

# Consolidated Financial Results for the Fiscal Year Ending March 31, 2012

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May 9, 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 Consolidated Financial Results for Fiscal 2011



| (¥ million)                | FY2008  | FY2009  | FY2010  | FY2011  | change | FY2012<br>(forecast) | change |
|----------------------------|---------|---------|---------|---------|--------|----------------------|--------|
| Net sales                  | 90,889  | 99,764  | 104,069 | 103,232 | △0.8%  | 104,700              | +1.4%  |
| Operating income           | 8,952   | 13,261  | 16,443  | 14,464  | △12.0% | 17,900               | +23.8% |
| Ordinary income            | 9,208   | 14,234  | 17,110  | 15,275  | △10.7% | 18,500               | +21.1% |
| Net income                 | 2,037   | 8,848   | 10,927  | 9,231   | △15.5% | 11,800               | +27.8% |
| Net income per share (yen) | ¥27.24  | ¥118.37 | ¥146.21 | ¥123.54 | △15.5% | ¥157.92              | +27.8% |
| Total assets               | 124,552 | 137,190 | 147,234 | 145,673 | △1.1%  | —                    | —      |
| Total equity               | 96,501  | 104,911 | 111,706 | 118,201 | +5.8%  | —                    | —      |

## Consolidated Business Results for Fiscal 2011 (Actual)

**[Net Sales]** In ethical drug sales in Japan, sales rose only slightly year on year. This result reflected inflated performance in the previous fiscal year from preemptive orders to avoid inventory shortfalls in the wake of the March 2011 disaster.

Elsewhere, business performance was lower year on year in the generic drugs, ethical drugs sales overseas, over-the-counter drugs and others, and consumer healthcare (skincare) segments. As a result, consolidated net sales declined 0.8% from the previous fiscal year, to ¥103.2 billion.

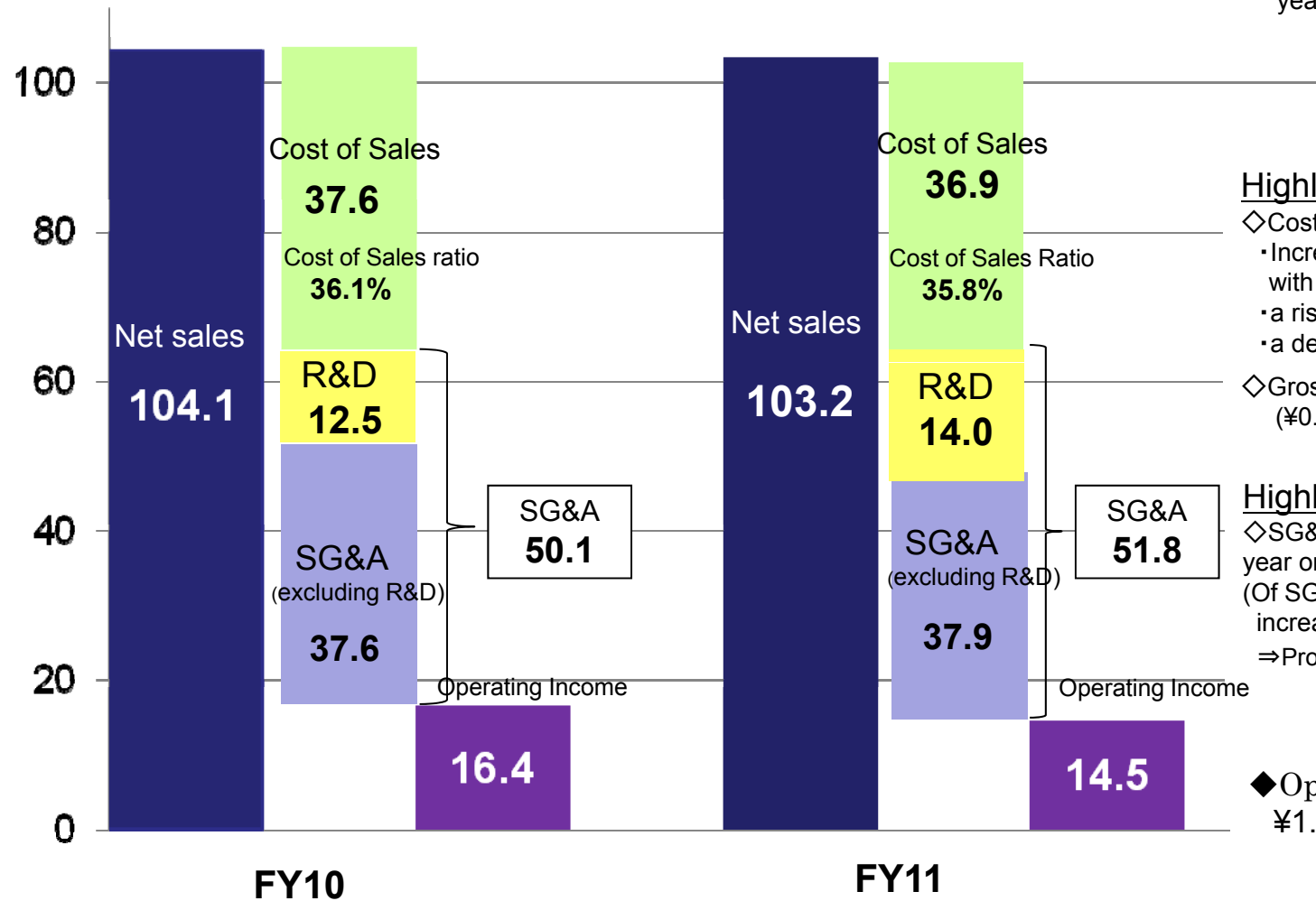
**[Income]** Despite intensive efforts to curb the cost of sales, gross profit was down ¥0.2 billion from the previous fiscal year. Operating income also fell 12.0% to ¥14.5 billion, impacted by higher SG&A expenses, including an 11.8% year-on-year increase in R&D expenses. Net income was down ¥9.2 billion, or 15.5%, year on year, due mainly to a reversal of deferred tax assets following tax system changes.

