

Presentation of March 2012 Financial Results

**May 10,2012
KYORIN Holdings, Inc.
President Masahiro Yamashita**



■ **Outline of Consolidated Financial Results
for the Year Ended March 31, 2012**

■ **Initiatives in Fiscal 2012**

**Progress in the medium-term business plan,
Hope100 Stage1**

■ **Consolidated Financial Results Forecast for the Year
Ending March 31, 2012 and Dividends**

■ **Status of development pipeline**

Progress in fiscal 2011 and initiatives in fiscal 2012

Outline of Consolidated Financial Results for the Year Ended March 2012

Outline of Consolidated Financial Results for the Year Ended March 2012

(Units: ¥ billion)

	FY10 (actual)	FY11 (actual)	change	% change	Change (forecast)
Net Sales	104.1	103.2	△0.9	△0.8%	△1.9
Operating Income	16.4	14.5	△1.9	△12.0%	△0.4
Ordinary Income	17.1	15.3	△1.8	△10.7%	△0.3
Net Income	10.9	9.2	△1.7	△15.5%	△0.9

Increase/Decrease of Segment Sales (Consolidated)

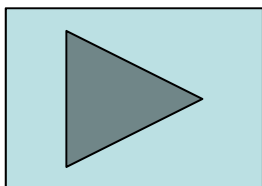
(Units: ¥ billion)			FY10 (actual)	FY11 (actual)	change	% change	Change (forecast)
Net Sales (total)			104.1	103.2	△0.9	△0.8%	△1.9
			101.3	100.7	△0.6	△0.6%	△1.5
Ethical drugs business	Sales of new ethical drugs	Japan	88.0	88.0	△0.0	△0.0%	△0.3
		Overseas	85.3	86.0	+0.7	+0.8%	△0.2
			2.7	2.0	△0.7	△26.4%	△0.1
	Generic drugs		8.9	8.7	△0.2	△2.4%	△1.0
	Over-the-counter drugs		4.4	4.0	△0.4	△8.9%	△0.2
Healthcare Business			2.8	2.6	△0.2	△7.9%	△0.2

Breakdown of sales	Change (actual)	Explanation of Variances	Change (forecast)	Explanation of Variances
new ethical drugs (Japan)	+0.7	<ul style="list-style-type: none"> •increase of Kipres and Uritos •Overall sales growth in mainstay products dampened by the March 2011 disaster 	△0.2	•Pentasa and Uritos underran forecast
new ethical drugs (Overseas)	△0.7	•decrease of Gatifloxacin's sales.	△0.1	•Gatifloxacin's sales underran forecast
Generic drugs	△0.2	•decrease of wholesaler route sales and contract manufacturing's sales in association with the Great East Japan Earthquake.	△1.0	•strategic products and supplementary products underran forecast.
Over-the-counter drugs	△0.4	•decrease of allergy drug	△0.2	•allergy drug underran forecast.
Healthcare Business	△0.2	•decrease of Dr.Program's sales	△0.2	•Dr.Program's sales underran forecast.

Breakdown of Gain and Loss

(Units: ¥ billion)	FY10 (actual)	FY11 (actual)	change	% change	Change (forecast)
Net Sales	104.1	103.2	△0.9	△0.8%	△1.9
Cost of Sales	37.6	36.9	△0.7	△1.7%	—
SG&A	50.1	51.8	+1.7	+3.5%	—
R&D Expenses	12.5	14.0	+1.5	+11.8%	△0.2
SG&A Expenses (excluding R&D Expenses)	37.6	37.9	+0.3	+0.8%	—
Operating Income	16.4	14.5	△1.9	△12.0%	△0.4
Ordinary Income	17.1	15.3	△1.8	△10.7%	△0.3
Net Income	10.9	9.2	△1.7	△15.5%	△0.9

