Third Quarter Consolidated Financial Results
for the Fiscal Year Ending March 31,2009

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February 5, 2009

KYORIN Co.,Ltd.

Outline of Third Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2009

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Third Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2009

【Sales】 Net sales reached ¥66.4 billion (up 6.5% year on year), driven by strong sales of major products and an increase in sales of domestic new drug due to the merger with Nisshin Kyorin Pharmaceutical, offsetting a significant fall in lump-sum money income.

【Income】 Gross profit rose about ¥100 million, with the decline in lump-sum money income more than offset by the expansion of new domestic drugs.

SG&A expenses increased about ¥600 million because of the merger with Nisshin Kyorin Pharmaceutical and other factors. As a result, operating income was ¥5.3 billion (down 7.8%).

After the subtraction of an extraordinary loss of about ¥3.2 billion, net income stood at ¥0.8 billion (declining 68.6%).

＊The earnings forecast announced on October 29, 2008 has not been changed.

Units: Millions of yen	Third quarter March 31, 2006	Third quarter March 31, 2007	Third quarter March 31, 2008	Third quarter March 31, 2009	YoY change (%)	Year ending March 31, 2009 (forecast)	YoY change (%)
Net sales	55,836	56,961	62,325	66,361	6.5%	88,600	9.3%
Operating income	7,129	5,814	5,788	5,339	▲7.8%	6,700	7.2%
Ordinary income	7,689	6,101	6,278	5,451	▲13.2%	7,000	5.4%
Net income	4,670	3,483	2,687	842	▲68.6%	1,600	▲26.9%

＊ First quarter Consolidated financial results until March 31,2006 are KYORIN Parmaceutical Co.,Ltd.
First quarter Consolidated financial results from March 31,2007 and Forecast for Interim term Ending in September 30,2008 and March 31,2009 apply to KYORIN Co.,Ltd.

＊Since the quarterly reporting system was introduced for the first time in the current fiscal year, figures for the same period in previous fiscal years used for comparison and analysis have not been reviewed by a third-party auditor.

Consolidated Financial Results for the Third Quarter March 31, 2009

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Units: Billions of yen

	Third Quarter March 31, 2008	Third Quarter March 31, 2009	Change
Net sales (total)	62.3	66.4	+4.1
◆ Sales of new ethical drugs	52.4	55.5	+3.1
Japan	49.1	53.0	+3.9
Overseas	3.3	2.5	▲0.8
◆ Generic drugs	3.8	4.6	+0.8
◆ Consumer healthcare business	5.4	5.4	±0
◆ Other businesses	0.8	0.9	+0.1
Operating income	5.8	5.3	▲0.5
Ordinary income	6.3	5.5	▲0.8
Net income	2.7	0.8	▲1.9

				Change
■ Net sales			66.4 billion	(+4.1)
●Sales of new ethical drugs in Japan			53.0 billion	(+3.9)
	08.3(1Q)(results)		08.3(1Q)(results)	
・Kipres	14.0	→	18.1	(+4.1)
・Pentasa	6.8	→	11.7	(+4.9)
・Uritos	0.6	→	1.3	(+0.7)
・Mucodyne	15.9	→	15.3	(▲0.6)

＊ Other factors for decrease : Baynas,Hespander sales termination , Discontinuation of commercialization of Gatiflo, decrease in lump-sum money income

● Sales of new ethical drug overseas			2.5 billion	(▲ 0.8)
・Gatifloxacin	2.1	→	1.9	(▲0.2)

・ Decrease in lump-sum income

● Generic drugs 4.6 billion (+0.8)

・Expansion of sales of main products, launch of new products and relocated products

● Consumer healthcare business			5.4 billion	(± 0)
・ Milton	1.5	→	1.4	(▲0. 1)
・ Dr.Program Co.,Ltd.	2.4	→	2.6	(+0.2)
● Other businesses			0.9 billion	(+0.1)

◆ Cost of sales ratio : up 3.6 points (38.2%→41.8%)

Factors for increase: : price revision (kyorin pharmaceutical: approx 4%), decrease of lump-sum money income and change product configuration.

◆ R&D ratio : down 1.8 points (13.2%→11.4%)

R&D: down from ¥8.3 billion to ¥7.6 billion

Factors for increase: : lump-sum contract deposit of Fultiform ,integration with Nissin Kyorin.

Factors for decrease: :co-development expenses for the previous term due to the difference of closing dates

◆ SG&A expenses ratio (excluding R&D expenses): down 0.4points (39.2%→38.8%)

SG&A expenses (excluding R&D expenses) up from ¥24.4 billion to ¥25.7 billion (approx,1.3 billion up)

Factors for increase :SG&A expenses increase by merger with Nissin Kyorin.

■ Operating income 5.3 billion (▲ 0.5)

＊ <u>The operating income margin decreased 1.3 percentage points , to 8.0%</u>

■ Net income 0.8 billion (▲1.9)

＊Special loss:approx 3.2 billion(Gatiflo about 2.6 billion yen, loss on revaluation of investments in securities about 0.4 billon yen.)