## Consolidated Business Results Forecast for Fiscal 2012

**[Net Sales and Income]** In the fiscal year ending March 31, 2013, we expect sales to grow in our ethical and generic drugs businesses in Japan, while R&D expenses should decrease sharply. As a result, we expect net sales to climb 1.4% year on year to ¥104.7, operating income to increase 23.8% to ¥17.9 billion, and net income to rise 27.8% to ¥11.8 billion.

# Highlights of Business Performance

( Units: ¥ billion )



## Highlight ①

◇ Net Sales decreased ¥0.9 bln year on year.

## Highlight ②

◇ Cost of Sales declined ¥0.7 bln.  
 • Increased sales of in-house products with lower Cost of Sales  
 • a rise in the factory operation ratio  
 • a decrease of manufacturing cost

◇ Gross profit decreased (¥0.2bln year on year).

## Highlight ③

◇ SG&A Expenses increased ¥1.7bln year on year.  
 (Of SG&A Expenses, R&D Expenses increased ¥1.5bln.)  
 ⇒ Progress in development pipeline

◆ Operating Income decreased ¥1.9 bln year on year.

# Consolidated Financial Results : vs FY2011

| (¥ billion)                            | FY2010       | FY2011       | change      |
|--|--------------|--------------|-------------|
| Net Sales (total)                      | 104.1        | 103.2        | △0.9        |
| <b>Ethical drugs Business</b>          | <b>101.3</b> | <b>100.7</b> | <b>△0.6</b> |
| ◆Sales of new ethical drugs            | 88.0         | 88.0         | △0.0        |
| ○Japan                                 | 85.3         | 86.0         | +0.7        |
| ○Overseas                              | 2.7          | 2.0          | △0.7        |
| ◆Generic drugs                         | 8.9          | 8.7          | △0.2        |
| ◆Over-the-counter drugs                | 4.4          | 4.0          | △0.4        |
| <b>Healthcare (Skin care) Business</b> | <b>2.8</b>   | <b>2.6</b>   | <b>△0.2</b> |
| Operating Income                       | 16.4         | 14.5         | △1.9        |
| Ordinary Income                        | 17.1         | 15.3         | △1.8        |
| Net Income                             | 10.9         | 9.2          | △1.7        |

|   |                     |               |
|---|---------------------|---------------|
| ■Net Sales  | ¥103.2bln           | change (△0.9) |
| ◆Ethical drugs business   | ¥100.7bln           | (△0.6)        |
| ●Sales of new ethical drugs   | ¥86.0bln            | (+ 0.7)       |
| FY2010 ⇒FY2011  |                     |               |
| ・ Kipres  | 34.5 ⇒ 36.8 (+ 2.3) |               |
| ・ Mucodyne  | 21.3 ⇒ 21.5 (+ 2.0) |               |
| ・ Pentasa   | 19.4 ⇒ 18.0 (△1.4)  |               |
| ・ Uritos  | 5.5 ⇒ 6.3 (+ 0.8)   |               |
| ●Sales of new ethical drugs in Overseas   | ¥2.0bln             | (△0.5)        |
| ・ Gatifloxacin  | 2.2 ⇒ 1.7 (△0.5)    |               |
| ●Sales of Generic drugs   | ¥8.7bln             | (△0.2)        |
| ・decrease of wholesaler route sales and contract manufacturing's sales in association with the Great East Japan Earthquake. |                     |               |
| ●Sales of Over-the-counter drugs  | ¥4.0bln             | (△0.4)        |
| ・decrease of allergy drug   |                     |               |
| ◆Healthcare (Skin care) Business  | ¥2.6bln             | (△0.2)        |
| ●Sales declined at Dr. Program  |                     | (△0.2)        |
| ■Operating Income   | ¥14.5bln            | (△1.9)        |
| ◆Operating Income margin declined 1.8 percentage points to 14.0%  |                     |               |
| ●Cost of Sales Ratio : DOWN 0.3 percentage points (36.1%⇒35.8%)   |                     |               |
| ・Increased sales of in-house products with lower cost of sales  |                     |               |
| ・a rise in the factory operation ratio 、 ・a decrease of manufacturing cost  |                     |               |
| ●R&D Ratio : UP1.5 percentage points (12.0%⇒13.5%)  |                     |               |
| * ¥12.5bln⇒¥14.0bln (UP ¥1.5bln)  |                     |               |
| ( Progress in development pipeline )  |                     |               |
| ●SG&A Ratio (excluding R&D expenses) : UP 0.6 percentage points 36.1%⇒36.7%   |                     |               |
| * ¥37.6bln⇒¥37.9bln (UP ¥0.3bln)  |                     |               |
| ■Net Income   | ¥9.2bln             | ( △1.7)       |
| ■Dividend per share(interim dividend ¥10.0)   | ¥45.0               |               |

# Consolidated Financial Results : vs 2011forecast

| (¥ billion)                            | FY2011<br>(forecast) | FY2011       | change |
|--|----------------------|--------------|--------|
| <b>Net Sales (total)</b>               | <b>105.1</b>         | <b>103.2</b> | △1.9   |
| <b>Ethical drugs Business</b>          | <b>102.2</b>         | <b>100.7</b> | △1.5   |
| ◆Sales of new ethical drugs            | 88.3                 | 88.0         | △0.3   |
| ○Japan                                 | 86.2                 | 86.0         | △0.2   |
| ○Overseas                              | 2.1                  | 2.0          | △0.1   |
| ◆Generic drugs                         | 9.7                  | 8.7          | △1.0   |
| ◆Over-the-counter drugs                | 4.2                  | 4.0          | △0.2   |
| <b>Healthcare (Skin care) Business</b> | <b>2.8</b>           | <b>2.6</b>   | △0.2   |
| <b>Operating Income</b>                | <b>14.9</b>          | <b>14.5</b>  | △0.4   |
| <b>Ordinary Income</b>                 | <b>15.6</b>          | <b>15.3</b>  | △0.3   |
| <b>Net Income</b>                      | <b>10.1</b>          | <b>9.2</b>   | △0.9   |

