

***Presentation of
March 2010 Financial Results
and New Medium-Term Business Plan***

May 13, 2010

KYORIN Co., Ltd.

**Representative Director, President and
Chief Executive Officer Masahiro Yamashita**



- **Outline of Consolidated Financial Results for the
Year Ended March 31, 2010**

- **Medium-Term Business Plan (Fiscal 2005~2009)
Summary of Kyorin MIC-09 Plan**

- **New Medium-Term Business Plan (Fiscal 2010~2015)
Introducing "HOPE 100 – Stage 1 –"**

Outline of Consolidated Financial Results for the Year Ended March 31, 2010



Units: ¥ billion

	FY08	FY09	Change	% Change
Net sales	90.9	99.8	+ 8.9	9.8% inc.
Operating income	9.0	13.3	+ 4.3	48.1% inc.
Ordinary income	9.2	14.2	+ 5.0	54.6% inc.
Net income	2.0	8.8	+ 6.8	334.3% inc.

Consolidated Financial Results for the Year Ended March 31, 2010 (Breakdown of Sales)



Unit: ¥ billion

	FY2008	FY2009	Change
Total net sales	90.9	99.8	+ 8.9
◆ New drugs	75.7	82.4	+ 6.7
○ Japan	71.9	79.8	+ 7.9
○ Overseas	3.8	2.6	▲ 1.2
◆ Generics	6.3	8.6	+ 2.3
◆ Healthcare	7.7	7.2	▲ 0.5
◆ Other	1.2	1.6	+ 0.4

Sales of Main Products

Unit: ¥ billion

	FY08	FY09	Change
Kipres	25.2	29.2	+ 4.0
Mucodyne	20.6	20.9	+ 0.3
Pentasa	15.7	19.4	+ 3.7
Uritos	2.0	3.7	+ 1.7

Breakdown of Sales

【New ethical drugs in Japan】 +¥7.9 billion

- Sales of mainstay products progressed favorably

【New ethical drugs overseas】 ▲¥1.2 billion

- Sales of Gatifloxacin ophthalmic solution and ActivX decreased

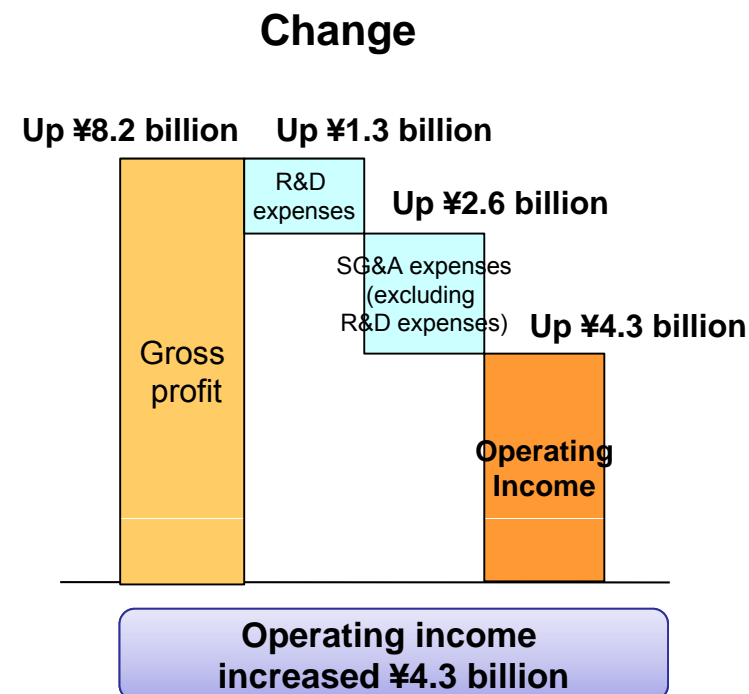
【Generic drugs】 +¥2.3 billion

- Sales of products introduced in fiscal 2008 and 2009 and main products increased.
- Change in closing date for KYORIN Rimedio Co., Ltd. (period included in consolidation: 14 months)

Consolidated Financial Results for Year Ended March 31, 2010 (Breakdown of Gain and Loss)



Unit: ¥ billion	FY08	FY09	Change
Net sales	90.9	99.8	+8.9
Cost of sales	36.8	37.5	+0.7
SG&A	45.1	49.0	+3.9
R&D expenses	10.5	11.8	+1.3
SG&A expenses (excluding R&D expenses)	34.6	37.2	+2.6
Operating income	9.0	13.3	+4.3
Ordinary income	9.2	14.2	+5.0
Net income	2.0	8.8	+6.8



Scheduled Annual Dividend: ¥50 (interim ¥10; year-end ¥40)

Breakdown of Gain and Loss

○ Operating income increased ¥4.3 billion

• Gross profit increase ¥8.2 billion

Net sales increased by ¥8.9 billion, while cost of sales rose only ¥0.7 billion (due to in-house production of Pentasa and increased sales of Uritos, which has a low cost of sales, cost of sales ratio improved by 2.9 points to 37.6 %).

• SG&A expenses increased ¥3.9 billion, mainly due to the merger with Nisshin Kyorin

Pharmaceutical Co., Ltd.

R&D expenses increased ¥1.3 billion. SG&A expenses(excluding R&D expenses) increased ¥2.6 billion (SG&A ratio (excluding R&D expenses) decreased by 0.8 percentage points)

Results of Main Subsidiaries



Unit: ¥ billion

KYORIN Pharmaceutical	FY08	FY09
Net sales	78.0	85.3
Operating income	8.5	13.1
Net income	4.0	9.5

FY10 (Forecast)
87.3
12.3
8.4

KYORIN Rimedio	Year ended Jan. 2009	Year ended Mar. 2010 ^{※2}
Net sales	7.4	10.1
Operating income	▲0.4	0.4
Net income	▲0.6	0.4

Year ending Mar. 2011 (Forecast)
8.9
0.2
0.1

Dr. Program	Year ended Mar. 2009 ^{※1}	Year ended Mar. 2010
Net sales	4.1	3.3
Operating income	0.1	▲0.1
Net income	0.1	▲0.1

Year ending Mar. 2011 (Forecast)
3.7
0.2
0.2

※1. Due to a change in the closing date of Dr. Program Co., Ltd., the business results for the fiscal year ended March 2009 covered a 14-month period.

※2. Due to a change in the closing date of KYORIN Rimedio, the business results for the fiscal year ended March 2010 covered a 14-month period.

Consolidated Financial Results Forecast for the Year Ending March 31, 2011



Unit: ¥ billion

	FY09 (Actual)	FY10 (Forecast)	Change
Total net sales	99.8	100.3	+0.5
◆ Ethical Drugs Business	91.0	91.9	+0.9
◆ Consumer Healthcare Business and others	8.7	8.3	▲0.4
Operating income	13.3	12.7	▲0.6
Ordinary income	14.2	13.4	▲0.8
Net income	8.8	8.5	▲0.3

Forecast of Sales of Main Products

Unit: ¥ billion

	FY09 (Actual)	FY10 (Forecast)	Change
Kipres	29.2	31.4	+2.2
Mucodyne	20.9	21.4	+0.5
Pentasa	19.4	20.1	+0.7
Uritos	3.7	5.1	+1.4

Breakdown of Sales and Operating Income

【Net Sales】

◆ Ethical drugs business

- New ethical drugs in Japan** +¥2.7 billion • Growth in main products expected to exceed drug price revisions (6% level)
- New ethical drugs overseas** ▲¥0.8 billion • Decrease in sales of Gatifloxacin ophthalmic solution
- Generic drugs** ▲¥1.0 billion • Impact of change in closing date for KYORIN Rimedio (Period included in fiscal 2009 consolidation: 14 months)

◆ Consumer healthcare business and other businesses

- Impact of change in closing date for Kyobundo Co., Ltd. (Period included in fiscal 2009 consolidation: 13 months)

【Operating Income】

- Work to reduce cost of sales ratio, expect to increase gross profit (cost of sales ratio down by approx. 1 percentage point)
- R&D expenses up ¥1.6 billion from ¥11.8 billion to ¥13.4 billion (KRP-108 development, clinical trials for KRP-209 (Neramexane), etc.)
- SG&A ratio excluding R&D expenses expected to remain relatively flat year on year

**Summary of Kyorin MIC-09
Medium-Term Business Plan
(Fiscal 2005~2009)**

The Aim

Become an integrated, trusted and unique healthcare organization centered on global drug discovery operations.