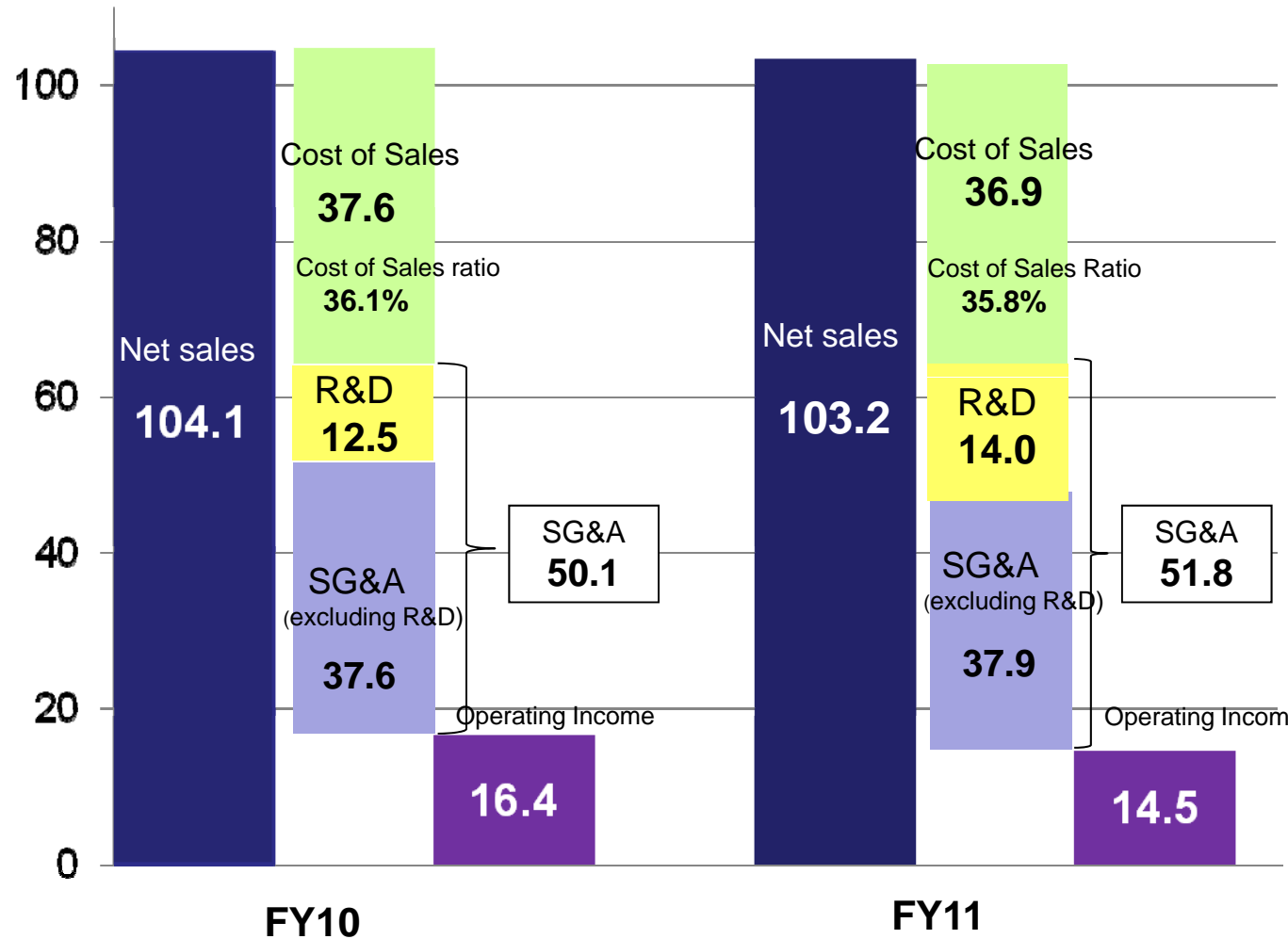
«change actual»



	change forecast	Explanation of Variances
Net Sales	△1.9	new ethical drugs(Japan)△3.0 , Generic drugs△1.0 , Over-the-counter drugs△0.2 , Healthcare Business△0.2
Operating Income	△0.4	Save R&D expense(△0.2) and SG&A expense to avoid the decrease of operating income.
Net income	△0.9	Amortized deferred tax asset due to the tax system revision.

