

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2013

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First Quarter of the Fiscal Year Ending March 31,2013

July 31, 2012

KYORIN Holdings, Inc.

These forecast performance figures are based on information currently available to the Company and may include uncertain factors or risk that affect our future performance. Accordingly, actual business results may materially differ from the forecasted figures due to various factors in the future.



Outline of First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2013



Units: millions of yen	First quarter June 30, 2009	First quarter June 30, 2010	First quarter June 30, 2011	First quarter June 30, 2012	YoY change (%)
Net sales	23,289	24,655	24,809	25,422	2.5%
Operating income	3,156	2,216	4,100	4,080	16.6%
Ordinary income	3,417	2,421	4,300	4,351	1.2%
Net income	1,976	1,799	2,697	2,838	5.2%

Sep/12 Interim term (forecast)	YoY change (%)	Year ending March 31, 2013 (forecast)	YoY change (%)
47,700	2.8%	104,700	1.4%
5,600	14.3%	17,900	23.8%
6,000	14.2%	18,500	21.1%
3,900	16.2%	11,800	27.8%

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2013

【 Net sales】

Sales of pharmaceutical business(new drug and generic drug) increased year on year, under the influence of the revision of drug prices in April this year. As a result, consolidated net sales increased 2.5% year on year, to ¥25,422 mil.

【Income】

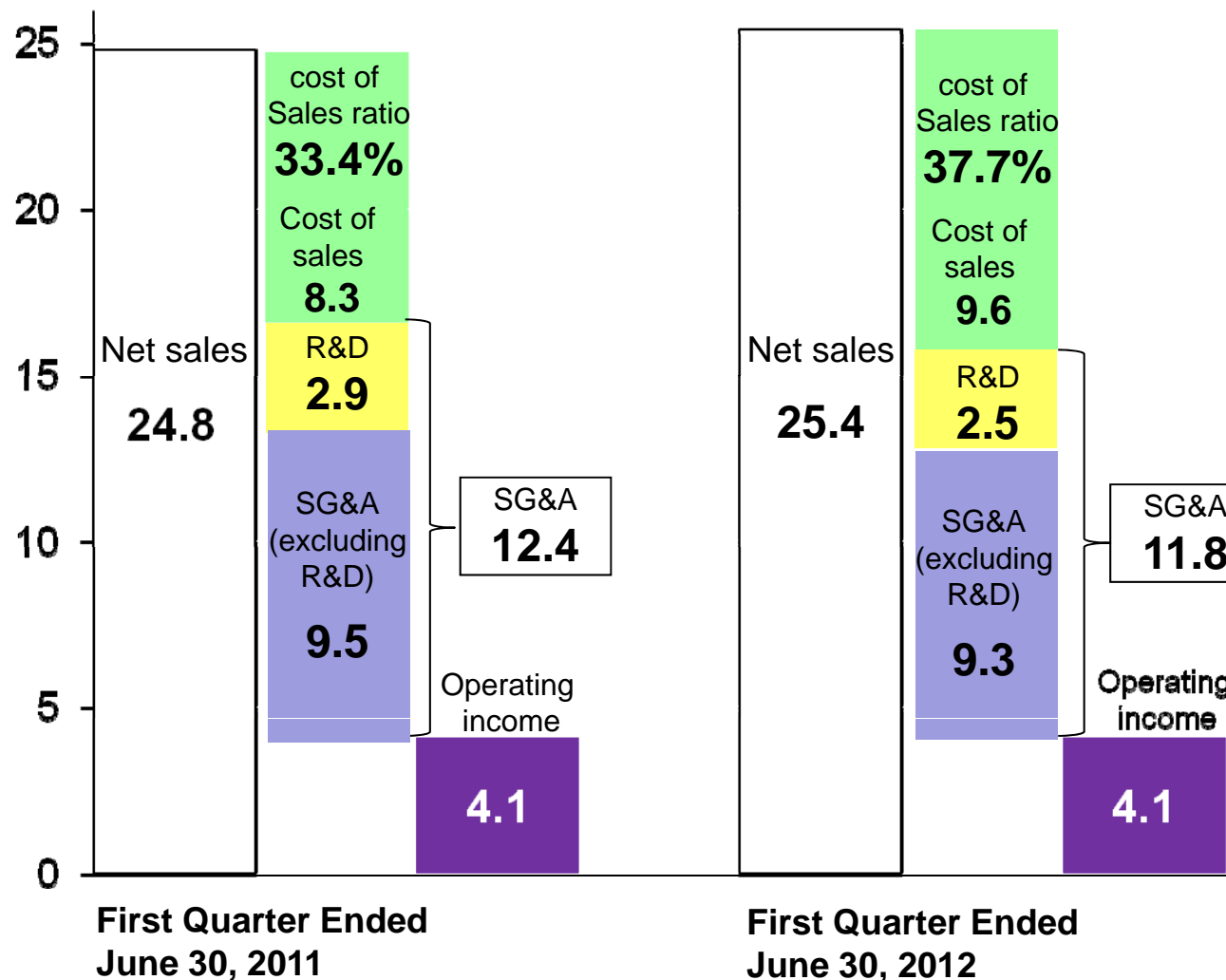
Gross profit decreased due to rose of the cost of sales ratio (Drug price revisions). Meanwhile, SG&A expenses fell, given a decrease in R&D expenses. Consequently, operating income stayed flat year on year(-0.5%), to ¥4,080 mil and net income rose 5.2%, to ¥2,838 mil.