Basic Strategy

1. Establish KYORIN as a global drug discovery company

- ① Establish global drug discovery system (discovery of late-stage development compounds)
- ② Actively develop alliances

2. Increase competitiveness to support investments in drug discovery operations

- ① Strengthen competitiveness of business base in Japan
- ② Maximize revenues from new drug Uritos
- ③ Promote alliance strategy, including M&A (in-licensing, collaboration)

3. Develop new business that build on the foundation of the pharmaceuticals business and contribute to future growth

FC: Franchise customer

Major Developments Over the 5-Year Period



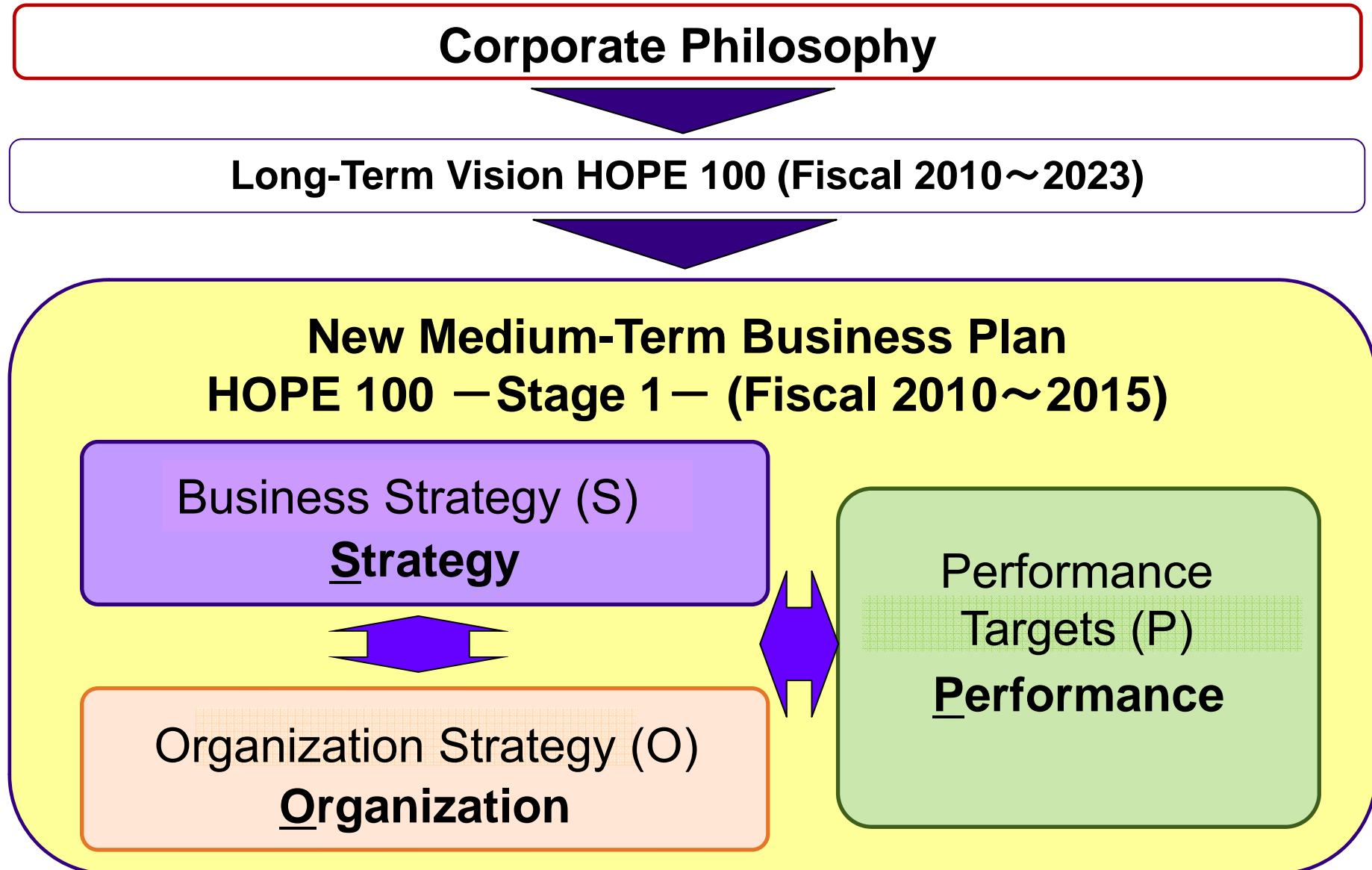
	Group Developments	Product Developments
FY05	<ul style="list-style-type: none"> • Toyo Pharma becomes a subsidiary (05.5) • Dr. Program becomes a subsidiary (05.6) • Shift to holding company structure (06.3) 	<ul style="list-style-type: none"> • Uritos licensed to LGLS (South Korea) (05.10) • KRP-203 licensed to Novartis (06.2)
FY06		<ul style="list-style-type: none"> • Sales of Tequin stopped (06.6) • Rapid Tester in-licensed from Daiichi Chemical Pharma (06.9)
FY07		<ul style="list-style-type: none"> • HES business transferred to FK (07.4) • Uritos launched (07.6) • Kipres fine granules 4mg launched (07.10) • Milton CP launched (08.1) • Pentasa receives approval for juvenile use (08.2) • Kipres approved for secondary indication of adult allergic rhinitis (08.1)
FY08	<ul style="list-style-type: none"> • KYORIN Pharmaceutical merges with Nisshin Kyorin Pharmaceutical (08.10) 	<ul style="list-style-type: none"> • Kipres tablet 5mg launched (08.4) • KRP-108 in-licensed from SkyPharma (08.4) • Pentasa tablet 500mg launched (08.10) • Pentasa tablet receives approval for administration of 4g during periods of active UC (08.12) • Uritos licensed to SPIMACO (13 countries in the Middle East and North Africa) (09.2) • Sales of GATIFLO tablets stopped (08.9)
FY09		<ul style="list-style-type: none"> • Gatifloxacin ophthalmic solution licensed to Senju (China) (09.7) • Uritos licensed to Eisai (China, ASEAN countries, India, Sri Lanka) (09.9) • KRP-209 in-licensed from Merz (09.11)

	MIC-09 Target	MIC-09 Outcome (FY08)	MIC-09 Initial (FY03)
ROE	7%	8.8%	2.2%
Consolidated net sales (target)	¥100.0 billion	¥99.8 billion	¥66.3 billion
Late-Stage Compounds (produced in-house)	1 per year	2 (KRP-204 for obesity, KRP-104)	

Evaluation

- Achieved most performance targets, including exceeding target ROE
- Challenges remain in terms of establishing a global drug discovery system and creating new businesses

HOPE 100 — Stage 1 —
(Fiscal 2010~2015)



KYORIN Pharmaceutical Group Long-Term Vision



Corporate Philosophy

KYORIN's corporate philosophy is to cherish life and benefit society by contributing to better health



Our Vision for KYORIN As We Reach Our 100th Anniversary

【Statement】

The KYORIN Pharmaceutical Group will promote multi-cored business expansion and development centering on the Consumer Healthcare Business, and by 2023 be recognized both within and outside the Group as a company that supports sound and healthy lifestyles.



「HOPE 100」

Aim for Health Of People and our Enterprises

【Five HOPEs】

An International Company that Supports Healthy Lifestyles Around the World

- Be a company that contributes to people's health through the Consumer Healthcare Business
- Be a company that promotes business expansion overseas

A Company That Sustains Growth

- Be a company that maintains positive business results and excellent financial standing

The Leading Company for Career Fulfillment

- Be a company employees can be proud of, have trust in, and make united efforts for

An Innovative Company That Customers Trust

- Be a company that is well-regarded for its products and services and practices excellent Monozukuri
- Be a company with a positive brand image

A Company That Seeks to Co-Exist With Society

- Be a company that works to foster positive relationships with society
- Be a company that acts with the social good in mind

Business Strategy (S)
Strategy

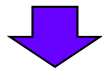
Multi-Core Strategy (MC Strategy)

—Diversify the Consumer Healthcare Business Centering on the Ethical Drug Business—

Ethical Drug Business

Pharma Complex Model

(PC model)



Multi-faceted business development

(New drugs, original drugs,
generic drugs)

Consumer Healthcare Business

Cultivate existing businesses and
create new businesses

Aim to achieve sustainable growth in the ethical drugs business through multi-faceted business development

■ **New drugs group:**

Maximize uptake of Kipres, Uritos, bring KRP-108 to market, and out-license KRP-104

■ **Original products group:**

Use LCM to raise value of focus products (Mucodyne, Pentasa) and extend lifecycle