Highlights of Business Performance

(Units: ¥ billion)



Highlight ①

◇ Net Sales decreased ¥0.9 bln

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



Increase/Decrease of Mainstay Product Sales

(Units: ¥ billion)

	FY10 (actual)	FY11 (actual)	change	% change	Change (forecast)
Kipres	34.5	36.8	+2.3	+6.5%	+0.1
Mucodyne	21.3	21.5	+0.2	+0.8%	+0.2
Pentasa	19.4	18.0	△1.4	△7.4%	△0.6
Uritos	5.5	6.3	+0.8	+15.1%	△0.3
Gatifloxacin (Over seas)	2.2	1.7	△0.5	△25.6%	△0.0

【 For reference 】

Year on year rate of sales for medical institution (calculated based on drug price)

Kipres	+11.9%
Mucodyne	+3.1%
Pentasa	△5.7%
Uritos	+22.9%

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Initiatives in Fiscal 2012
Progress in the medium-term business
plan, Hope100 Stage1

Business Strategies Under Medium-Term Business Plan, HOPE100 Stage 1

Multi-core Strategy (MC Strategy)

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

Ethical Drugs Business

**Pharma Complex Model
(PC model)**

**Multi-faceted business development
(New Drugs, Original Drugs,
Ggeneric drugs)**

Consumer Healthcare Business

**Cultivate existing businesses and
create new businesses**

FY2015 target : Net Sales¥140.0bln Operating income¥20.0bln

Implementing the Pharma Complex (PC) Model

■New Drugs

Group:

- ◇Maximize the penetration of key products
(Kipres and Uritos)
- ◇Enhance the Development Pipeline

■Original Drugs

Group:

- ◇Seek to improve the product value and extend the life cycle of key products (Mucodyne and Pentasa)

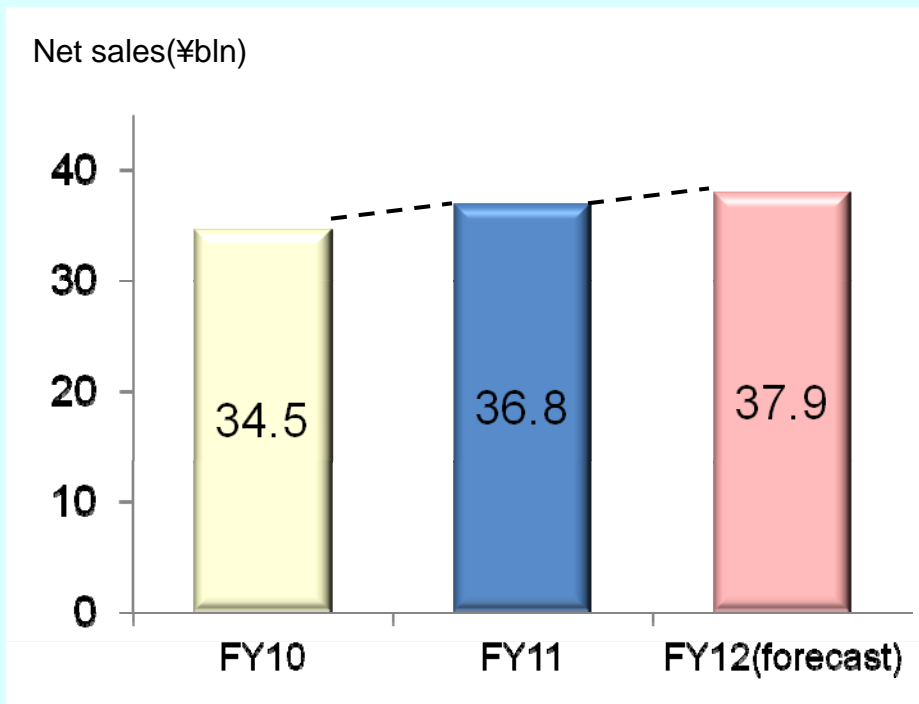
■Generic Drugs

Group:

