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

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**February 3, 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 Third Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2012

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| (¥ million) | Dec/2008 | Dec/2009 | Dec/2010 | Dec/2011 | YoY change (%) | Mar/2012 (forecast) | YoY change (%) |
|---|---|---|---|---|---|---|---|
| **Net Sales** | **66,361** | **74,579** | **75,821** | **77,413** | **+2.1%** | **105,100** | **+1.0%** |
| **Operating Income** | **5,339** | **11,045** | **11,312** | **11,668** | **+3.1%** | **14,900** | **△9.4%** |
| **Ordinary Income** | **5,451** | **11,860** | **11,848** | **12,358** | **+4.3%** | **15,600** | **△8.8%** |
| **Net Income** | **842** | **7,537** | **7,535** | **7,227** | **△4.1%** | **10,100** | **△7.6%** |

**Third Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2012**

【 Net sales】 Sales of Japan ethical drugs increased for steady sales of our main products year on year ,under the influence of the excess distribution inventory at the end of the fiscal year ended March in association with the Great East Japan Earthquake.
Sales of overseas ethical drugs this year was less than that of last year, and sales of generic drugs had no fluctuation as compared to last year. As a result, Consolidated Net Sales increased 2.1% year on year, to ¥77.4 billion.

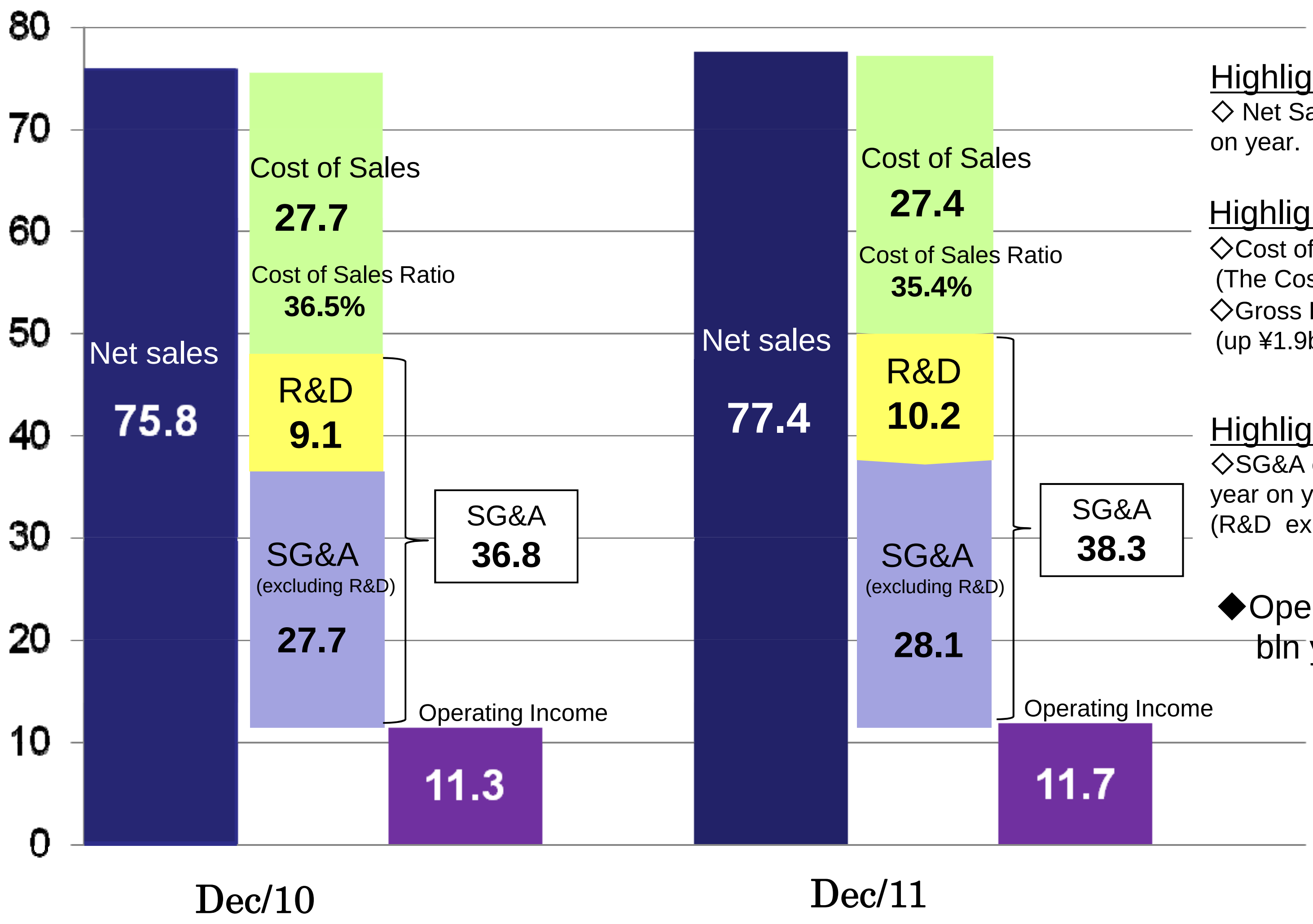
【 Net income】 Gross Profit rose due to the increase of Net Sales and decrease of Cost of Sales . SG&A Expenses rose due to increase of R&D Expenses for progress of R&D. Net Income decreased 4.1%, to ¥7.2 billion year on year , due to the tax system revision and amortized deferred tax asset.