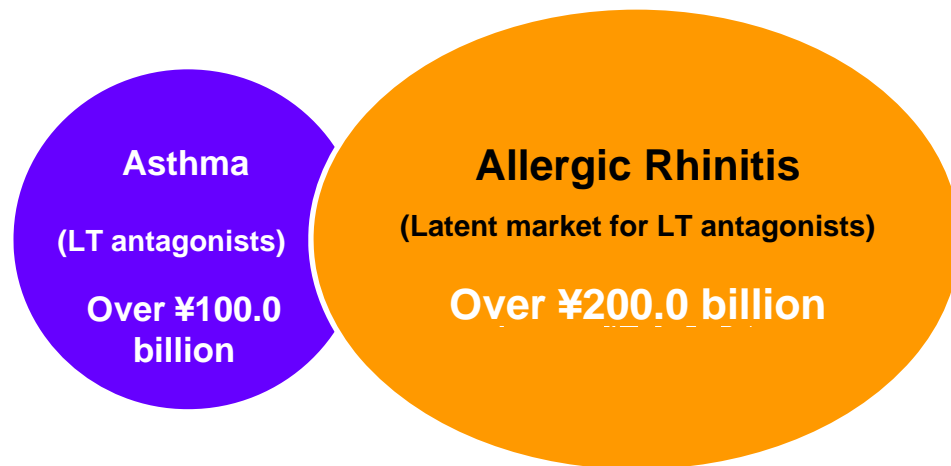
■ **Generic drugs group:**

Expand by strengthening collaboration within the KYORIN Pharmaceutical Group and by promoting external alliances

LCM: Life Cycle Management

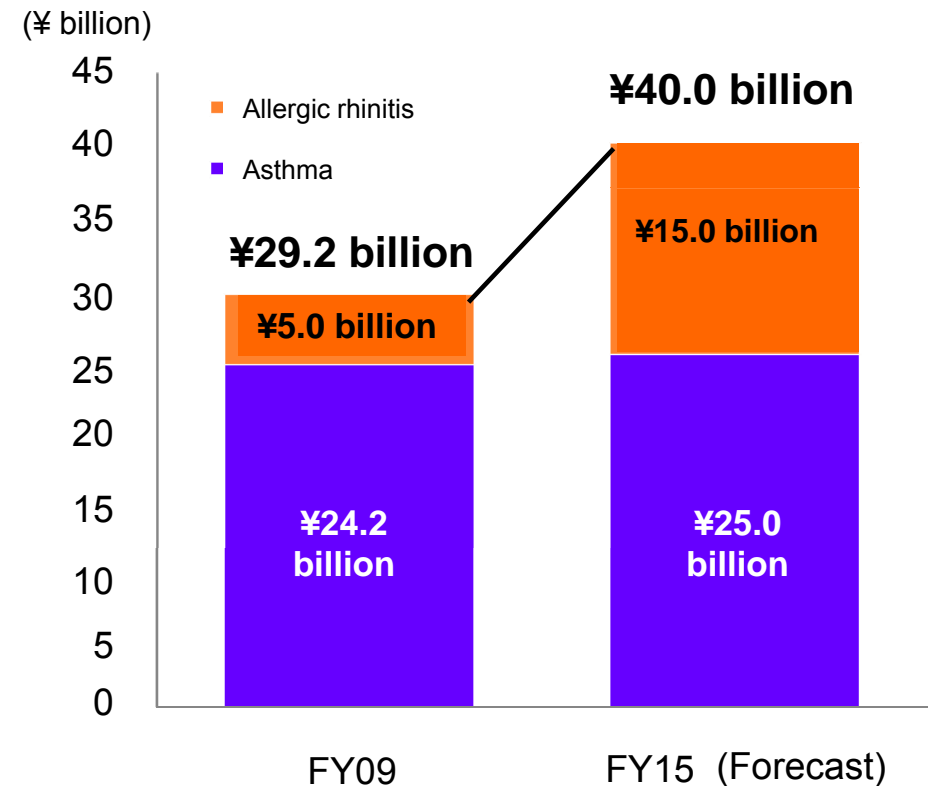
- Once-a-day oral administration, little drowsiness
- In addition to adult and juvenile asthma, expand prescriptions for added effectiveness for allergic rhinitis (perennial and seasonal)

■ Projected Demand for Fiscal 2015 (Internal)



Approx. 30% share
of LT antagonist market
(as of March 31, 2010)

■ Target sales: ¥40.0 billion or higher

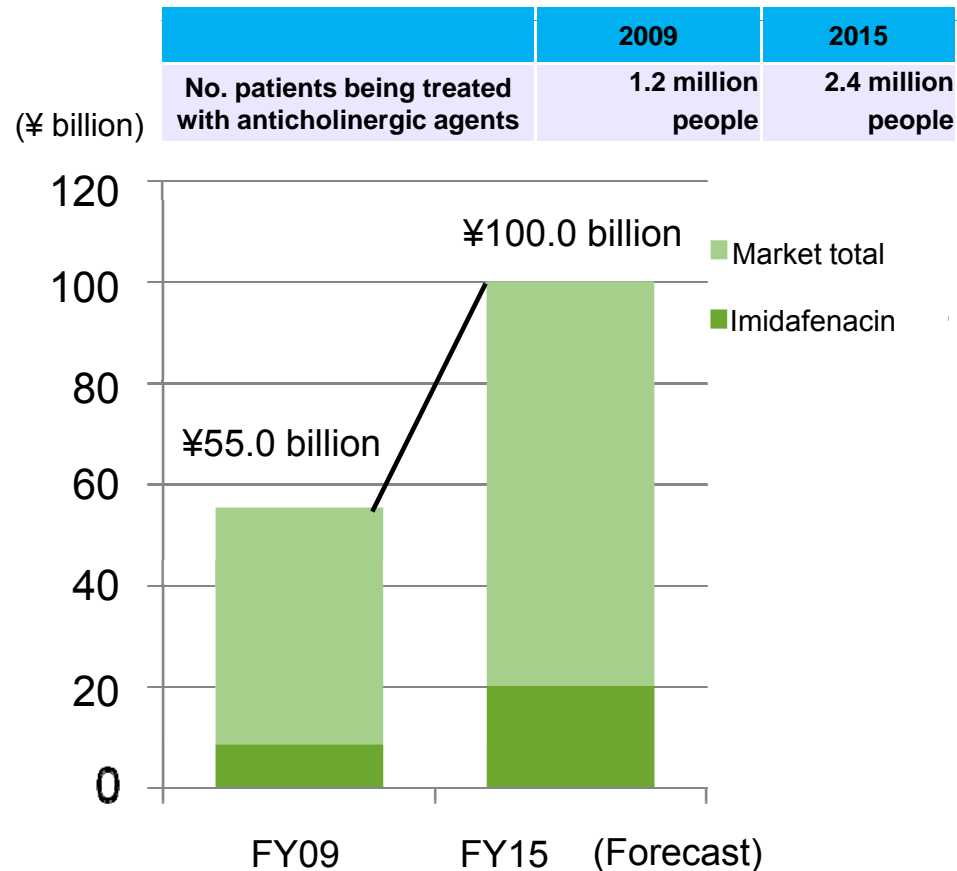


New Drugs Group: Uritos

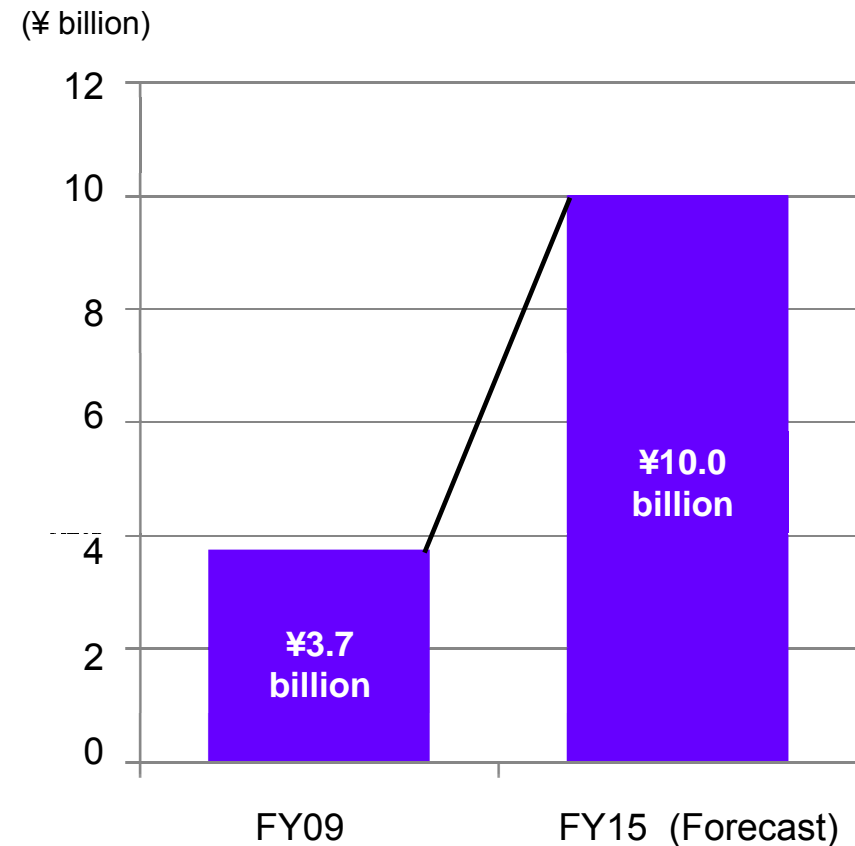


- Twice-a-day administration for nocturia; safe, dose adjustment
- Bring OD (orally disintegrating) tablet to market (during fiscal 2010)
- Emergence of overactive bladder (OAB) patients