- ◇Promote domestic and overseas alliances to enhance product lineup and lower costs
- ◇Leverage stronger ties within the KYORIN Group to promote a more distinctive generics business

【New Drugs】 Kipres

Kipres 【Bronchial asthma and allergic rhinitis treatment】



■FY2015 target net sales : at least ¥40.0bln

■initiatives in FY2012

●Establish position as base drug for treatment of allergic rhinitis(perennial and seasonal) and growth in new prescriptions

●Further promote prescription for adult and childhood asthma

From fine granules to chewable tablets and tablets 10mg

●Increased market share for LT antagonists

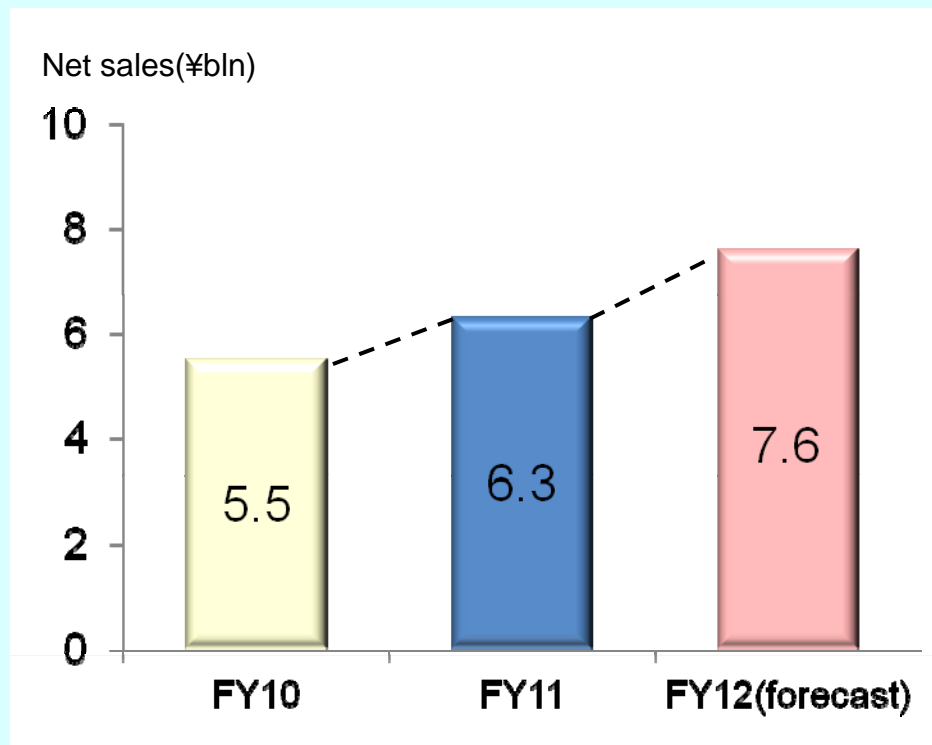
31.3%(March 2011 MAT) ⇒ 33.3%(March 2012MAT)

(Source: IMS JAPAN K.K., JPM, March 2011/March 2012 MAT. Unauthorized copying prohibited)

※price revision rate 7.9%

【New Drugs】 Uritos

Uritos 【Overactive bladder】



■ FY2015 target net sales : ¥10.0bln

■ initiatives in FY2012

● Expand Uritos's share of OAB market.