Consolidated Financial Results for the Fiscal Year Ending March 31, 2013(forecast)

The results forecasts for the first half and the full year announced on May 9, 2012 remain unchanged. (Progress compared with the forecast for the first half: net sales: 53.3%; operating income: 72.9%)

Highlights of Business Performance for the First Quarter Ended June 30, 2012

(Units: ¥ billion)



Highlight ①

◇ Net sales rose ¥0.6 bil year on year).

Highlight ②

◇ Cost of sales ratio increased 4.3%.

- Drug price revisions (in the 6% range for KYORIN Pharmaceutical).
- Sales of ethical drug overseas decreased.
- Lower in the production rates of plants.
- Sales of generic drugs increased.

◇ Gross profit decreased ¥0.7bil

Highlight ③

SG&A expenses decreased ¥0.6 bil year on year.

▪ R&D expenses decreased ¥0.4bil.

◆ Operating income stay flat year on year.

Consolidated Financial Results for the First Quarter Ended June 30, 2012



(Units: ¥ billion)

	First Quarter June 30, 2011	First Quarter June 30, 2012	Change
Net sales (total)	24.8	25.4	+0.6
Ethical drugs business	24.2	24.9	+0.7
◆Sales of new ethical drugs	21.1	21.3	+0.2
○Japan	20.1	20.6	+0.5
○Overseas	1.1	0.7	-0.4
◆Generic drugs	2.1	2.6	+0.5
◆Over-the-counter drugs	1.0	1.0	0
Healthcare (Skin care) Business	0.6	0.5	-0.1

Operating income	4.1	4.1	0
Ordinary Income	4.3	4.4	+0.1
Net income	2.7	2.8	+0.1

		Year on Year
■Net sales	¥25.4billion	(+0.6)
◆Ethical drugs business	¥24.9billion	(+0.7)
●Sales of new ethical drugs in Japan	¥20.6billion	(+0.5)
	12.3(1Q) 13.3(1Q)	
• Kipres	8.3 ⇒ 8.8	(+0.5)
• Mucodyne	1.6 ⇒ 1.9	(+0.3)
• Pentasa	5.1 ⇒ 4.6	(-0.5)
• Uritos	4.6 ⇒ 4.5	(-0.1)
●Sales of new ethical drugs in Overseas	¥0.7billion	(-0.4)
• Gatifloxacin	1.0 ⇒ 0.7	(-0.3)
●Sales of generic drugs	¥2.6billion	(+0.5)
◆Healthcare (Skin care)Business	¥0.5billion	(-0.1)
■Operating income	¥4.1billion	(0)
◆Operating income margin decreased 0.5 percentage points YoY to 16.0%		
●Cost of sales ratio: 37.7%, increased 4.3 percentage points YoY		
• Drug price revisions (in the 6%range for KYORIN Pharmaceutical).		
• Sales of ethical drug overseas decreased. • Lower in the production rates of plants.		
• Sales of generic drugs increased.		
●R&D ratio: 9.7%, decreased 2.1 percentage points YoY (11.8%⇒9.7%)		
* ¥2.9 billion ⇒ ¥2.5 billion (decreased ¥0.4 billion)		
●SG&A ratio (excluding R&D expenses): 36.5%, decreased 1.3 percentage points YoY (38.3%⇒36.5%)		
* ¥9.5 billion ⇒ ¥9.3 billion (decreased ¥0.2 billion)		
■Net income	¥2.8billion	(+1.0)