■ Projected Demand for Anticholinergic Agents in Fiscal 2015 (Internal)



■ Target sales for Uritos: ¥10.0 billion or higher

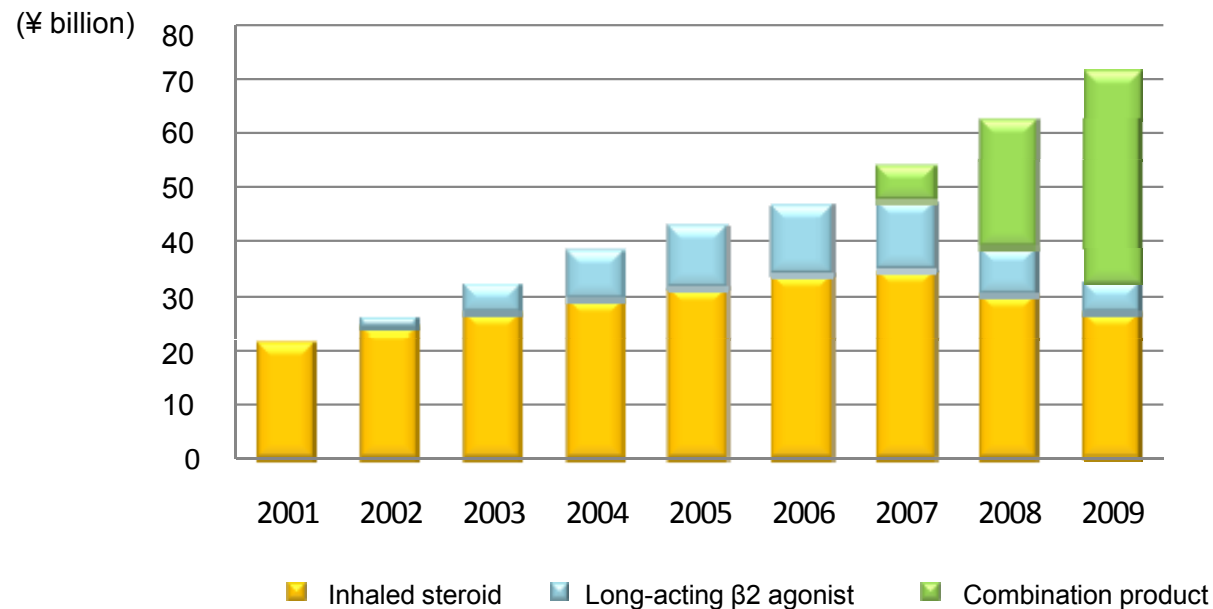


New Drugs Group: KRP-108 (Flutiform)



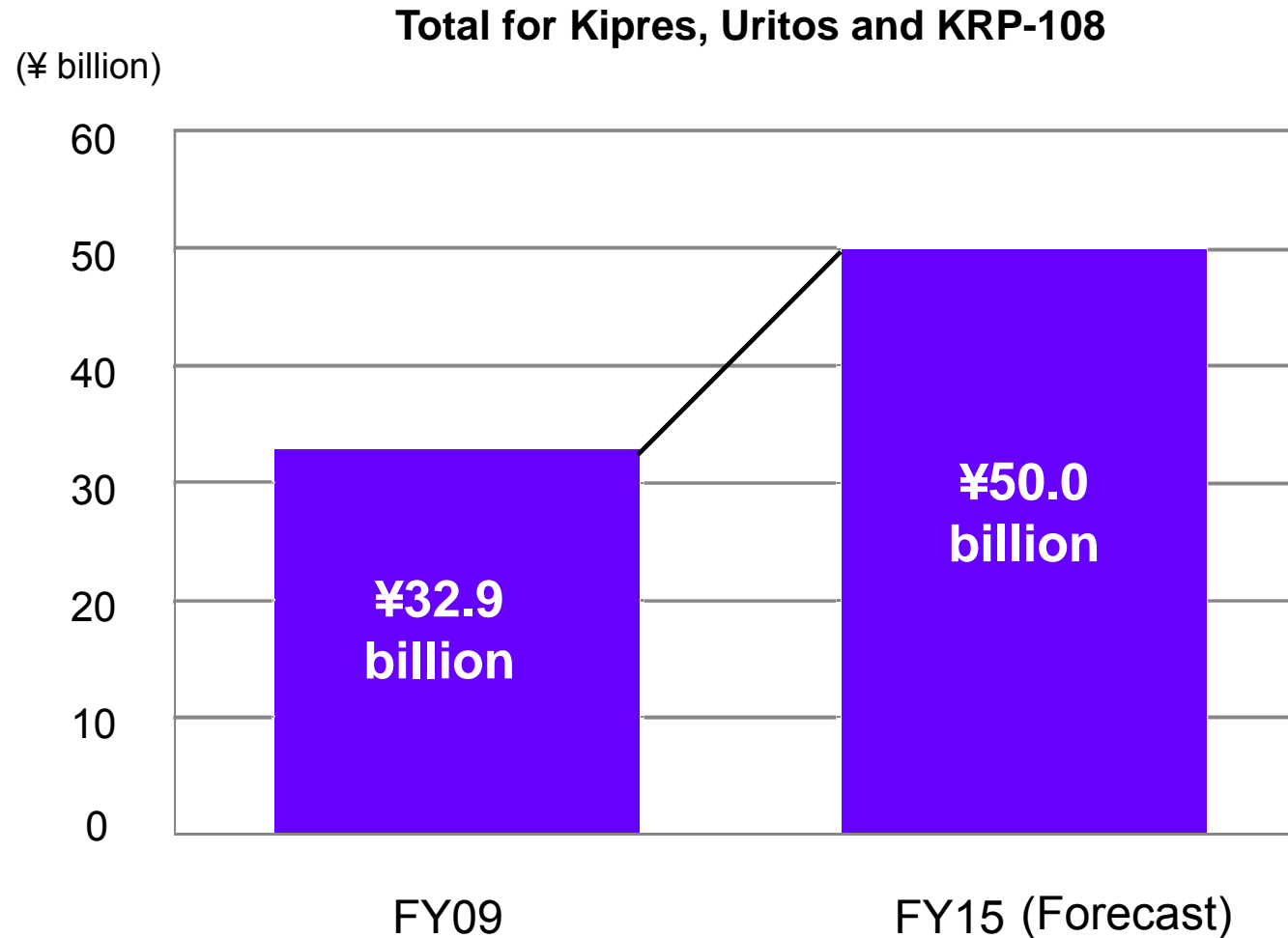
- Development status: Aim to apply in fiscal 2012 and bring to market in fiscal 2014
- Optimal combination of ICS (fluticasone) and LABA (formoterol)
- Optimal device

Market situation: market for combination product (ICS/LABA) currently expanding rapidly



As a best-in-class combination product,
we expect Flutiform to become a main product