|   |                     |                           |
|---|---------------------|---------------------------|
| ■Net Sales  | ¥103.2bln           | change (△1.9)             |
| ◆Ethical drugs business   | ¥100.7bln           | (△1.5)                    |
| ●Sales of new ethical drugs   | ¥86.0bln            | (△0.2)                    |
| Forecast⇒FY2011   |                     |                           |
| ・ Kipres  | 36.7 ⇒ 36.8 (+ 0.1) |                           |
| ・ Mucodyne  | 21.3 ⇒ 21.5 (+ 0.2) |                           |
| ・ Pentasa   | 18.6 ⇒ 18.0 (△0.6)  |                           |
| ・ Uritos  | 6.6 ⇒ 6.3 (△0.3)    |                           |
| ●Sales of Generic drugs   | ¥8.7bln             | (△1.0)                    |
| ・strategic products and supplementary products underran forecast (sales of Kyorin Rimedio). |                     |                           |
| ●Sales of Over-the-counter drugs  | ¥4.0bln             | (△0.2)                    |
| ・allergy drug underran forecast.  |                     |                           |
| ◆Healthcare (Skin care) Business  | ¥2.6bln             | (△0.2)                    |
| ●Dr.Program's sales   |                     | underran forecast. (△0.2) |
| ■Operating Income   | ¥14.5bln            | (△1.9)                    |
| ● Save R&D expense(△0.2) and SG&A expense to avoid the decrease of operating income.        |                     |                           |
| * R&D expense ¥14.2bln⇒¥14.0bln (△ ¥0.2bln)   |                     |                           |
| ■Net Income   | ¥9.2bln             | (△1.7)                    |

# Main Product Sales Update

( Units: ¥ billion )

|  |   | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |        | FY2012<br>(forecast) |
|--|---|--------|--------|--------|--------|--------|--------|----------------------|
|  |   |        |        |        |        | actual | change |                      |
| Sales of new<br>ethical drugs<br>(Japan)     | <b>Kipres</b><br>(LT receptor antagonist)                               | 19.1   | 25.2   | 29.2   | 34.5   | 36.8   | 6.5%   | 37.9                 |
|  | <b>Mucodyne</b><br>(Mucoregulant)                                       | 21.2   | 20.6   | 20.9   | 21.3   | 21.5   | 0.8%   | 21.3                 |
|  | <b>Pentasa</b><br>(Ulcerative colitis and<br>Crohn's disease treatment) | 8.8    | 15.7   | 19.4   | 19.4   | 18.0   | △7.4%  | 17.0                 |
|  | <b>Uritos (Kyorin)</b><br>(Overactive bladder)                          | 0.7    | 2.0    | 3.7    | 5.5    | 6.3    | 15.1%  | 7.6                  |
|  | <b>Ketas</b><br>(For bronchial asthma and<br>cerebrovasculas disorders) | 5.4    | 5.0    | 4.6    | 4.0    | 3.4    | △14.7% | 3.0                  |
| Sales of new<br>ethical drugs<br>(over seas) | <b>Gatifloxacin</b><br>(Bulk · Royalty)                                 | 3.0    | 2.5    | 2.2    | 2.2    | 1.7    | △25.6% | 1.5                  |
| Over-the-<br>counter drugs                   | <b>Milton</b><br>(Disinfectant)   | 1.9    | 1.8    | 1.9    | 1.9    | 1.9    | △0.1%  | 2.0                  |

# Actual and Forecast of Main Subsidiary Companies *Kyorin*

健康はキョーリンの願いです。

( Units: ¥ billion )

| KYORIN pharmaceutical | FY2010 | FY2011 |
|-----------------------|--------|--------|
| Sales                 | 92.5   | 93.7   |
| Operating Income      | 15.6   | 14.0   |
| Net Income            | 10.7   | 9.3    |

| FY2012(forecast) |
|------------------|
| 94.6             |
| 17.4             |
| 12.0             |

| KYORIN Rimedio   | FY2010 ※ | FY2011 |
|------------------|----------|--------|
| Sales            | 10.3     | 9.6    |
| Operating Income | 0.8      | 0.3    |
| Net Income       | 0.6      | 0.3    |

| FY2012(forecast) |
|------------------|
| 10.2             |
| 0.4              |
| 0.2              |

| Dr. Program      | FY2010 | FY2011 |
|------------------|--------|--------|
| Sales            | 2.8    | 2.6    |
| Operating Income | 0.1    | 0.1    |
| Net Income       | 0.1    | 0.0    |

| FY2012(forecast) |
|------------------|
| 2.7              |
| 0.1              |
| 0.0              |

※Associated with the integration of the wholesale trade channel into KYORIN Pharmaceutical (October 1), beginning inventories are posted in sales(¥0.6bln).

# R&D Expenses, Capex & Depreciation <Consolidated>

( Units: ¥ million )

|                      | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |        | FY2012<br>(forecast) |
|----------------------|--------|--------|--------|--------|--------|--------|----------------------|
|                      |        |        |        |        | actual | change |                      |
| R&D expenses         | 10,826 | 10,531 | 11,807 | 12,495 | 13,964 | 11.8%  | 11,100               |
| Capital expenditure  | 1,952  | 1,612  | 1,291  | 1,668  | 1,952  | 17.0%  | 3,000                |
| Depreciation expense | 4,536  | 3,799  | 2,810  | 2,458  | 2,363  | △3.9%  | 2,600                |

<Capital expenditure (Actual/Forecast)>

( Units: ¥ billion )

|   | FY2010 | FY2011 | FY2012<br>(forecast) |
|---|--------|--------|----------------------|
| Plant facilities                        | 0.9    | 1.1    | 1.3                  |
| Equipment for control, sales activities | 0.3    | 0.4    | 1.1                  |
| Equipment for research                  | 0.5    | 0.4    | 0.6                  |