**Consolidated Financial Results for the Fiscal Year Ending March 31, 2012(forecast)**

【 Net sales, Net income 】 We will not revise the full-year (consolidated) results forecast of Net sales and Net income announced on November 8, 2011 at this moment .
(degree of progress: Net sales: 73.7%, operating income: 78.3%)

# Highlights of Business Performance

( Units: ¥ billion )




Highlight ①

◇ Net Sales increased ¥1.6 billion year on year.

Highlight ②

◇Cost of Sales declined ¥0.3bln.
(The Cost of Sales Ratio fell 1.1 points.)

◇Gross Profit increased
(up ¥1.9bln year on year).

Highlight ③

◇SG&A expenses increased ¥1.5bln year on year.
(R&D expenses increased ¥1.1bln.)

◆Operating Income rose ¥0.4 bln year on year.

# Consolidated Financial Results

## for the Third Quarter ending March 31, 2012

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### ≪Dec/2010(actual) vs.Dec/2011(actual)≫

| (¥ billion) | Dec/2010 | Dec/2011 | change |
|---|---|---|---|
| Net Sales (total) | 75.8 | 77.4 | +1.6 |
| Ethical drugs Business | 73.8 | 75.5 | +1.7 |
| ◆Sales of new ethical drugs | 64.0 | 66.0 | +2.0 |
| ●Japan | 62.2 | 64.6 | +2.4 |
| ●Overseas | 1.8 | 1.4 | △0.4 |
| ◆Generic drugs | 6.5 | 6.5 | 0.0 |
| ◆Over-the-counter drugs | 3.2 | 3.0 | △0.2 |
| Healthcare (Skin care) Business | 2.1 | 1.9 | △0.2 |
| Operating Income | 11.3 | 11.7 | +0.4 |
| Ordinary Income | 11.8 | 12.4 | +0.6 |
| Net Income | 7.5 | 7.2 | △0.3 |

Year onYear

■Net Sales ¥77.4bln (+ 1.6)

◆Ethical drugs business ¥75.5bln (+ 1.7)

● Sales of new ethical drugs ¥64.6bln (+ 0.2)

Dec/2010 ⇒Dec/2011

| | Dec/2010 | | Dec/2011 | |
|---|---|---|---|---|
| ・Kipres | 24.4 | ⇒ | 27.6 | (+ 3.2) |
| ・Mucodyne | 15.9 | ⇒ | 16.0 | (+ 0.1) |
| ・Pentasa | 15.1 | ⇒ | 14.2 | (△0.9) |
| ・Uritos | 3.9 | ⇒ | 4.8 | (+ 0.9) |

●Sales of new ethical drugs in Overseas ¥1.4bln (△0.4)

・Gatifloxacin 1.5 ⇒ 1.2 (△0.5)

●Sales of Generic drugs ¥6.5bln ( 0.0)

・Health insurance pharmacy market's sales increased, contract manufacturing's sales decreased.