Target Sales for New Drugs Group

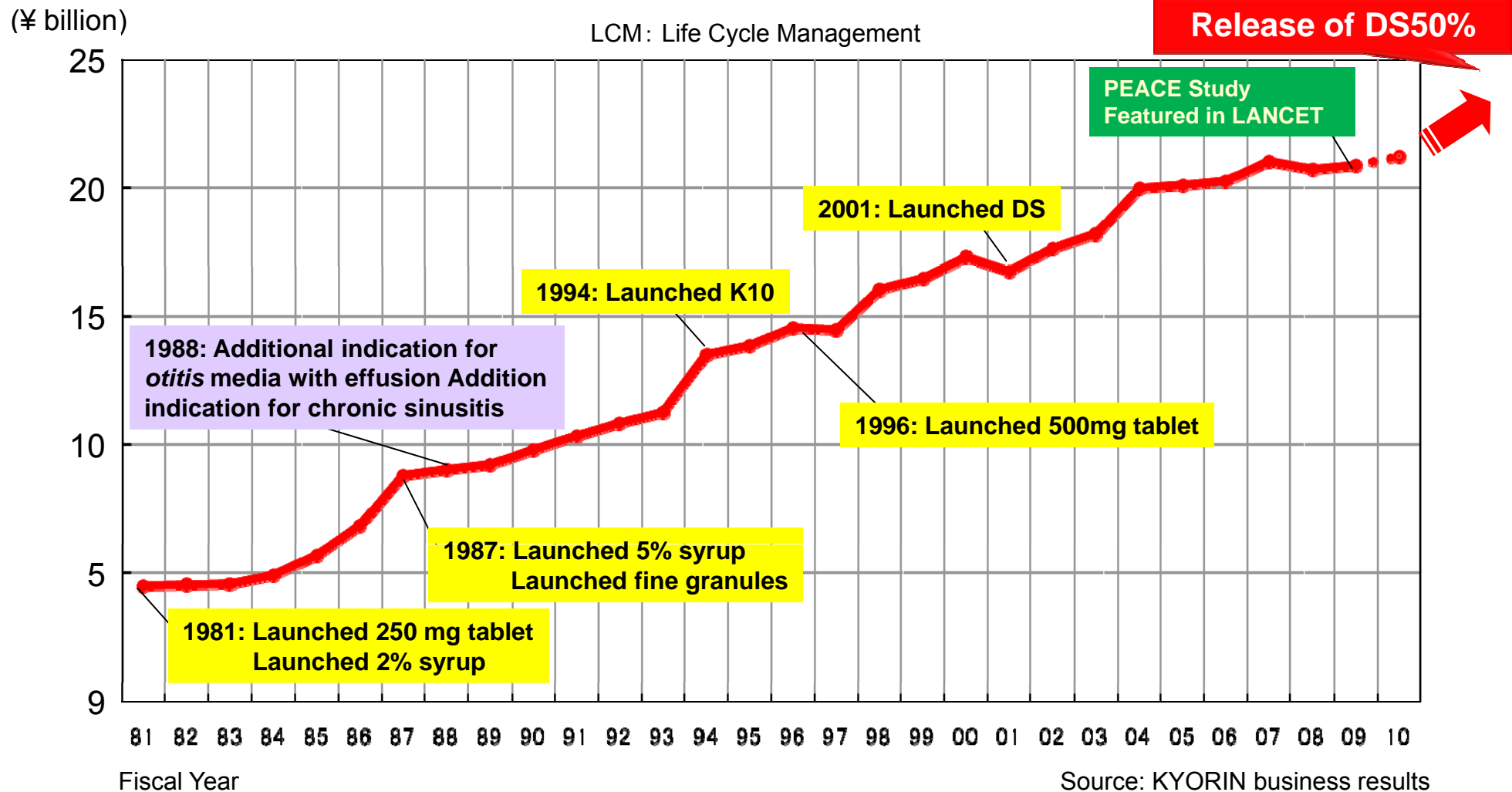


Deploying the PC Model —Original Drugs Group—

Original Drugs Group: Mucodyne

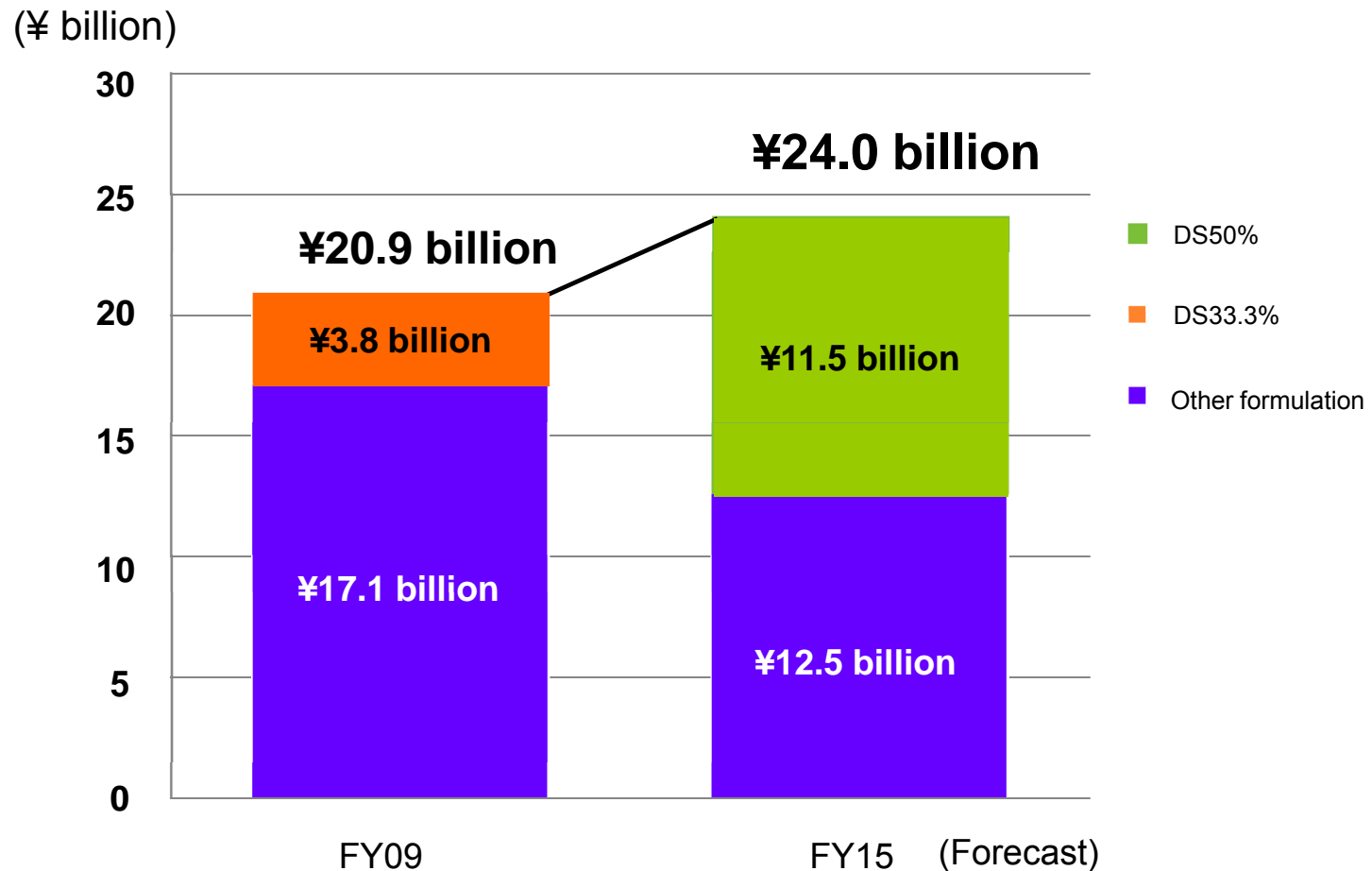


- Since the launch of Mucodyne in 1981, we have pursued calculated, ongoing LCM
- In May, we launched a further improved formulation (Mucodyne DS50%) to meet patient needs (convenience, indications, etc.)



- Maximize uptake of new formulation (DS50%) for patients from juveniles to adults
- Increase prescriptions for chronic conditions (PEACE Study, etc.)

■ Target sales: ¥24.0 billion or higher



Original Products Group: Pentasa

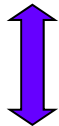


【Establish LCM and basic prescription for ulcerative colitis】

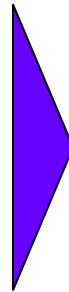
- Promote adoption of 500 mg tablet and popularize prescription of 4g for active periods
- Promote simultaneous use of intestinal infusion to induce and maintain remission
- Promote once-a-day administration (during treatment)
~ Improve compliance and maintenance of remission

■ Fiscal 2015 market trends (Internal)

Forecasting growth of over 5% per year for mesalazine formulations

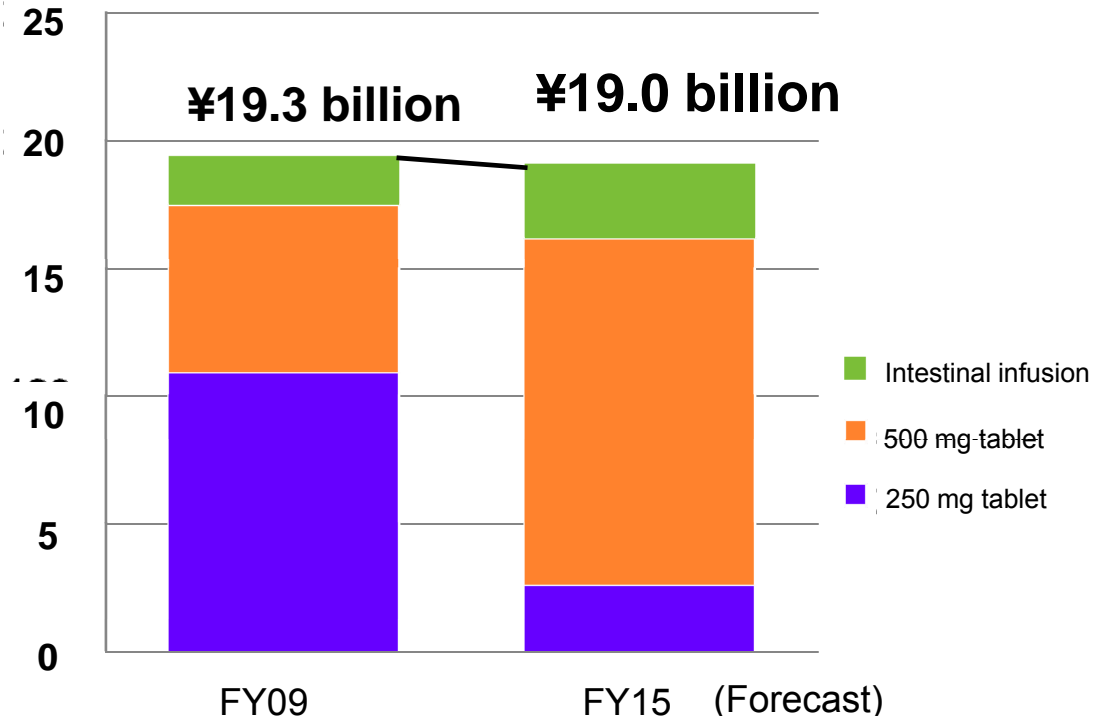


Increased competition due to introduction of competing products (identical ingredients)