# Main R&D Activities -1 (February 3 , 2012 Release)

## Ph IIb Application submitted

※Changes from the previous announcement  
(Feb.3, 2012)

| Stage                           |  | Compound/<br>Code     | Therapy<br>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"> <li>*Development of a new dosage form</li> <li>•PhIII completed(2/2012)※</li> </ul>   |
| Preparing for application※      | (US) SkyePharma : Application submitted (3/2009) (Europe) Mundipharma : Application submitted (3/2010) | 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"> <li>*License agreement with SkyePharma (4/2008)</li> <li>*Domestic Ph II completed (4/2010)</li> <li>•PhIII completed(3/2012)※</li> </ul> |
| 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"> <li>*Overseas Ph II b completed (3/2011)</li> <li>*Domestic Ph II b completed (3/2010)</li> </ul>   |

# Main R&D Activities -2 (February 3 , 2012 Release)①

## POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement  
(Feb.3, 2012)

| Stage                                    |   | Compound/<br>Code  | Therapy<br>area/Action                                | Origin   | Features   | Comments  |
|--|---|--|---|----------|--|---|
| Japan                                    | Overseas  |  |   |          |  |   |
| Ph I<br>(12/2010)                        | Ph II (POC)<br>(12/2010)<br>(Novartis)  | KRP-203  | Transplantation,<br>autoimmune<br>diseases,and<br>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)<br>New license agreement IBD (11/2010)                                 |
| Ph II<br>(8/2011)                        | Ph III<br>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)<br>Merz:Ph I clinical trial of Japanese patients in US completed (3/2010) |
| Ph II ※<br>(2/2012)                      | (Europe)<br>Almirall<br>: Preparing for<br>application<br>(US)<br>Forest<br>Pharmaceuticals<br>: Preparing for<br>application | KRP-AB1102<br>(Inhaled drug)                               | Chronic Obstructive<br>Pulmonary Disease<br>(COPD)    | Almirall | - New Chemical Entity: Aclidinium Bromide<br>- Long Acting Muscarinic Agonist (LAMA)<br>- Twice Daily administration<br>- Onset of Action on the first day<br>Genuair®<br>1) Designed with a feedback system, which through a 'colored control window' and an audible click helps confirm that the patient has inhaled correctly<br>2) Counter for remaining doses<br>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)  |
| Preparing<br>for clinical<br>trials<br>※ | (Europe & US)<br>Almirall: Ph III<br>(US)<br>Forest<br>Laboratories<br>: Ph III   | KRP-AB1102F<br>(Fixed dose<br>combination<br>inhaled drug) | Chronic Obstructive<br>Pulmonary Disease<br>(COPD)    | Almirall | Combination of aclidinium bromide with the long acting beta agonist formoterol :<br>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 (February 3 , 2012 Release)②

## POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement  
(Feb.3, 2012)

| Stage                |          | Compound/<br>Code           | Therapy<br>area/Action                            | Origin   | Features   | Comments |
|----------------------|----------|-----------------------------|---|----------|--|----------|
| Japan                | Overseas |                             |   |          |  |          |
| Ph I<br>*(8/2011)    |          | KRP-AM1977X<br>(Oral agent) | New quinolone<br>synthetic<br>antibacterial agent | In-house | ①Superior ability to combat drug-resistant gram-<br>positive bacteria (incl. MRSA)<br>②Outstanding ADME (oral absorption, tissue<br>migration)<br>③High degree of safety expected since safety<br>hurdles cleared prior to clinical trials |          |
| Ph I<br>preparations |          | KRP-AM1977Y<br>(Injection)  | New quinolone<br>synthetic<br>antibacterial agent | In-house |  |          |

others

- ・AIPHAGAN Ophthalmic Solution 0.1% : To be released on May 11,2012 ※
- ・Discontinued development of KRP-110 deleted it from the list of R&D activities. ※

# Reference

# Segment information

## Sales, Profit or Loss of each report segment

( Units: ¥ billion )

|                                      | Sales        | change      | Profit      | change      |
|--------------------------------------|--------------|-------------|-------------|-------------|
| <b>Net Sales (total)</b>             | <b>103.2</b> | <b>△0.9</b> | <b>14.5</b> | <b>△1.9</b> |
| <b>Ethical drugs business</b>        | <b>100.7</b> | <b>△0.6</b> | <b>14.2</b> | <b>△2.1</b> |
| ◆Sales of new ethical drugs          | 88.0         | △0.0        |             |             |
| ○Japan                               | 86.0         | +0.7        |             |             |
| ○Overseas                            | 2.0          | △0.7        |             |             |
| ◆Generic drugs                       | 8.7          | △0.2        |             |             |
| ◆Over-the-counter drugs              | 4.0          | △0.4        |             |             |
| <b>Healthcare(Skincare) business</b> | <b>2.6</b>   | <b>△0.2</b> | <b>0.1</b>  | <b>△0.0</b> |
| <b>Amount of adjustment</b>          | <b>—</b>     | <b>—</b>    | <b>0.2</b>  | <b>+0.2</b> |

(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.

# P&L Summary: Consolidated Results – (1)

( Units: ¥ million )

|                                       | FY2010         |         | FY2011         |         |          |        |
|---------------------------------------|----------------|---------|----------------|---------|----------|--------|
|                                       | Actual         | % Sales | Actual         | % Sales | % Change | Change |
| <b>Sales</b>                          | <b>104,069</b> | 100.0%  | <b>103,232</b> | 100.0%  | 0.8%減    | △836   |
| ■ <b>Ethical Drugs business</b>       | <b>101,271</b> | 97.3%   | <b>100,654</b> | 97.5%   | 0.6%減    | △617   |
| ◆ Sales of new Ethical Drugs          | <b>88,020</b>  | 84.6%   | <b>88,011</b>  | 85.3%   | 0.0%減    | △9     |
| ○ Japan                               | <b>85,284</b>  | 81.9%   | <b>85,995</b>  | 83.3%   | 0.8%増    | +711   |
| ○ Overseas                            | <b>2,736</b>   | 2.6%    | <b>2,015</b>   | 2.0%    | 26.4%減   | △721   |
| ◆ Generic Drugs                       | <b>8,871</b>   | 8.5%    | <b>8,656</b>   | 8.4%    | 2.4%減    | △215   |
| ◆ Over-the-counter Drugs and Others   | <b>4,378</b>   | 4.2%    | <b>3,987</b>   | 3.9%    | 8.9%減    | △391   |
| ■ <b>Consumer Healthcare Business</b> | <b>2,797</b>   | 2.7%    | <b>2,577</b>   | 2.5%    | 7.8%減    | △220   |

## <Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (7) :

KYORIN Pharmaceutical Co., Ltd.  
Kyorin USA, Inc.  
Kyorin Europe GmbH  
ActivX Biosciences, Inc.  
KYORIN Rimedio Co., Ltd.  
Dr. Program Co., Ltd.  
KYORIN Medical Supply Co., Ltd.