9.3% (March 2011 MAT) ⇒ 10.7% (March 2012 MAT)

Product differentiation and proposal for first choice prescription

● Uncovering potential markets

OAB market:

¥60bln (March 2011 MAT) ⇒ ¥64bln (March 2012 MAT)

Imidafenacin's share:

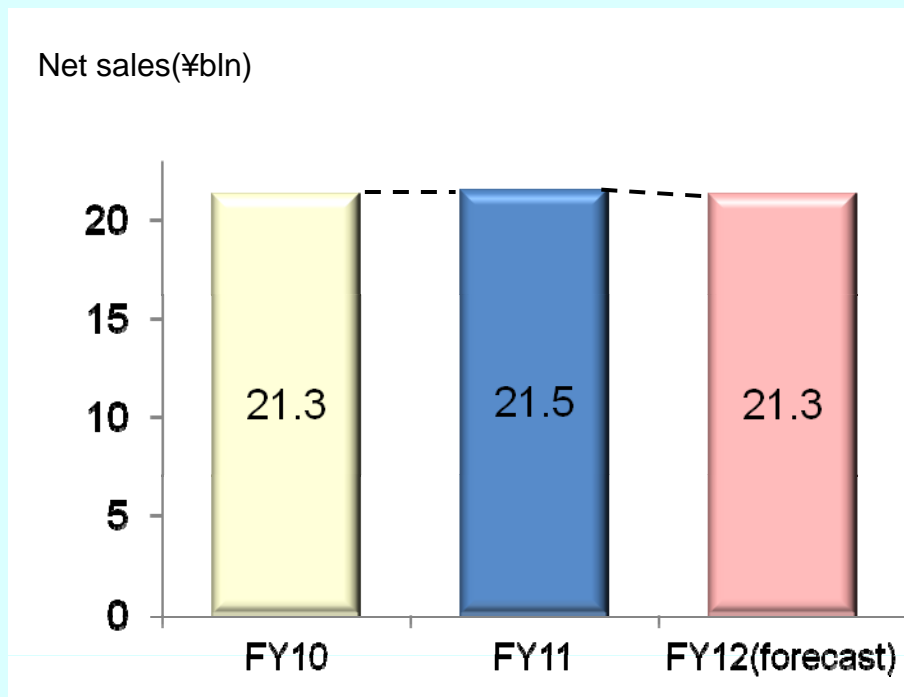
19.3% (March 2011 MAT) ⇒ 21.1% (March 2012 MAT)

(Source: IMS JAPAN K.K., JPM, March 2011/March 2012 MAT. Unauthorized copying prohibited)

※ price revision rate 0.5%

【Original Drugs】 Mucodyne

Mucodyne 【Mucoregulating drug】



■FY2015 target net sales : ¥24.0bIn

■initiatives in FY2012

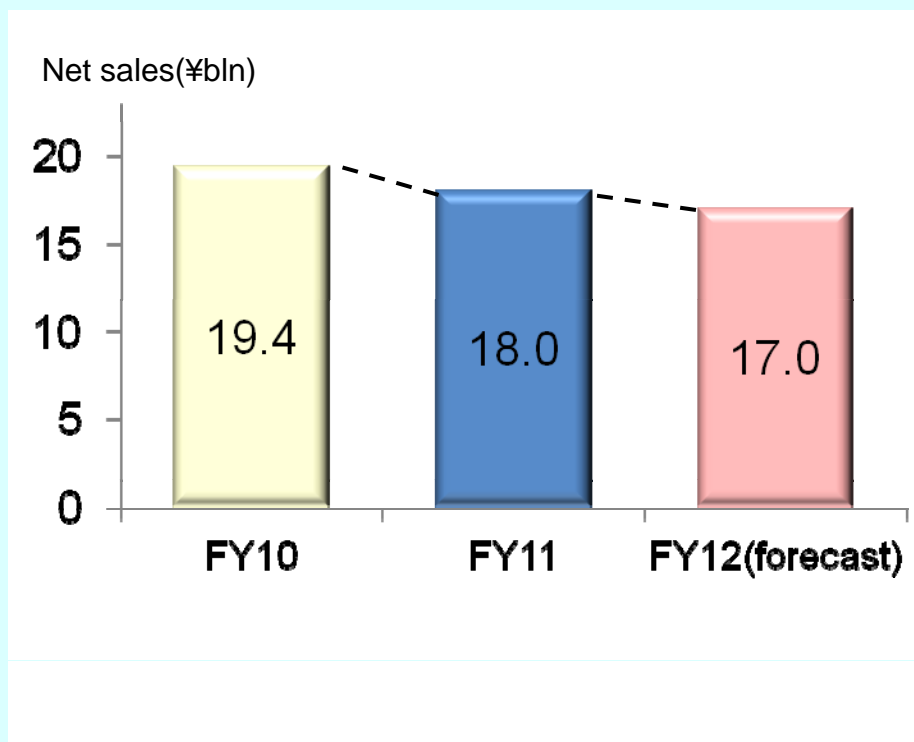
- Maximize uptake and prescriptions of new formulation 「DS50%」
- Increase prescriptions for chronic conditions based on EBM.
bronchial asthma , chronic bronchitis ,
chronic sinusitis
- Expand share of expectorant market.
47.9% (March 2011 MAT) ⇒48.8% (March 2012 MAT)
(Source: IMS JAPAN K.K., JPM, March 2011/March 2012 MAT. Unauthorized copying prohibited)