Consolidated Results for Second Quarter and Third Quarter

(April 1to September 30,2008) (October 1to December 31,2008)

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Units: Billions of yen

	April 1to September 30, 2008	Change
Net sales	40.3	+0.9
COGS % Sales	17.7 44.0%	+3.0
Gross profit	22.5	▲2.2
SG&A expenses	21.3	▲0.6
R&D expenses	5.0	▲0.7
SG&A expenses (excluding R&D expenses):	16.3	+0.1
Operating income	1.2	▲1.6
Ordinary income	1.2	▲1.9
Net income	▲1.6	▲2.6

	October 1to December 31, 2008	Change
Net sales	26.1	+3.1
COGS % Sales	10.0 38.4%	+0.9
Gross profit	16.1	+2.3
SG&A expenses	12.0	+1.2
R&D expenses	2.6	±0
SG&A expenses (excluding R&D expenses)	9.4	+1.2
Operating income	4.1	+1.1
Ordinary income	4.3	+1.1
Net income	2.4	+0.7

Point

＊Sales were favorable overall. Sales of Pentasa and Kipres rose ¥2.2 billion and ¥1.6 billion respectively.

＊The cost of sales ratio fell in association with the start of in-house manufacturing of Pentasa.

＊SG&A (excluding R&D)expenses increase by merger with Nissin Kyorin.

＊Operating income rose significantly with an increase in SG&A expenses offset by an expansion in net sales.

In the interim term, sales rose but income fell because of a fall in lump-sum money income and other factors.
Both sales and income increased in the third quarter thanks to the merger with Nisshin Kyorin Pharmaceutical and a continued rise in sales of new domestic drugs, among other factors.

Consolidated Financial Results for the Third Quarter March 31, 2009

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(Units: ¥ million)

	Second quarter		Full term			Third quarter(April 1,2008 to December 31,2008)				
	FY07 (results)	FY08 (forecast)	FY07 (results)	FY08 (forecast)		FY07 (results)	FY08 (results)	Change	YoY change (%)	Progress to full term forecast (%)
Sales	39,363	40,261	81,070	88,600		62,325	66,361	+4,036	6.5%	74.9%
Sales of new ethical drugs	32,801	33,046	67,631	73,100		52,397	55,529	+3,132	6.0%	76.0%
Japan	30,289	31,239	63,296	69,900		49,117	53,001	+3,884	7.9%	75.8%
Overseas	2,512	1,806	4,334	3,200		3,279	2,527	▲752	▲22.9%	79.0%
Generic drugs	2,539	2,929	5,088	6,300		3,786	4,583	+797	21.1%	72.7%
Consumer healthcare business	3,545	3,684	7,296	8,000		5,372	5,392	+20	0.4%	67.4%
Other businesses	477	600	1,054	1,200		769	855	+86	11.2%	71.3%
Operating income	2,788	1,243	6,251	6,700		5,788	5,339	▲449	▲7.8%	79.7%
Ordinary Income	3,118	1,175	6,643	7,000		6,278	5,451	▲827	▲13.2%	77.9%
Net income	953	▲1,606	2,189	1,600		2,687	842	▲1,845	▲68.6%	52.6%

Main Product Sales Update

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(Units: ¥ billion)

Product name		Second quarter		Full term		Third quarter(April 1 to December 31,2008)			
		FY07 (results)	FY08 (forecast)	FY07 (results)	FY08 (forecast)	FY07 (results)	FY08 (results)	YoY change (%)	Progress to Full term forecast(%)
Sales of new ethicaldrugs (Japan)	Kipres (LT receptor antagonist)	7.9	10.4	19.1	23.4	14.0	18.1	29.3%	77.3%
	Gatiflo (Kyorin) (Antibacterial agent)	1.1	0.9	2.3	0.6	1.8	0.7	▲60.0%	—
	Mucodyne (Mucoregulant)	9.0	8.7	21.2	20.7	15.9	15.3	▲3.7%	73.9%
	Baccidal (Antibacterial agent)	0.2	0.2	0.5	0.4	0.4	0.3	▲22.0%	75.9%
	Ketas (For bronchial asthma and cerebrovasculas disorders)	2.8	2.6	5.4	5.2	4.3	3.9	▲9.6%	75.2%
	Aplace (Anti-ulcer agent)	0.9	0.8	1.8	1.5	1.4	1.2	▲16.6%	79.9%
	Rocaltrol (Osteoporosis remedy)	0.9	0.8	1.8	1.6	1.4	1.2	▲13.9%	76.2%
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	4.4	7.1	8.8	15.5	6.8	11.7	71.1%	75.3%
	Uritos (Kyorin) (Overactive bladder)	0.5	0.6	0.7	1.9	0.6	1.3	130.5%	69.1%
Sales of new ethicaldrugs (over seas)	Gatifloxacin (Bulk・Royalty)	1.6	1.4	3.0	2.6	2.1	1.9	▲10.5%	74.6%
	Norfloacin (Bulk)	0.1	0.1	0.3	0.1	0.2	0.2	▲4.0%	151.8%
Consumer Healthcare business	Milton (Disinfectant)	1.0	0.9	1.9	2.0	1.5	1.4	▲7.0%	71.5%