Equity-Method Affiliates: Nippon Rika Co., Ltd.

## < Breakdown >

|                                     |  |                |                |
|-------------------------------------|--|----------------|----------------|
| ■ <b>Sales</b>                      | <b>¥103,232</b>  | <b>change</b>  | <b>(△¥837)</b> |
| ● Ethical drug sales in Japan       | <b>¥85,995</b>   | <b>(+¥711)</b> |                |
|                                     | <u>FY2010</u>  | <u>FY2011</u>  | (¥:billion)    |
| ・ Kipres                            | 34.5   | ⇒ 36.8         | (+2.3)         |
| ・ Mucodine                          | 21.3   | ⇒ 21.5         | (+0.2)         |
| ・ Pentasa                           | 19.4   | ⇒ 18.0         | (△1.4)         |
| ・ Uritos                            | 5.5  | ⇒ 6.3          | (+0.8)         |
| ● Ethical drug sales overseas       | <b>¥2,015</b>  | <b>(△¥721)</b> |                |
| ● Generic Drugs                     | <b>¥ 8,656</b>   | <b>(△¥215)</b> |                |
|                                     | * decrease of wholesaler route sales and contract manufacturing's sales in association with the Great East Japan Earthquake. |                |                |
| ● Over-the-counter Drugs and Others | <b>¥3,987</b>  | <b>(△¥391)</b> |                |
|                                     | * decrease of allergy drug   |                |                |
| ● Consumer Healthcare Business      | <b>¥2,577</b>  | <b>(△¥220)</b> |                |
|                                     | * decrease of Dr.Program's sales   |                |                |



# BS Summary: Consolidated Results

| ( Units: ¥ million )          | FY2010         |               |
|-------------------------------|----------------|---------------|
|                               | Actual         | %total        |
| <b>Current Assets</b>         | <b>104,427</b> | <b>70.9%</b>  |
| Cash, deposits                | 25,518         |               |
| Notes and accounts receivable | 42,594         |               |
| Mk securities                 | 6,976          | —             |
| Inventory                     | 20,364         |               |
| Other                         | 8,973          |               |
| <b>Fixed Assets</b>           | <b>42,806</b>  | <b>29.1%</b>  |
| Tangible assets               | 14,916         |               |
| Intangible assets             | 816            | —             |
| Investments                   | 27,073         |               |
| <b>Total Assets</b>           | <b>147,234</b> | <b>100.0%</b> |

| FY2011         |               |               |
|----------------|---------------|---------------|
| Actual         | % total       | change        |
| <b>99,850</b>  | <b>68.5%</b>  | <b>△4,576</b> |
| 21,615         |               |               |
| 45,067         |               |               |
| 7,372          | —             | —             |
| 20,738         |               |               |
| 5,056          |               |               |
| <b>45,822</b>  | <b>31.5%</b>  | <b>+3,015</b> |
| 14,544         |               |               |
| 846            | —             | —             |
| 30,431         |               |               |
| <b>145,673</b> | <b>100.0%</b> | <b>△1,561</b> |

|  |                |               |
|--|----------------|---------------|
| <b>Current Liabilities</b>                   | <b>30,421</b>  | <b>20.7%</b>  |
| Notes payable                                | 10,852         |               |
| Other  | 19,569         | —             |
| <b>Non-Current Liabilities</b>               | <b>5,105</b>   | <b>3.5%</b>   |
| <b>Total Liabilities</b>                     | <b>35,527</b>  | <b>24.1%</b>  |
| <b>Owner's Equity</b>                        | <b>112,076</b> | <b>76.1%</b>  |
| <b>Other Comprehensive Income</b>            | <b>△370</b>    | <b>△0.3%</b>  |
| Unrealized holding gain (loss) on securities | △137           |               |
| Foreign currency translation adjustments     | △232           | —             |
| <b>Total Equity</b>                          | <b>111,706</b> | <b>75.9%</b>  |
| <b>Total Liabilities and Equity</b>          | <b>147,234</b> | <b>100.0%</b> |

|                |               |               |
|----------------|---------------|---------------|
| <b>23,385</b>  | <b>16.1%</b>  | <b>△7,036</b> |
| 9,043          |               |               |
| 14,341         | —             | —             |
| <b>4,086</b>   | <b>2.8%</b>   | <b>△1,019</b> |
| <b>27,471</b>  | <b>18.9%</b>  | <b>△8,056</b> |
| <b>117,931</b> | <b>81.0%</b>  | <b>+5,854</b> |
| 269            | 0.2%          | +640          |
| 537            |               |               |
| △267           | —             | —             |
| <b>118,201</b> | <b>81.1%</b>  | <b>+6,494</b> |
| <b>145,673</b> | <b>100.0%</b> | <b>△1,561</b> |

## < Breakdown >

### ■ Current Asset : △ ¥4,576mil

- Cash, deposits (△ ¥3,902mil)
- Notes and accounts receivable (+¥2,473mil)
- Mk securities (+¥395mil)
- Inventory (+¥374mil)
- Other (△¥3,917mil)

### ■ Fixed Assets : +¥3,015mil

- Tangible Assets (△¥372mil)
- Intangible Assets (+¥29mil)
- Investments (+¥3,357mil)

