 months.