※price revision rate 6.4%

【Original Drugs】 Pentasa

Pentasa

【 Ulcerative colitis and Crohn's disease treatment 】



■ FY2015 target net sales : ¥19.0bln

■ initiatives in FY2012

● Establish basic prescription for ulcerative colitis.

(Popularize prescription of 4g for active periods)

● Increase prescriptions for new dosage and dose regimen (once-a-day administration) .

(UC remission period)

● Mesalazine market expanded 12.5%

¥28bln (March 2011 MAT) ⇒ ¥31bln (2012年3月MAT)

share of pentasa :

75.1% (March 2011 MAT) ⇒ 63.0% (March 2012 MAT)

(Source: IMS JAPAN K.K., JPM, March 2011/March 2012 MAT. Unauthorized copying prohibited)

● Development of new drug formulation (suppositories).

※ UC : short for ulcerative colitis

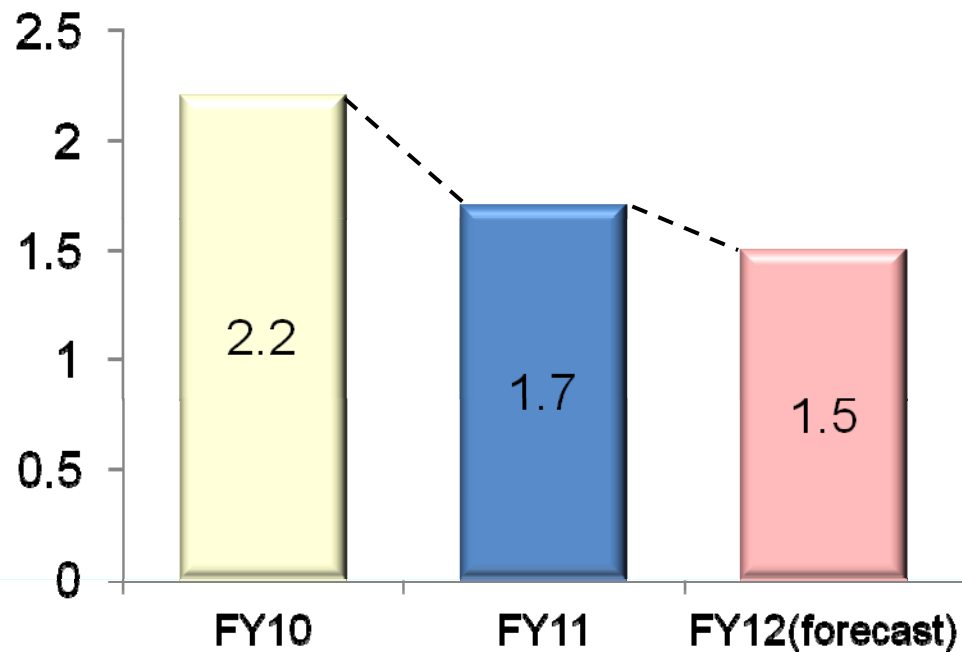
※ price revision rate 5.5%

【Overseas】 Gatifloxacin

Gatifloxacin

【Anti-bacterial eye drops】

Net sales(¥bln)