Main R&D Activities① (February 5 , 2009 Release)

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PhⅡ～Application

※ Describe the latest changes

Stage: Domestic	Stage: Overseas	Compound/ Code	Therapy area/ Action	Origin	Features	Comments
※Approval (12/08)		PENTASA Tablets 250 500	Ulcerative colitis/ Crohn's disease remedy	Ferring Pharma-ceuticals	New remission therapy of Pentasa for the treatment of ulcerative colitis in its active phase. (4,000 mg divided into two doses per day)	Additional dosage and administration
	(Galderma, Launched)	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	
	PhⅡ (10/04)	KRP-204 (Tablets)	Anti-obesity	Nisshin Flour Milling	A highly selective beta3-agonist that may improve obesity and have less cardiac effect in comparison to previous compounds.	Co-development with Nisshin Flour Milling
PhⅡ (3/07)		KRP-204 (Tablets)	Overactive bladder	Nisshin Flour Milling	A highly selective beta3-agonist that may relax bladder smooth muscle and improve urine storage dysfunction by activating beta3 receptor on bladder.	Co-development with Nisshin Flour Milling PhⅡa ended
PhⅡ (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 neulopathy	Co-development with Dainippon Sumitomo ・PhⅡb(9/07)
	PhⅡ (6/04)	KRP-101 (Tablets)	Anti-dyslipidemia with anti-diabetes	In-house	A PPAR-alpha agonist. It may have an effect on diabetes in addition to lipid metabolism improvement including reduction of neutral fat.	PhⅡa ended
PhⅡ (2/08)	PhⅡ (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.	＊PhⅡa ended (8/08)
PhⅡ (8/08)	(Abbott in the US and Mundipharma in the rest of the world excluding the Americas.)	KRP-108	anti-asthmatic treatment	Skye Pharma PLC	An ICS/LABA combination product, which offers better compliance and convenience to the patients.	Licensing agreement with SkyePharma (4/08)

Main R&D Activities② (February 5 , 2009 Release)

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POC Project（Pre-clinical～Ph I ）

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 PPARα 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 ant-dyslipidemia agent.	
Pre-clinical		＊KRP－107	Transplantation and autoimmune diseases treatment	In-house	Selective S1P1 receptor agonist.	

Main R&D Activities③ (February 5 , 2009 Release)

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Licensing development

Product name・Code	Stage	Licensee ・ Collaborative research	Therapy area/ Action	Origin	Comments
Alphagan/ Alphagan P	Domestic PhⅢ(7/07)	Senju Seiyaku	Glaucoma	Allergan (US)	・Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution) ・License-out to Senju(5/04)
Ketas	Overseas PhⅡ (8/05)	MediciNova (US)	Cerebrovascular disorders	In-house	・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) Result of PhⅡ was reported in April 2008.
KCA-757	Overseas PhⅢ (Anti-bronchial Asthma:11/06) PhⅡ/Ⅲ (Interstitial cystitis: 5/05)	MediciNova (US)	Anti-bronchial asthma and Interstitial cystitis agent	In-house	・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 ・Interstitial cystitis:Results of PhⅡ/Ⅲ was reported in January 2007 and ceased development ・Bronchial asthma: Clinical trial oversea was discontinued.
KRP-203	Overseas PhⅠ (7/07)	Novartis (Switzerland)	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.

Actual and Forecast of Main Subsidiary Companies

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（Units: ¥ billion）

KYORIN pharmaceutical	3／08(results)	3／09(forecast)		Third quarter 3／08(results)	Third quarter 3／09(results)
Sales	70.5	75.9		54.6	57.7
Operating profit	6.9	6.4		6.6	5.5
Net profit	3.8	2.7		3.9	2.2

KYORIN Rimedio	1／08(results)	1／09(forecast)		Third quarter 1／08(results)	Third quarter 1／09(results)
Sales	6.0	7.7		4.5	5.3
Operating profit	▲0.7	▲0.3		▲0.6	▲0.4
Net profit	▲1.4	▲0.5		▲1.1	▲0.5

＊KYORIN Rimedio moved into the black in the third quarter (from August through October 2008).

Dr.Program	1／08(results)	1／09 (forecast)		Third quarter 1／08(results)	Third quarter 1／09(results)
Sales	3.4	4.0		2.4	2.6
Operating profit	▲0.3	0.1		▲0.4	▲0.1
Net profit	▲0.4	0		▲0.3	▲0.1