### ■ Current Liabilities : △¥7,036mil

- Notes Payable (△¥1,809mil)
- Other (△¥5,227mil)

### ■ Non-Current Liabilities : △¥1,019mil



# Financial summary (Consolidated)

| (¥ million)                                | FY2007            | FY2008            | FY2009            | FY2010             | FY2011             | FY2012<br>(forecast) |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|----------------------|
| Sales<br>(Exports)                         | 81,070<br>(4,367) | 90,889<br>(3,830) | 99,764<br>(2,693) | 104,069<br>(2,784) | 103,232<br>(2,059) | 104,700<br>(1,900)   |
| Cost of Sales<br>(cost of Sales Ratio) (%) | 31,757<br>(39.2%) | 36,791<br>(40.5%) | 37,477<br>(37.6%) | 37,554<br>(36.1%)  | 36,926<br>(35.8%)  | —                    |
| SG&A<br>Ratio to Sales (%)                 | 43,061<br>(53.1%) | 45,146<br>(49.7%) | 49,025<br>(49.1%) | 50,071<br>(48.1%)  | 51,842<br>(50.2%)  | —                    |
| R&D Expenses<br>Ratio to Sales (%)         | 10,826<br>(13.4%) | 10,531<br>(11.6%) | 11,807<br>(11.8%) | 12,495<br>(12.0%)  | 13,964<br>(13.5%)  | 11,100<br>(10.6%)    |
| Operating Income<br>Ratio to Sales (%)     | 6,251<br>(7.7%)   | 8,952<br>(9.8%)   | 13,261<br>(13.3%) | 16,443<br>(15.8%)  | 14,464<br>(14.0%)  | 17,900<br>(17.1%)    |
| Ordinary Income<br>Ratio to Sales (%)      | 6,643<br>(8.2%)   | 9,208<br>(10.1%)  | 14,234<br>(14.3%) | 17,110<br>(16.4%)  | 15,275<br>(14.8%)  | 18,500<br>(17.7%)    |
| Net Income<br>Ratio to Sales (%)           | 2,189<br>(2.7%)   | 2,037<br>(2.2%)   | 8,848<br>(8.9%)   | 10,927<br>(10.5%)  | 9,231<br>(8.9%)    | 11,800<br>(11.3%)    |
| EPS (¥)                                    | 29.26             | 27.24             | 118.37            | 146.21             | 123.54             | 157.92               |
| Capital                                    | 700               | 700               | 700               | 700                | 700                | —                    |
| Assets                                     | 122,398           | 124,552           | 137,190           | 147,234            | 145,673            | —                    |
| Total Equity                               | 97,184            | 96,501            | 104,911           | 111,706            | 118,201            | —                    |
| BPS (¥)                                    | 1,298.89          | 1,290.67          | 1,403.60          | 1,494.83           | 1,581.94           | —                    |
| ROE (%)                                    | 2.2%              | 2.1%              | 8.8%              | 10.1%              | 8.0%               | —                    |
| Equity Ratio (%)                           | 79.4%             | 77.5%             | 76.5%             | 75.9%              | 81.1%              | —                    |
| Employees                                  | 2,003             | 2,247             | 2,246             | 2,294              | 2,297              | —                    |
| Capital Expenditure                        | 1,952             | 1,612             | 1,291             | 1,668              | 1,952              | 3,000                |
| Depreciation Expense                       | 4,536             | 3,799             | 2,810             | 2,458              | 2,363              | 2,600                |

# P&L summary : KYORIN pharmaceutical (Non-consolidated)-(1)



( Units: ¥ million )

< Breakdown >

|                                     | FY2010        |         | FY2011        |         |          |               |
|-------------------------------------|---------------|---------|---------------|---------|----------|---------------|
|                                     | Actual        | % Sales | Actual        | % Sales | % Change | Change        |
| <b>Sales</b>                        | <b>92,531</b> | 100.0%  | <b>93,697</b> | 100.0%  | +1.3%    | <b>+1,165</b> |
| <b>■ Ethical Drugs business</b>     | <b>92,531</b> | 100.0%  | <b>93,697</b> | 100.0%  | +1.3%    | <b>+1,165</b> |
| ◆ Sales of new Ethical Drugs        | <b>87,927</b> | 95.0%   | <b>87,899</b> | 93.8%   | △0.0%    | <b>△27</b>    |
| ○ Japan                             | <b>85,284</b> | 92.2%   | <b>85,995</b> | 91.8%   | +0.8%    | <b>+711</b>   |
| ○ Overseas                          | <b>2,642</b>  | 2.8%    | <b>1,904</b>  | 2.0%    | △28.0%   | <b>△738</b>   |
| ◆ Generic Drugs                     | <b>1,932</b>  | 2.1%    | <b>3,206</b>  | 3.4%    | +65.9%   | <b>+1,273</b> |
| ◆ Over-the-counter Drugs and Others | <b>2,671</b>  | 2.9%    | <b>2,591</b>  | 2.8%    | △3.0%    | <b>△80</b>    |

|   |                   |                     |
|---|-------------------|---------------------|
| <b>■ Sales</b>  | <b>¥93,697mil</b> | <b>(+¥1,165mil)</b> |
| ● Ethical drug sales in Japan   | ¥85,995mil        | (+¥711mil)          |
|   | FY2010            | FY2011 (¥ billion)  |
| ・ Kipres  | 34.5              | → 36.8 (+ 2.3)      |
| ・ Mucodyne  | 21.3              | → 21.5 (+ 0.2)      |
| ・ Pentasa   | 19.4              | → 18.0 (△1.4)       |
| ・ Uritos  | 5.5               | → 6.3 (+ 0.8)       |
| ● Ethical drug sales overseas   | ¥1,904mil         | ( △¥738mil)         |
| ・ Gatifloxacin  | 2.2               | → 1.7 ( △0.5)       |
| ● Generic Drugs   | ¥3,206mil         | (+1,273mil)         |
| ・ Mainly the effect from consolidating distribution at KYORIN Rimedio |                   |                     |
| ● Over-the-counter Drugs and Others                                   | ¥2,591mil         | ( △¥80mil)          |
| ・ milton  | 1.9               | → 1.9 (△0.0)        |