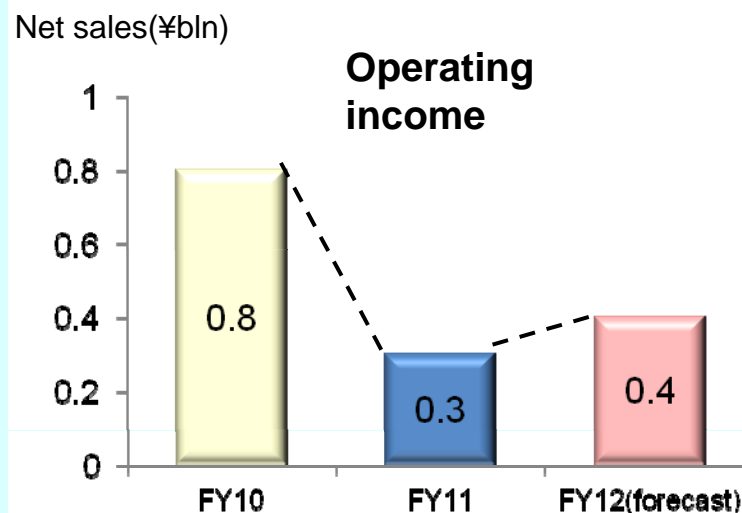
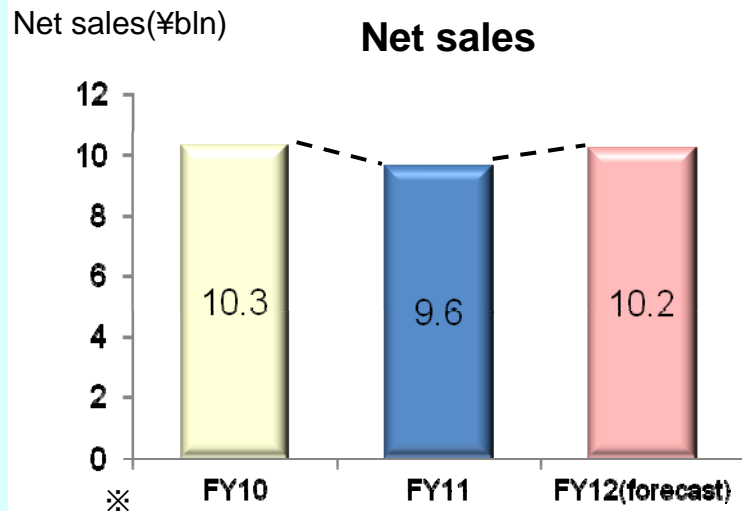


■ initiatives in FY2012

● Promote sales of high concentration formulations of Gatifloxacin (by Allergan).

Sales of Zymar and Zymaxid :

FY2010 \$99.8MM ⇒ FY2011 \$92.6MM



initiatives in FY2012

Promotion of Domestic and overseas alliances

- Promote in-house development and contracting work (secure new clients for contracted supply)

■ Net Sales

● increase of strategic products

- Amlodipine , Donepezil etc.

● Market Large-scale Supplementary Items and Reach Objectives

- soporific , antihypertensive etc.