●Sales of Over-the-counter drugs ¥3.0bln (△0.2)

◆Healthcare (Skin care) Business ¥1.9bln (△0.2)

●Sales declined at Dr. Program (△0.2)

■Operating Income ¥11.7bln (+ 0.4)

◆Operating Income margin rose 0.2 percentage points to 15.1%

●Cost of Sales : down ¥0.3bln (¥27.7bln⇒¥27.4bln)

◆Cost of Sales Ratio : 36.5%⇒35.4% down 1.1 percentage points

・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 expenses : up ¥1.1bln (¥9.1bln⇒¥10.2bln)

◆R&D Ratio : 12.0%⇒13.2% up 1.2 percentage points

・Expenses associated with the progress of the R&D (Application of Pentasa ,Once a day oral administration etc.)

●SG&A (excluding R&D expenses) : up ¥0.5bln (¥27.7bln⇒¥28.1bln)

◆SG&A Ratio (excluding R&D expenses) : 36.5%⇒36.3% down 0.2 percentage points

■Net Income ¥7.2bln ( △0.3)

・Amortized deferred tax asset due to the tax system revision.

# Actual and Forecast of Main Subsidiary Companies

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（unit : billion）

| KYORIN pharmaceutical | Dec/2010 | Dec/2011 | Mar/2011 | Mar/2012 (forecast) |
|---|---|---|---|---|
| Sales | 67.2 | 70.3 | 92.5 | 94.7 |
| Operating Income | 10.6 | 11.2 | 15.6 | 14.2 |
| Net Income | 7.2 | 7.2 | 10.7 | 9.9 |

| KYORIN Rimedio | Dec/2010 ※ | Dec/2011 | Mar/2011 | Mar/2012 (forecast) |
|---|---|---|---|---|
| Sales | 7.7 | 7.1 | 10.3 | 10.5 |
| Operating Income | 0.5 | 0.3 | 0.8 | 0.6 |
| Net Income | 0.5 | 0.3 | 0.6 | 0.5 |

| Dr. Program | Dec/2010 | Dec/2011 | Mar/2011 | Mar/2012 (forecast) |
|---|---|---|---|---|
| Sales | 2.1 | 1.9 | 2.8 | 2.8 |
| Operating Income | 0.1 | 0.0 | 0.1 | 0.1 |
| Net Income | 0.1 | 0.0 | 0.1 | 0.1 |

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

# Main Product Sales Update

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（ Units: ¥ billion ）

| | | Interim term | | Third quarter （April 1 to December 31,2010） | | | | Full term | |
|---|---|---|---|---|---|---|---|---|---|
| | | FY10 (results) | FY11 (results) | FY10 (results) | FY11 (results) | Change | Progress to full term forecast(%) | FY10 (results) | FY11 (forecast) |
| Sales of new ethical drugs (Japan) | **Kipres** (LT receptor antagonist) | 14.1 | 15.7 | 24.4 | 27.6 | 13.2% | 75.3% | 34.5 | 36.7 |
| | **Mucodyne** （Mucoregulant） | 9.4 | 9.1 | 15.9 | 16.0 | 0.8% | 75.0% | 21.3 | 21.3 |
| | **Pentasa** (Ulcerative colitis and Crohn's disease treatment) | 9.9 | 9.1 | 15.1 | 14.2 | △6.3% | 76.1% | 19.4 | 18.6 |
| | **Uritos（Kyorin）** (Overactive bladder) | 2.4 | 2.9 | 3.9 | 4.8 | 21.9% | 71.9% | 5.5 | 6.6 |
| | **Ketas** (For bronchial asthma and cerebrovasculas disorders) | 2.0 | 1.8 | 3.0 | 2.7 | △9.9% | 76.3% | 4.0 | 3.5 |
| Sales of new ethical drugs (over seas) | **Gatifloxacin** (Bulk・Royalty) | 1.3 | 0.8 | 1.5 | 1.2 | △21.6% | 70.2% | 2.2 | 1.7 |
| Consumer Healthcare business | **Milton** (Disinfectant) | 0.9 | 0.9 | 1.5 | 1.5 | 1.4% | 75.4% | 1.9 | 2.0 |