Main Product Sales Update

(Units: ¥ billion)

Product name		Interim term		Full term		First quarter (April 1 to June 30)				
		FY2011 (results)	FY2012 (forecast)	FY2011 (results)	FY2012 (forecast)	FY2011 (results)	FY2012 (results)	YoY change (%)	Progress to Interim term forecast(%)	Progress to Full term forecast(%)
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	15.7	16.7	36.8	37.9	8.3	8.8	5.8%	52.4%	23.1%
	Mucodyne (Mucoregulant)	9.1	9.0	21.5	21.3	5.1	4.6	-8.5%	51.1%	21.7%
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.1	8.4	18.0	17.0	4.6	4.5	-0.5%	53.9%	26.6%
	Uritos (Kyorin) (Overactive bladder)	2.9	3.3	6.3	7.6	1.6	1.9	21.6%	56.2%	25.0%
	Ketas (For bronchial asthma and cerebrovascular disorders)	1.8	1.5	3.4	3.0	0.9	0.8	-12.5%	50.0%	25.3%
Sales of new ethical drugs (over seas)	Gatifloxacin (Bulk · Royalty)	0.8	0.8	1.7	1.5	1.0	0.7	-33.0%	81.3%	42.0%
Over-the- counter drugs	Milton (Disinfectant)	0.9	1.0	1.9	2.0	0.5	0.5	10.3%	48.9%	24.1%

Sales of Gatifloxacin included bulk sales to licensees and running royalties in accordance with sales at licensees.

Actual and Forecast of Main Subsidiary Companies

(Units: ¥ billion)

KYORIN pharmaceutical	First quarter June 30, 2011 (results)	First quarter June 30, 2012 (results)	FY 2011 (results)	FY2012 (forecast)
Sales	22.5	23.0	93.7	94.6
Operating profit	3.9	4.1	14.0	17.4
Net profit	2.7	2.9	9.3	12.0

KYORIN Rimedio	First quarter June 30, 2011 (results)	First quarter June 30, 2012 (results)	FY 2011 (results)	FY2012 (forecast)
Sales	2.4	2.7	9.6	10.2
Operating profit	0.3	0.0	0.3	0.4
Net profit	0.2	0.0	0.3	0.2

Dr. Program	First quarter June 30, 2011 (results)	First quarter June 30, 2012 (results)	FY 2011 (results)	FY2012 (forecast)
Sales	0.6	0.5	2.6	2.7
Operating profit	0.0	−1.0	0.1	0.1
Net profit	0.0	−1.0	0.0	0.0

Main R&D Activities -1 (July 31 , 2012 Release)

Ph III ~ Application submitted

※Changes from the previous announcement
(May 9, 2012)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Application submitted (11/2011)		Pentasa (tablet)	Ulcerative colitis	Ferring Pharmaceuticals	New dosage regimen for ulcerative colitis in the remission phase (once a day)	
Preparing for application		Pentasa (suppository)	Ulcerative colitis	Ferring Pharmaceuticals	Consideration of a new dosage form for the active phase of ulcerative colitis (once a day)	<ul style="list-style-type: none"> •Development of a new dosage form •PhⅢcompleted(2/2012)
Preparing for application	(US) SkyePharma : Application submitted (3/2009) (Europe) Mundipharma : Approved(7/2012)	KRP-108 (Inhalant)	Anti-asthmatic	SkyePharma PLC	An ICS/LABA combination product, which offers better compliance and convenience to the patients	<ul style="list-style-type: none"> •License agreement with SkyePharma (4/2008) •Domestic Ph II completed (4/2010) •PhⅢcompleted(3/2012)