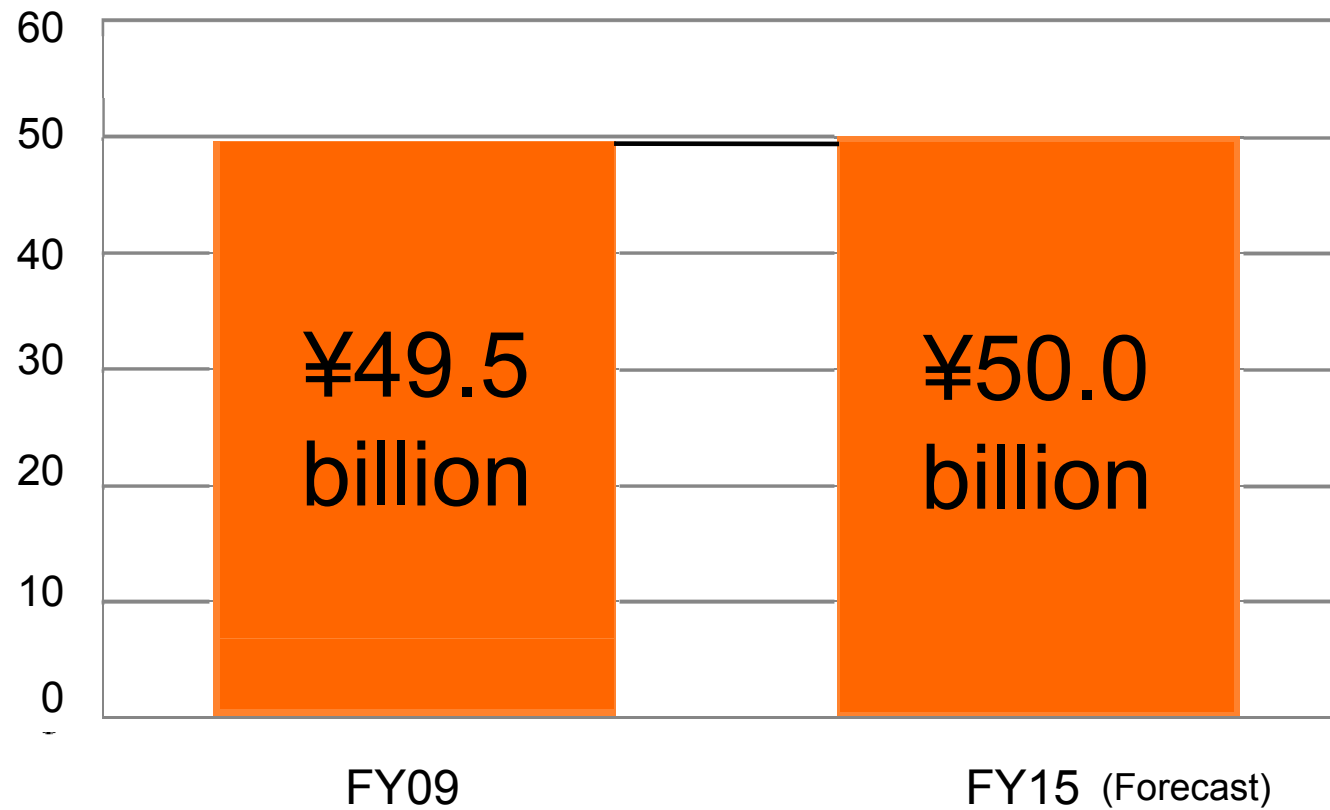
■ Target sales: ¥19.0 billion or higher

(¥ billion)



Total for Mucodyne, Pentasa and Others

(¥ billion)



Deploying the PC Model — Generic Drugs Group —

Strengthen collaboration within the Group and promote external alliances

- Integrate the KYORIN Rimedio wholesale channels (logistics) into KYORIN Pharmaceutical
- Expand number of items added (more than 40 items/6 years)
- Build an optimal production framework
- Reduce cost of sales (below 60%)
- Consider working on biosimilar products

