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For Immediate Release

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Securities Code: 4569; TSE 1st Section

Extension of License Rights Regarding KRP-203

KYORIN Pharmaceutical Co., Ltd. (Headquarters: Tokyo, President: Keiji Hirai), a wholly owned subsidiary of KYORIN Holdings, Inc. (Headquarters: Tokyo, President: Masahiro Yamashita) and Novartis International Pharmaceutical Ltd. have concluded a new license agreement regarding a compound developed by KYORIN Pharmaceutical (development code: KRP-203) for the treatment of inflammatory bowel disease (IBD) and related diseases. In February 2006, under a licence agreement for the treatment of autoimmune disorders (excluding IBD), Novartis was granted the exclusive first right of refusal to negotiate rights for the development and commercialisation for KRP-203 in IBD.

Key details of the extension are highlighted below.

1. KYORIN Pharmaceutical has granted Novartis worldwide development and commercialization rights (excluding Japan, South Korea, China and Taiwan) for KRP-203 as a treatment for IBD.
2. Under the agreement, KYORIN Pharmaceutical will receive from Novartis an upfront payment, as well as milestone payments and royalties derived from sales following launch of KRP-203. KYORIN Pharmaceutical will supply Novartis with the compound.

KRP-203, a sphingosine-1-phosphate agonist featuring a novel chemical structure, has demonstrated immunosuppressive properties with some specificity on certain receptors. Such properties could be beneficial in the treatment of IBD which is caused by abnormal immune function.

In Japan, KYORIN Pharmaceutical has been developing KRP-203 as a potential treatment for IBD and is preparing to enter Phase I clinical trials..

(Reference) Target Disorders and Rights Applicable to the February 2006 License Agreement

1. Under the terms of the agreement KYORIN Pharmaceutical grants Novartis:

- (i) an exclusive license to develop and commercialize KRP-203 worldwide in the therapeutic area of transplantation, and
- (ii) an exclusive license to develop and commercialize KRP-203 worldwide, excluding Japan, the Republic of Korea, the People's Republic of China and Taiwan for autoimmune diseases and other diseases (excluding inflammatory bowel disease and related diseases).

KYORIN Pharmaceutical will receive from Novartis an up-front payment and additional milestone payments based upon the achievement of agreed clinical, regulatory and commercialization targets. After launch, Kyorin will supply Novartis with bulk KRP-203 and receive periodic sales-based royalties.

What is Inflammatory Bowel Disease (IBD)?

IBD is a catchall term for Ulcerative Colitis and Crohn's Disease. Ulcerative Colitis is a non-specific inflammatory bowel disease that largely attacks the colon lining, sometimes leading to erosion of the colon lining and the formation of ulcers. Crohn's Disease is an inflammatory disease that can occur anywhere along the digestive tract, from the oral cavity to the rectum. Both disorders tend to strike in younger people, with incidence rates generally peaking in patients around age 20. These diseases are difficult to treat and can repeatedly flare up and go into remission. As such, they typically require medical supervision over the patient's lifetime. As for causality of the diseases, although influences of genetic factors, changes of dietary life and intestinal bacterial flora, and abnormality of immune system have been reported, clear cause is unknown.