# P&L summary : KYORIN pharmaceutical (Non-consolidated)-(2)



( Units: ¥ million )

< Breakdown >

|  | FY2010                           |                  | FY2011                           |                  |                 |                                |
|--|----------------------------------|------------------|----------------------------------|------------------|-----------------|--------------------------------|
|  | Actual                           | % Sales          | Actual                           | % Sales          | % Change        | Change                         |
| <b>Sales</b>                                   | <b>92,531</b>                    | 100.0%           | <b>93,697</b>                    | 100.0%           | +1.3%           | <b>+1,165</b>                  |
| <b>Cost of Sales</b>                           | <b>31,227</b>                    | 33.7%            | <b>32,046</b>                    | 34.2%            | +2.6%           | <b>+818</b>                    |
| <b>Gross Profit</b>                            | <b>61,304</b>                    | 66.3%            | <b>61,650</b>                    | 65.8%            | +0.6%           | <b>+346</b>                    |
| SG&A<br>(R&D Expenses)                         | <b>45,658</b><br><b>(11,867)</b> | 49.3%<br>(12.8%) | <b>47,679</b><br><b>(13,472)</b> | 50.9%<br>(14.4%) | +4.4%<br>+13.5% | <b>+2,020</b><br><b>+1,604</b> |
| <b>Operating Income</b>                        | <b>15,645</b>                    | 16.9%            | <b>13,971</b>                    | 14.9%            | △10.7%          | <b>△1,673</b>                  |
| Non-Operating Income                           | <b>1,138</b>                     | 1.2%             | <b>1,179</b>                     | 1.3%             | +3.7%           | <b>+41</b>                     |
| Non-operating Expenses                         | <b>54</b>                        | 0.1%             | <b>24</b>                        | 0.0%             | △54.9%          | <b>△29</b>                     |
| <b>Ordinary Income</b>                         | <b>16,729</b>                    | 18.1%            | <b>15,126</b>                    | 16.1%            | △9.6%           | <b>△1,602</b>                  |
| Extraordinary Profits                          | <b>127</b>                       | 0.1%             | <b>22</b>                        | 0.0%             | △82.7%          | <b>△105</b>                    |
| Extraordinary Losses                           | <b>80</b>                        | 0.1%             | <b>22</b>                        | 0.0%             | △71.8%          | <b>△57</b>                     |
| <b>Income before<br/>Income taxes</b>          | <b>16,776</b>                    | 18.1%            | <b>15,126</b>                    | 16.1%            | △9.8%           | <b>△1,650</b>                  |
| Corporate, inhabitants<br>and enterprise taxes | <b>5,856</b>                     | 6.3%             | <b>5,100</b>                     | 5.4%             | △12.9%          | <b>△755</b>                    |
| Tax adjustments                                | <b>187</b>                       | 0.2%             | <b>751</b>                       | 0.8%             | +299.9%         | <b>+563</b>                    |
| <b>Net Income</b>                              | <b>10,732</b>                    | 11.6%            | <b>9,274</b>                     | 9.9%             | △13.6%          | <b>△1,458</b>                  |

◆ Cost of Sales Ratio : UP 0.5 percentage points  
(33.7%→34.2%)

\* Reason for increase :

・Mainly the effect from consolidating distribution at KYORIN Rimedio

\* Reason for decrease :

・Increased sales of in-house products with lower cost of sales  
・a rise in the factory operation ratio  
・a decrease of manufacturing cost

◆ R&D Ratio : UP 1.6 percentage Points  
(12.8%→14.4%)

\* ¥11.9bln→¥13.5bln(increase of approx. ¥1.6 bln)

Reason for increase :

( Progress in development pipeline )

◆ SG&A (exclude R&D) Expenses : remain mostly level  
(36.5%→36.5%)

■ Operating Income ¥13,971 (△1,673)

\* Operating Income margin decreased 2.0percentage points to 14.9%

■ Net Income ¥9,274 (△1,458)

# BS Summary: KYORIN Pharmaceutical (Non-consolidated)



( Units: ¥ million )

|                       | FY2010         |               |
|-----------------------|----------------|---------------|
|                       | Actual         | % total       |
| <b>Current Assets</b> | <b>84,458</b>  | <b>68.9%</b>  |
| Cash, deposits        | 15,123         |               |
| Accounts receivable   | 39,184         |               |
| Mk securities         | 6,913          | —             |
| Inventory             | 16,739         |               |
| Other                 | 6,498          |               |
| <b>Fixed Assets</b>   | <b>38,202</b>  | <b>31.1%</b>  |
| Tangible assets       | 11,894         |               |
| Intangible assets     | 235            | —             |
| Investments           | 26,073         |               |
| <b>Total Assets</b>   | <b>122,661</b> | <b>100.0%</b> |

| FY2011         |               |               |
|----------------|---------------|---------------|
| Actual         | % total       | change        |
| <b>80,542</b>  | <b>66.0%</b>  | <b>△3,916</b> |
| 9,444          |               |               |
| 42,046         |               |               |
| 7,309          | —             | —             |
| 17,877         |               |               |
| 3,863          |               |               |
| <b>41,443</b>  | <b>34.0%</b>  | <b>+3,240</b> |
| 11,497         |               |               |
| 388            | —             | —             |
| 29,558         |               |               |
| <b>121,985</b> | <b>100.0%</b> | <b>△675</b>   |

|                                       |                |               |
|---------------------------------------|----------------|---------------|
| <b>Current Liabilities</b>            | <b>22,723</b>  | <b>18.5%</b>  |
| Notes Payable                         | 7,050          | —             |
| Other                                 | 15,673         |               |
| <b>Non-Current Liabilities</b>        | <b>4,364</b>   | <b>3.6%</b>   |
| <b>Total Liabilities</b>              | <b>27,087</b>  | <b>22.1%</b>  |
| <b>Owner's Equity</b>                 | <b>95,719</b>  | <b>78.0%</b>  |
| Valuation and translation adjustments | △146           | △0.1%         |
| <b>Total Equity</b>                   | <b>95,573</b>  | <b>77.9%</b>  |
| <b>Total Liabilities and Equity</b>   | <b>122,661</b> | <b>100.0%</b> |