■ Target sales: Around ¥20.0 billion

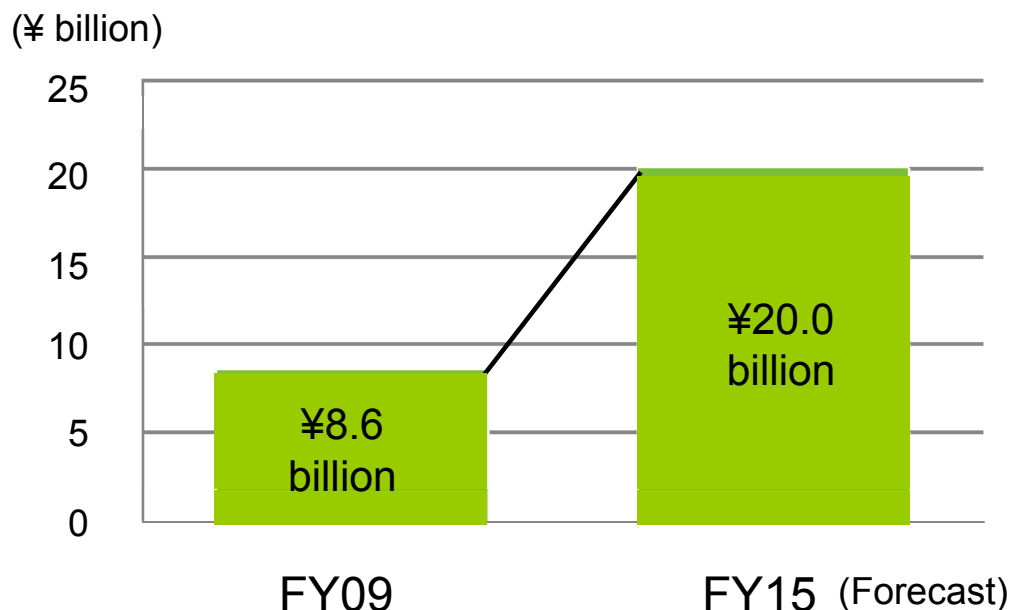
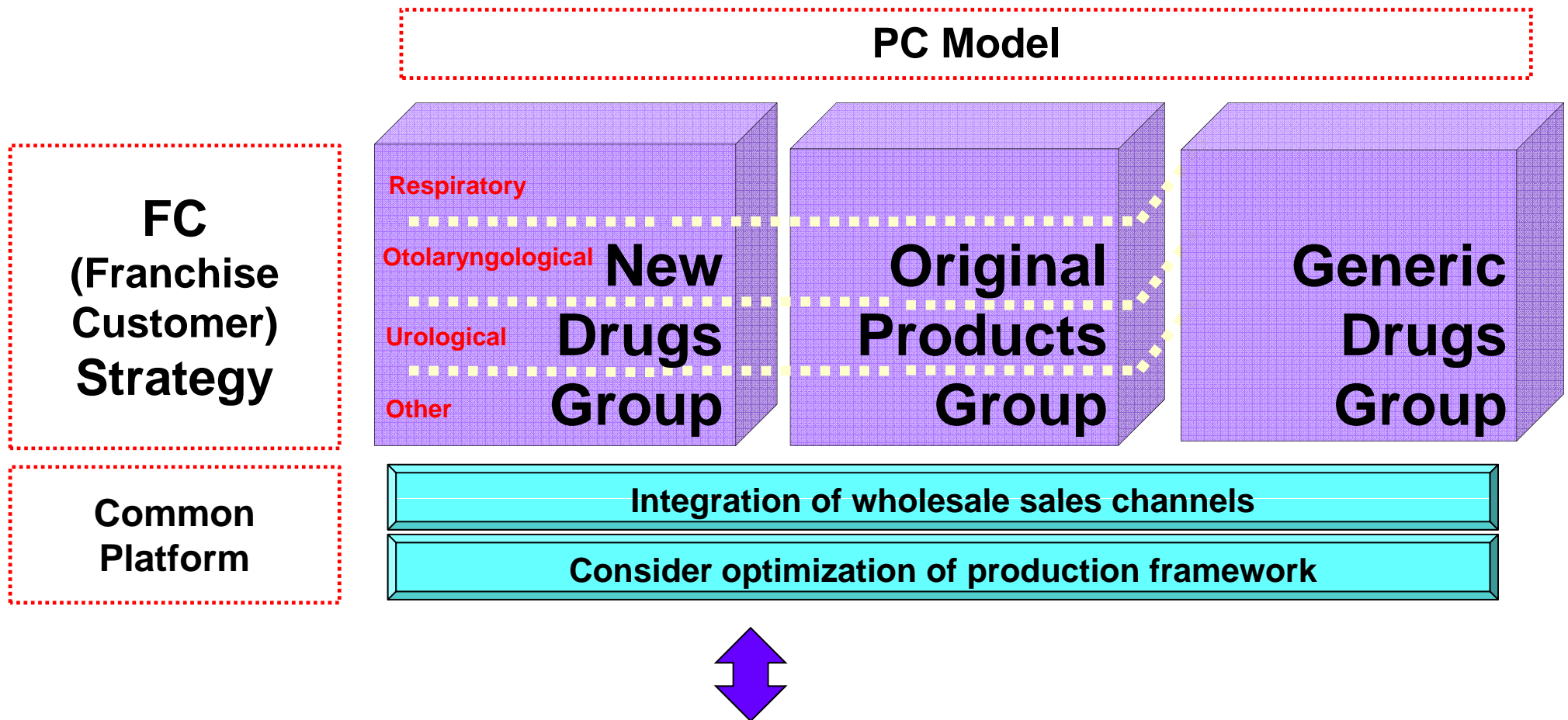
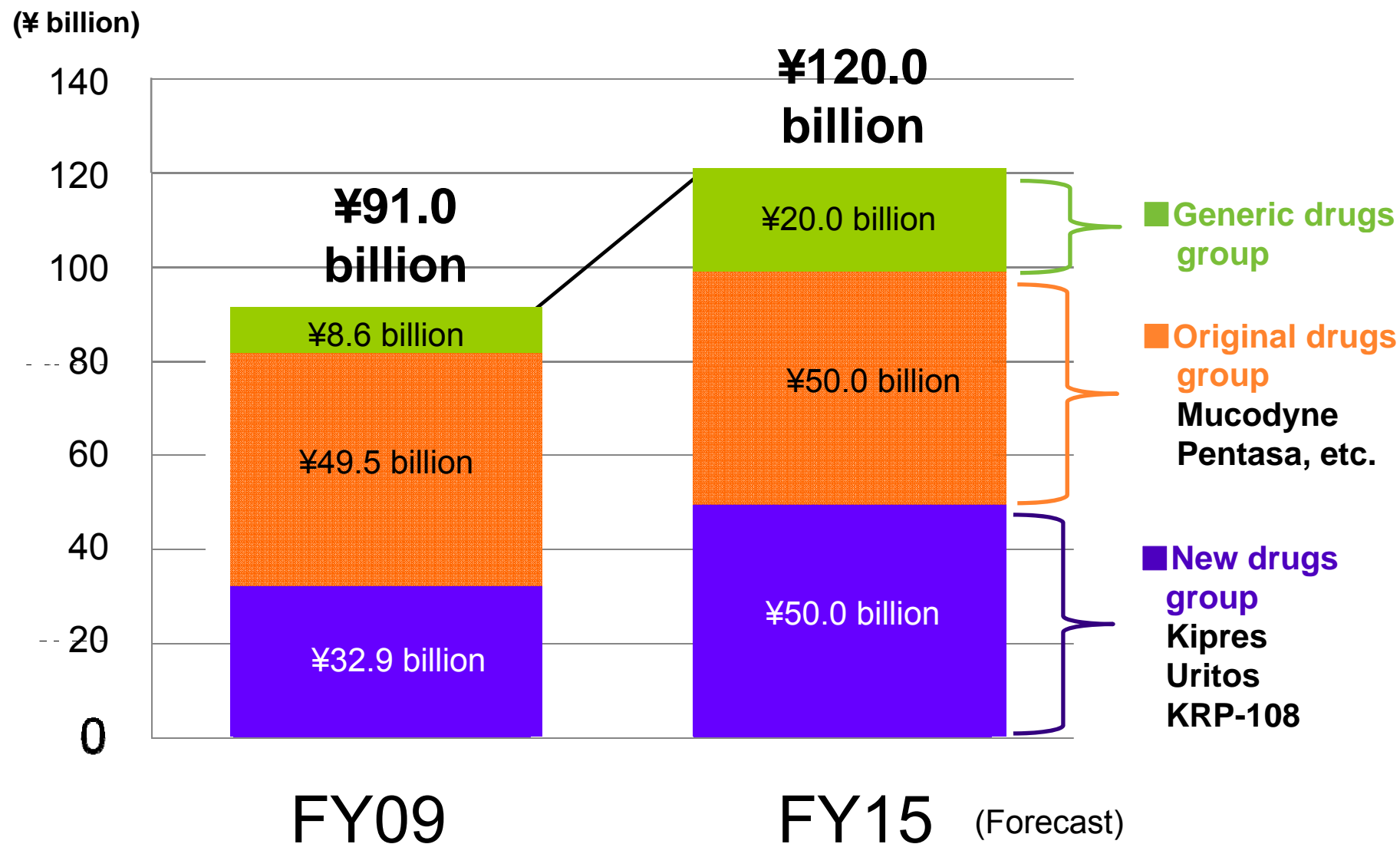


Diagram of Ethical Drugs Business Activity Under the PC Model



Deploy a flexible strategy that can address changes in the environment (including functional reorganization of KYORIN Pharmaceutical and KYORIN Rimedio)

Target Sales for Ethical Drug Business (Summary)



Enhancing the Pipeline (New drugs group)



**HOPE100— Stage 1—
Fiscal 2010~2015**

**HOPE100— Stage2—
Fiscal 2016~2019**

**HOPE100— Stage 3—
Fiscal 2020~2023**

LCM for existing products

AS-3201
(Treatment for complications
of diabetes)

**Global, original
drug discovery**

KRP-108
(Asthma treatment)

KRP-209
(Tinnitus treatment)

KRP-104
(Anti-diabetes agent)

KRP-203
(Immunosuppressant)

KRP-110
(Constipation/intractable
pruritus treatment)

Antibacterial agents

Aim to secure in-licensed drugs and promote alliances

Consumer Healthcare Business

Adopt a multi-core strategy in the Consumer Healthcare Business to complement risks in the ethical drug business and achieve sustainable growth for the Group

■ Skincare Business:

Make business profitable and promote growth (including development in Asian market)

■ Milton Business, etc.:

Leverage the Milton brand to develop new businesses

■ New Business Creation:

Realize our corporate philosophy and create new businesses that can become the core of the company in the future