# Main R&D Activities① (February 3 , 2012 Release)

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**Ph IIb Application submitted**

※Changes from the previous announcement (November 8, 2011)

| 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) | |
| PhⅢ (11/2010) | | Pentasa (suppository) | Ulcerative colitis | Ferring Pharmaceuticals | Consideration of a new dosage form for the active phase of ulcerative colitis (once a day) | *Development of a new dosage form |
| PhⅢ (8/2010) | (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 | ･License agreement with SkyePharma (4/2008)<br>･Domestic Ph II completed (4/2010) |
| PhⅡ (2/2008) | PhⅡ (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. | ･Overseas Ph II b completed (3/2011)<br>･Domestic Ph II b completed (3/2010) |

# Main R&D Activities② (February 3 , 2012 Release)

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

※Changes from the previous announcement (November 8, 2011)

| Stage | | Compound/ Code | Therapy area/Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Japan | Overseas | | | | | |
| 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)<br>New license agreement IBD (11/2010) |
| | Ph I (8/2010) | KRP-110 | Opioid-induced constipation and intractable pruritus | In-house | A highly selective μ-opioid receptor antagonist. It is expected to block constipation induced by opioid analgesics without interrupting the analgesic effect of opioids. It is orally effective in various itching models, indicating potential of a novel anti-itch drug for intractable pruritus. | |
| 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)<br>Merz:Ph I clinical trial of Japanese patients in US completed (3/2010) |
| Preparing for clinical trials | (Europe) Almirall : Preparing for application<br>(US) Forest Pharmaceuticals : Preparing for application | KRP-AB1102 (Inhaled drug) | Chronic Obstructive Pulmonary Disease (COPD) | Almirall | This bronchodilating agent has an acetylcholine receptor antagonist action that offers long-lasting improvement for breathing difficulty and shortness of breath associated with COPD.<br>①Fewer sistemic side effects<br>②Twice-daily dosage offers a full-day improvement in symptoms and respiratory function<br>③Short time required for the maximum effect | License agreement with Almirall (2/2011) |
| 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)<br>②Outstanding ADME (oral absorption, tissue migration)<br>③High degree of safety expected since safety hurdles cleared prior to clinical trials | |
| Ph I preparations | | KRP-AM1977Y (Injection) | New quinolone synthetic antibacterial agent | In-house | | |

# Main R&D Activities③ (February 3 , 2012 Release)

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## Licensing Development

※Changes from the previous announcement (November 8, 2011)