|                |               |               |
|----------------|---------------|---------------|
| <b>16,526</b>  | <b>13.5%</b>  | <b>△6,197</b> |
| 6,609          | —             | —             |
| 9,916          |               |               |
| <b>3,281</b>   | <b>2.7%</b>   | <b>△1,082</b> |
| <b>19,807</b>  | <b>16.2%</b>  | <b>△7,280</b> |
| <b>101,652</b> | <b>83.3%</b>  | <b>+5,932</b> |
| 525            | 0.4%          | +671          |
| <b>102,177</b> | <b>83.8%</b>  | <b>+6,604</b> |
| <b>121,985</b> | <b>100.0%</b> | <b>△675</b>   |

## < Breakdown >

- Current Assets : △¥3,916mil
  - Cash, deposits (△¥5,678mil)
  - Accounts receivable (+ ¥2,861mil)
  - Mk securities (+¥395mil)
  - Inventory (+¥1,138mil)

- Fixed Assets : + ¥3,240mil
  - Tangible Assets (△ ¥397mil)
  - Intangible Assets (+ ¥152mil)
  - Investments (+¥3,485mil)

- Current Liabilities : △ ¥6,197mil
  - Notes Payable (△¥441mil)
  - Other (△¥5,756mil)

- Non-Current Liabilities : △ ¥1,082mil

# Financial Summary: KYORIN Pharmaceutical (Non-consolidated)



| (¥ million)                               | FY2007                   | FY2008                   | FY2009                   | FY2010                   | FY2011                   | FY2012<br>(forecast)     |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Sales<br>(Exports)                        | <b>70,480</b><br>(4,155) | <b>77,962</b><br>(3,148) | <b>85,308</b><br>(2,563) | <b>92,531</b><br>(2,642) | <b>93,697</b><br>(1,904) | <b>94,600</b><br>(1,800) |
| Cost of Sales<br>(cost of sales ratio ) % | <b>25,217</b><br>(35.8%) | <b>29,551</b><br>(37.9%) | <b>28,374</b><br>(33.3%) | <b>31,227</b><br>(33.7%) | <b>32,046</b><br>(34.2%) | —                        |
| SG&A<br>Ratio to Sales (%)                | <b>38,319</b><br>(54.4%) | <b>39,894</b><br>(51.2%) | <b>43,795</b><br>(51.3%) | <b>45,658</b><br>(49.3%) | <b>47,679</b><br>(50.9%) | —                        |
| R&D Expenses<br>Ratio to Sales (%)        | <b>9,959</b><br>(14.1%)  | <b>10,056</b><br>(12.9%) | <b>11,121</b><br>(13.0%) | <b>11,867</b><br>(12.8%) | <b>13,472</b><br>(14.4%) | <b>10,300</b><br>(10.9%) |
| Operating Income<br>Ratio to Sales (%)    | <b>6,942</b><br>(9.8%)   | <b>8,517</b><br>(10.9%)  | <b>13,139</b><br>(15.4%) | <b>15,645</b><br>(16.9%) | <b>13,971</b><br>(14.9%) | <b>17,400</b><br>(18.4%) |
| Ordinary Income<br>Ratio to Sales (%)     | <b>7,328</b><br>(10.4%)  | <b>9,463</b><br>(12.1%)  | <b>14,580</b><br>(17.1%) | <b>16,729</b><br>(18.1%) | <b>15,126</b><br>(16.1%) | <b>18,500</b><br>(19.6%) |
| Net Income<br>Ratio to Sales (%)          | <b>3,776</b><br>(5.4%)   | <b>4,041</b><br>(5.2%)   | <b>9,472</b><br>(11.1%)  | <b>10,732</b><br>(11.6%) | <b>9,274</b><br>(9.9%)   | <b>12,000</b><br>(12.7%) |
| EPS (¥)                                   | <b>50.85</b>             | <b>54.42</b>             | <b>127.54</b>            | <b>144.51</b>            | <b>124.88</b>            | —                        |
| Capital                                   | <b>4,317</b>             | <b>4,317</b>             | <b>4,317</b>             | <b>4,317</b>             | <b>4,317</b>             | —                        |
| Assets                                    | <b>104,910</b>           | <b>108,522</b>           | <b>119,822</b>           | <b>122,661</b>           | <b>121,985</b>           | —                        |
| Total Equity                              | <b>86,792</b>            | <b>88,470</b>            | <b>95,505</b>            | <b>95,573</b>            | <b>102,177</b>           | —                        |
| BPS (¥)                                   | <b>1,168.63</b>          | <b>1,191.24</b>          | <b>1,285.95</b>          | <b>1,286.87</b>          | <b>1,375.79</b>          | —                        |
| ROE (%)                                   | <b>4.4%</b>              | <b>4.6%</b>              | <b>10.3%</b>             | <b>11.2%</b>             | <b>9.4%</b>              | —                        |
| Equity Ratio (%)                          | <b>82.7%</b>             | <b>81.5%</b>             | <b>79.7%</b>             | <b>77.9%</b>             | <b>83.8%</b>             | —                        |
| Employees                                 | <b>1,517</b>             | <b>1,716</b>             | <b>1,724</b>             | <b>1,804</b>             | <b>1,798</b>             | —                        |
| Capital Expenditure                       | <b>1,350</b>             | <b>969</b>               | <b>1,051</b>             | <b>1,019</b>             | <b>1,425</b>             | <b>2,200</b>             |
| Depreciation Expense                      | <b>3,844</b>             | <b>3,042</b>             | <b>2,198</b>             | <b>1,968</b>             | <b>1,790</b>             | <b>1,900</b>             |