Main R&D Activities -2 (July 31 , 2012 Release)①

POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement
(May 9, 2012)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph II (2/2008)	Ph II (9/2007)	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.	<ul style="list-style-type: none"> •Overseas Ph II b completed (3/2011) •Domestic Ph II b completed (3/2010)
Ph II (2/2012)	(Europe) Almirall : Approved(7/2012) (US) Forest Pharmaceuticals : Approved(7/2012)	KRP-AB1102 (Inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	<ul style="list-style-type: none"> - New Chemical Entity: Aclidinium Bromide - Long Acting Muscarinic Agonist (LAMA) - Twice Daily administration -Onset of Action on the first day Genuair® 1) Designed with a feedback system, which through a 'colored control window' and an audible click helps confirm that the patient has inhaled correctly 2) Counter for remaining doses 3) Safety features such as an anti-double-dosing mechanism and an end-of-dose lock-out system to prevent use of an empty inhaler	License agreement with Almirall (2/2011)
Ph II (5/2012) ※	(Europe & US) Almirall: Ph III (US) Forest Laboratories : Ph III	KRP-AB1102F (Fixed dose combination inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	Combination of aclidinium bromide with the long acting beta agonist formoterol : This combination is aimed at providing higher efficacy than each component alone,as well as the improved convenience of having the two products in the same easy to use inhalation device.This is currently in phase III clinical development.	

Main R&D Activities -2 (July 31 , 2012 Release)②

POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement
(May 9, 2012)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph II (8/2011)	Ph III Merz	KRP-209	Tinnitus	Merz	KRP-209 (Neramexane) is expected to improve the patients' annoyance and difficulties in their life caused by tinnitus, mainly through its two pharmacological properties: 1) NMDA antagonistic activity and 2) Nicotinic acetylcholine antagonistic activity	License agreement with Merz (11/2009) Merz:Ph I clinical trial of Japanese patients in US completed (3/2010)
Ph I (12/2010)	Ph II (POC) (12/2010) (Novartis)	KRP-203	Transplantation, autoimmune diseases, and IBD	In-house	An immunosuppressant with a novel mechanism called an 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 immunomodulator.	License agreement with Novartis (2/2006) New license agreement IBD (11/2010)
Ph I (8/2011)		KRP-AM1977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	①Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA) ②Outstanding ADME (oral absorption, tissue migration) ③High degree of safety expected since safety hurdles cleared prior to clinical trials	
Ph I (7/2012)※		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house		

others

•AIPHAGAN Ophthalmic Solution 0.1% : Released on May 2012 ※

【For reference】

Segment information for the First Quarter Ended June 30, 2012



Sales, profit or loss of each report segment

(Units: ¥ billion)

	Sales	Year on Year	Profit	Year on Year
Net sales (total)	25.4	+0.6	4.1	0
Ethical drugs business	24.9	+0.7	4.1	0
◆Sales of new ethical drugs	21.3	+0.2		
○Japan	20.6	+0.5		
○Overseas	0.7	-0.4		
◆Generic drugs	2.6	+0.5		
◆Over-the-counter drugs	1.0	0		
Healthcare(Skincare) business	0.5	-0.1	-0.1	0
Amount of adjustment	—	—	0.1	0

(Note) The Company is applying the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information. As a result, the reported segments are the Ethical Drugs Business and the Consumer Healthcare Business.

【For reference】
Consolidated Financial Results for the First Quarter
Ended June 30, 2012

(Units: ¥ million)

	Interim term		Full term		First quarter (April 1 to June 30)					
	FY2011 (results)	FY2012 (forecast)	FY2011 (results)	FY2012 (forecast)	FY2011 (results)	FY2012 (results)	Change	YoY change (%)	Progress to interim term forecast (%)	Progress to full term forecast (%)
Sales	46,387	47,700	103,232	104,700	24,809	25,422	613	2.5%	53.3%	24.3%
◆Ethical drugs business	45,155	46,500	100,654	102,000	24,183	24,921	738	3.1%	53.6%	24.4%
Sales of new ethical drugs	39,098	40,000	88,011	88,700	21,148	21,331	183	0.9%	53.3%	24.0%
Japan	38,129	39,000	85,995	86,700	20,075	20,586	511	2.5%	52.8%	23.7%
Overseas	968	1,000	2,015	2,000	1,072	745	-327	-30.5%	74.5%	37.3%
Generic drugs	4,097	4,600	8,656	9,500	2,069	2,635	566	27.4%	57.3%	27.7%
Over-the- counter drugs	1,959	1,800	3,987	3,800	965	953	-12	-1.2%	52.9%	25.1%
◆healthcare (Skincare) business	1,232	1,200	2,577	2,700	625	501	-124	-19.8%	41.8%	18.6%
Operating income	4,900	5,600	14,464	17,900	4,100	4,080	-20	-0.5%	72.9%	22.8%
Ordinary Income	5,253	6,000	15,275	18,500	4,300	4,351	51	1.2%	72.5%	23.5%
Net income	3,355	3,900	9,231	11,800	2,697	2,838	141	5.2%	72.8%	24.1%