Target domains for new businesses

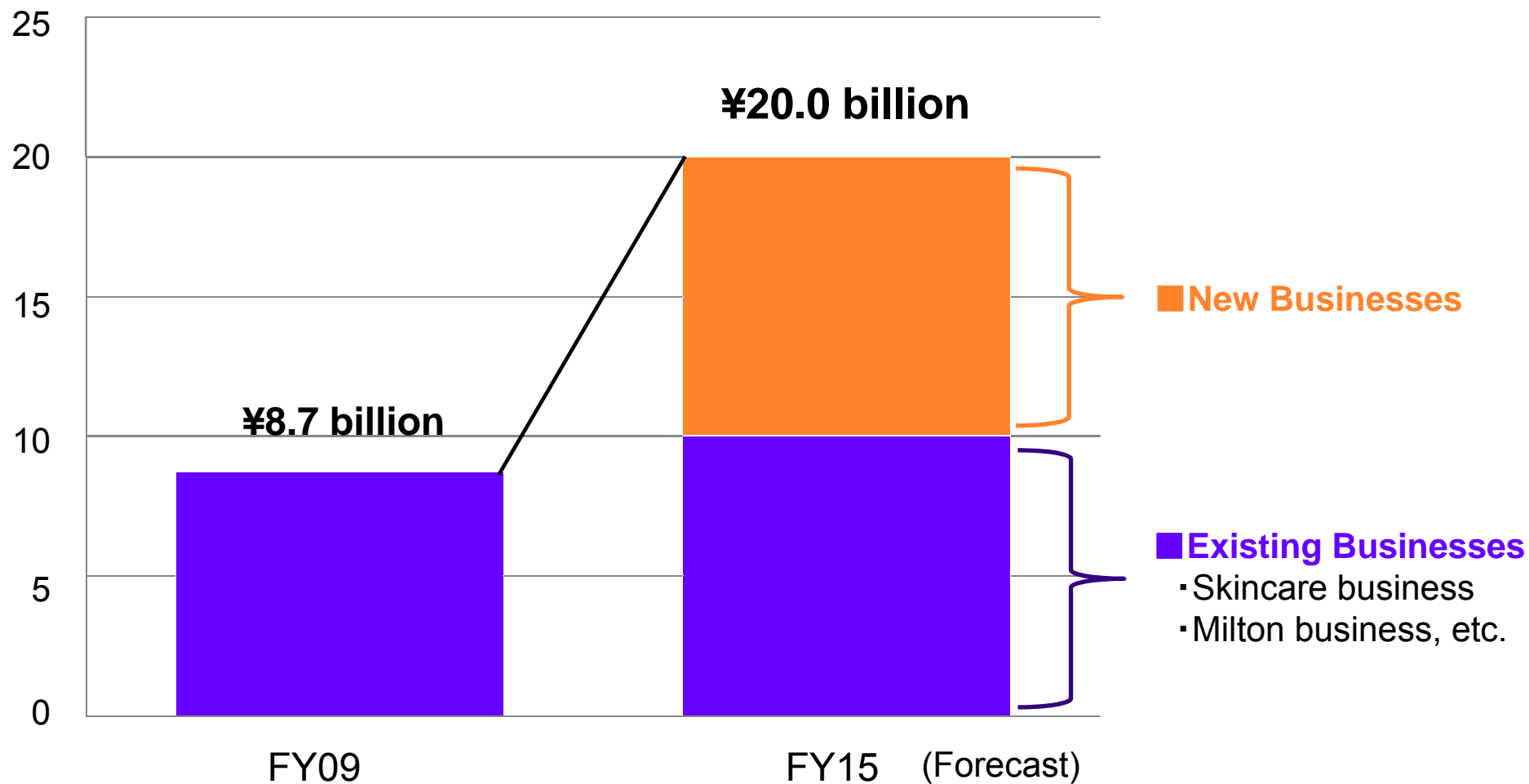
Ethical drug related markets

Consumer market

Target Sales for the Consumer Healthcare Business



(¥ billion)



Organization Strategy (O)
Organization

“A business is as good as its people” (the founding spirit of KYORIN)

→ People-oriented management

Be a company where employees at all Group companies can feel fulfilled

Be a company employees can be proud of, have trust in, and make united efforts for

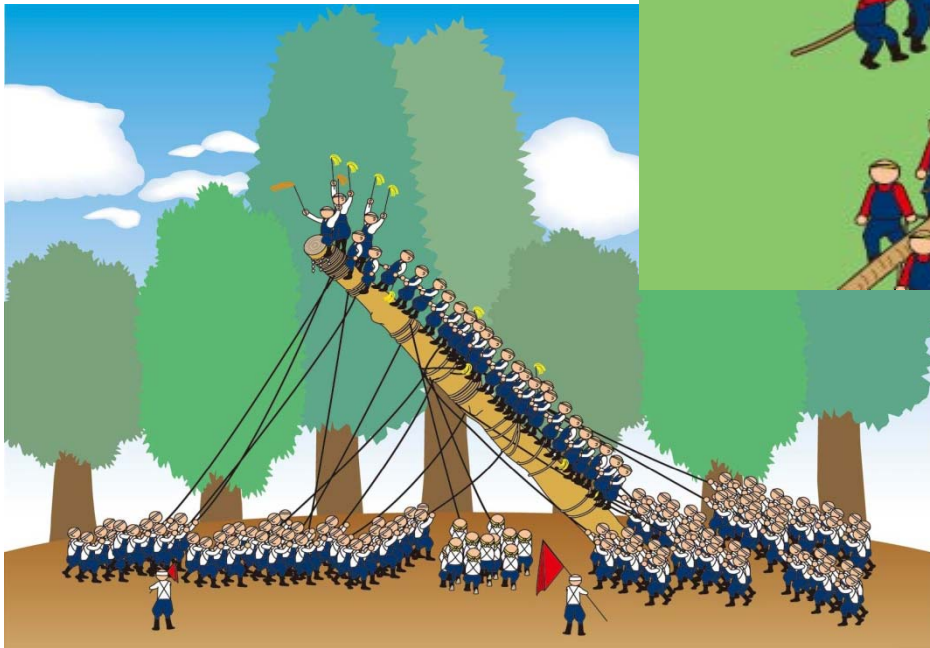
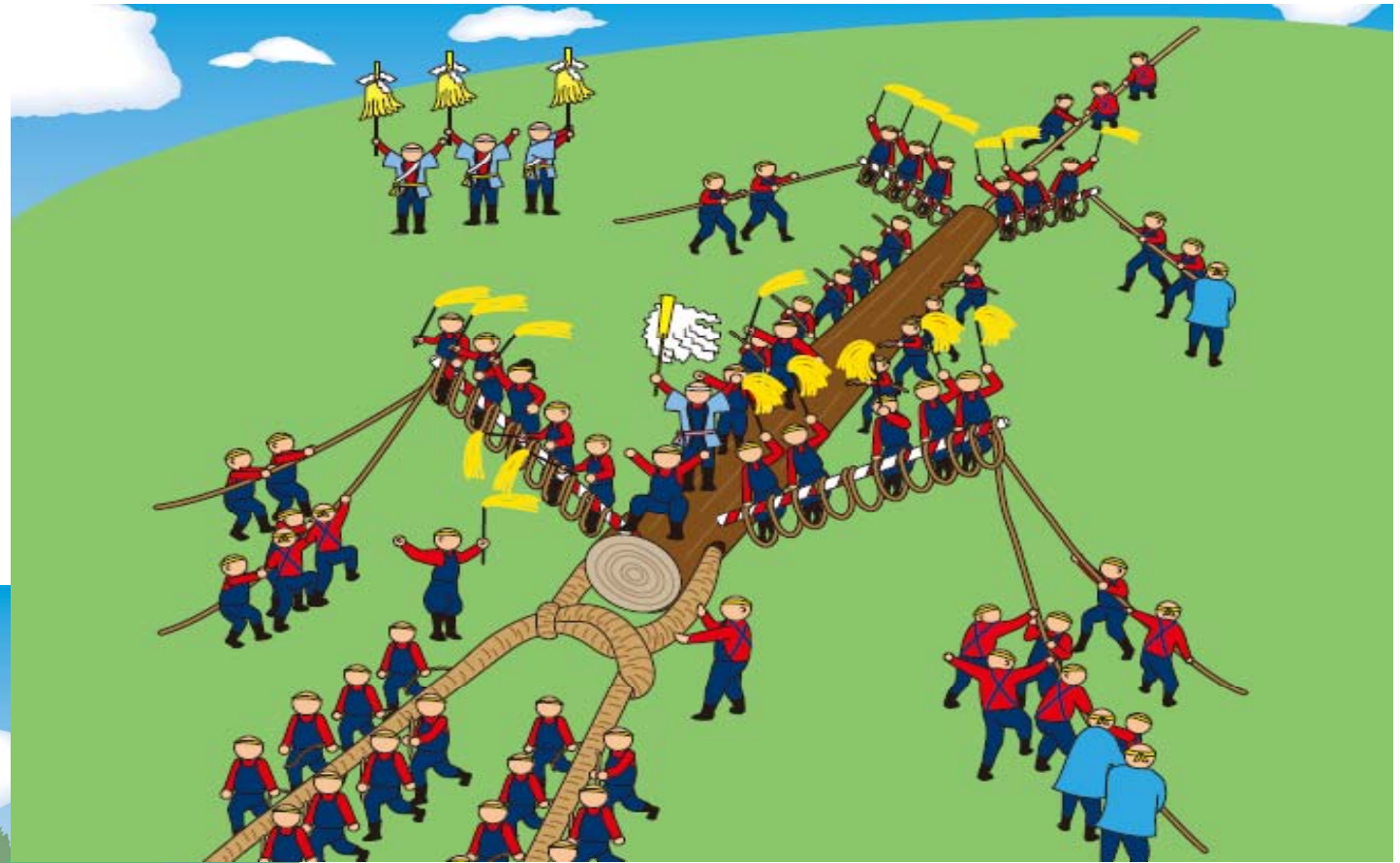
- Rebuild human resource management (hiring, training, evaluation, promotion, assignment, compensation, benefits)
- Vitalize communication, etc.

**Harness the capabilities of each
and every employee**

**Work together toward
a shared goal**

Vitalize people and organizations to work committedly for results

Onbashira: Raising a Pillar Together

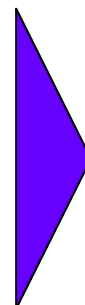


Performance Targets (P)

Performance

Fiscal 2009

Management Indicator	Outcome
Consolidated net sales	¥99.8 billion
Ethical Drugs Business	¥91.0 billion
HC Business	¥8.7 billion
Operating income	
	¥13.3 billion



Fiscal 2015

Management Indicator	Target
Consolidated net sales	¥140.0 billion
Ethical Drugs Business	¥120.0 billion
HC Business	¥20.0 billion
Operating income	
	¥20.0 billion

HC: Healthcare

We aim to achieve a good balance among investment for growth, ongoing business investment for business continuity, and shareholder returns in order to strengthen our management base.