| Stage | Compound/Code | Licensee/Collaborative research | Therapy area/Action | Origin | Comments |
|---|---|---|---|---|---|
| ※Approval (1/2012) | Alphagan /AlphaganP | Senju Pharmaceuticals | Glaucoma | Allergan (US) | ･Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution)<br>･License-out to Senju (5/2004) |
| Overseas Ph II (8/2005) | Ketas | 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 (10/2004) Result of Ph II was reported in April 2008 |
| Overseas Ph III (Anti-bronchial Asthma: 11/2006) Overseas Ph II/III (Interstitial cystitis: 5/2005) | KCA-757 | MediciNova (US) | Bronchial asthma and interstitial cystitis | In-house | ･KYORIN grants MediciNova an exclusive license in all countries worldwide except for Japan, China, South Korea and Taiwan to develop and sell the compound and products<br>･Interstitial cystitis: Result of Ph II/III was reported in January 2007 and development ceased<br>･Bronchial asthma: Clinical trial overseas was discontinued. |
| Overseas Ph II (POC) (12/2010) | KRP-203 | Novartis (Switzerland) | Transplantation, autoimmune, and IBD | In-house | ･Kyorin grants the right to develop and commercialize KRP-203 worldwide for use as an immunosuppressant in organ transplants, and right to develop and commercialize KRP-203 worldwide except in Japan, Korea, China and Taiwan for the treatment of autoimmune diseases and other diseases (February 2006))<br>･New license agreement IBD (November 2010 |

# Reference

# Segment information for the Third Quarter Ending March 31, 2012

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## Sales, Profit or Loss of each report segment

| (Units:¥ billion) | Sales | Year on Year | Profit | Year on Year |
|---|---|---|---|---|
| **Net Sales (total)** | 77.4 | +1.6 | 11.7 | +0.4 |
| **Ethical drugs business** | 75.5 | +1.7 | 11.5 | +0.5 |
| ◆**Sales of new ethical drugs** | 66.0 | +2.0 | | |
| ●**Japan** | 64.6 | +2.4 | | |
| ●**Overseas** | 1.4 | △0.4 | | |
| ◆**Generic drugs** | 6.5 | △0.0 | | |
| ◆**Over-the-counter drugs** | 3.0 | △0.2 | | |
| **Healthcare(Skincare) business** | 1.9 | △0.2 | 0.0 | △0.0 |
| **Amount of adjustment** | ― | ― | 0.2 | +0.0 |

(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.

# Consolidated Financial Results for the Third Quarter ending March 31, 2012

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| ( Units: ¥ million ) | Interim term | | Third quarter（April 1,2011 to December 31,2011） | | | | | Full term | |
|---|---|---|---|---|---|---|---|---|---|
| | FY10 (results) | FY11 (results) | FY10 (results) | FY11 (results) | YoY change | YoY Change(%) | Progress to full term forecast(%) | FY10 (results) | FY11 (forecast) |
| Sales | 46,707 | 46,387 | 75,821 | 77,413 | 1,592 | 2.1% | 73.7% | 104,069 | 105,100 |
| Ethical drugs business | 45,373 | 45,155 | 73,751 | 75,495 | 1,744 | 2.4% | 73.9% | 101,271 | 102,200 |
| ◆Sales of new ethical drugs | 39,208 | 39,098 | 64,033 | 65,996 | 1,963 | 3.1% | 74.7% | 88,020 | 88,300 |
| ●Japan | 37,708 | 38,129 | 62,188 | 64,562 | 2,373 | 3.8% | 74.9% | 85,284 | 86,200 |
| ●Overseas | 1,500 | 968 | 1,844 | 1,434 | △410 | △22.3% | 68.3% | 2,736 | 2,100 |
| ◆Generic drugs | 4,115 | 4,097 | 6,498 | 6,450 | △48 | △0.7% | 66.5% | 8,871 | 9,700 |
| ◆OTC drugs and others | 2,049 | 1,959 | 3,218 | 3,047 | △170 | △5.3% | 72.5% | 4,378 | 4,200 |
| Consumer healthcare business | 1,333 | 1,232 | 2,070 | 1,918 | △151 | △7.3% | 68.5% | 2,797 | 2,800 |
| Operating income | 4,201 | 4,900 | 11,312 | 11,668 | 355 | 3.1% | 78.3% | 16,443 | 14,900 |
| Ordinary income | 4,542 | 5,253 | 11,848 | 12,358 | 509 | 4.3% | 79.2% | 17,110 | 15,600 |
| Net income | 2,959 | 3,355 | 7,535 | 7,227 | △308 | △4.1% | 71.6% | 10,927 | 10,100 |