■ Operating income

● reduce cost of sales

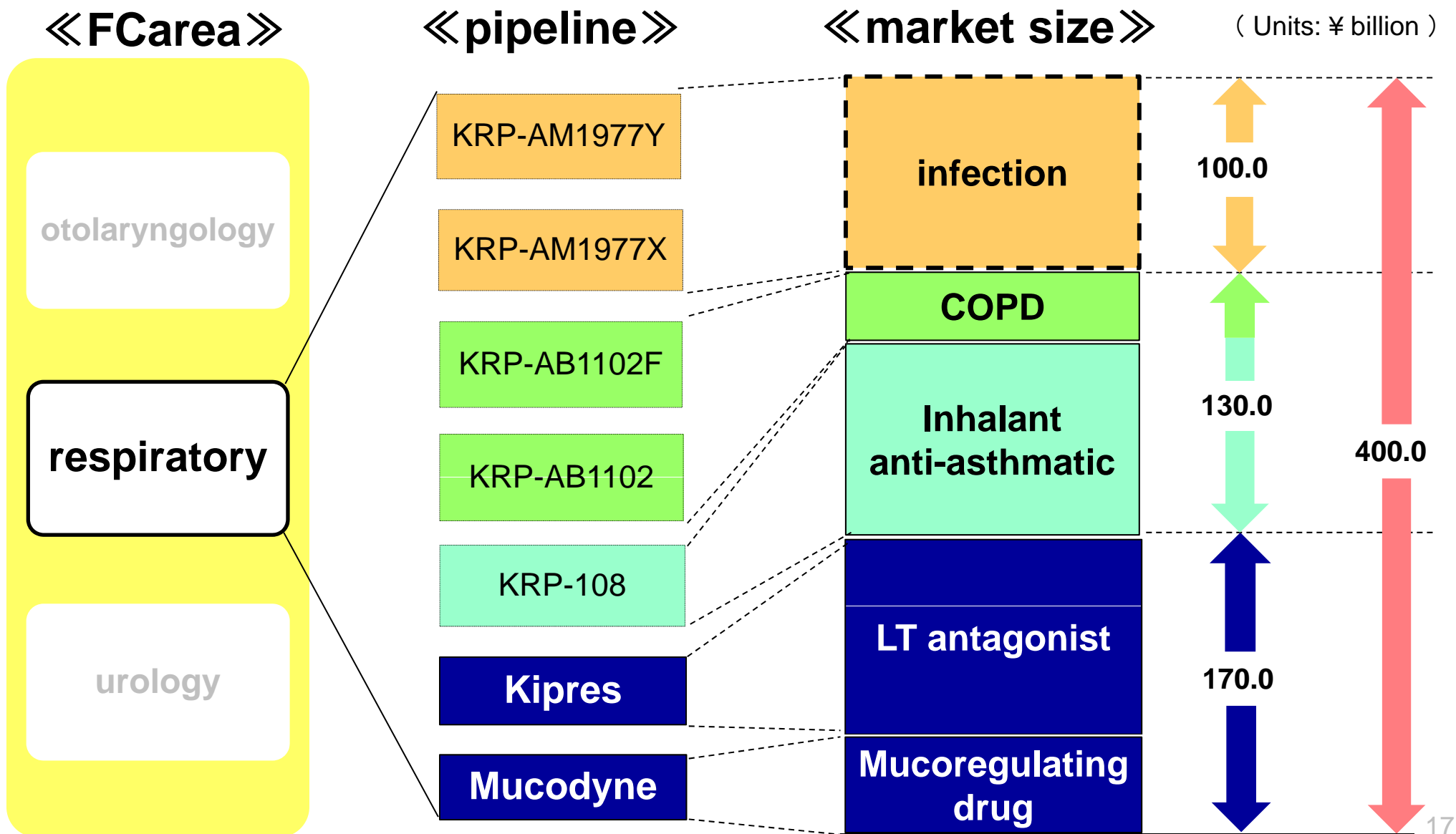
- Ensure approval for products developed in-house and launch them (promote contracting work)
- Correct the product mix to deliver higher sales of highly profitable products
- Aim for lower purchase prices for key ingredients

● SG&A Expenses

- Continue to invest for sustainable growth

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

Market of respiratory and our product



Consumer Healthcare Business (Over-the-counter Drugs + Skincare)

Medium-Term Business Plan, 「HOPE100 Stage 1」

■Skincare Business

Make profitable and promote growth
(incl. development in Asian market)

■Milton Business, Others

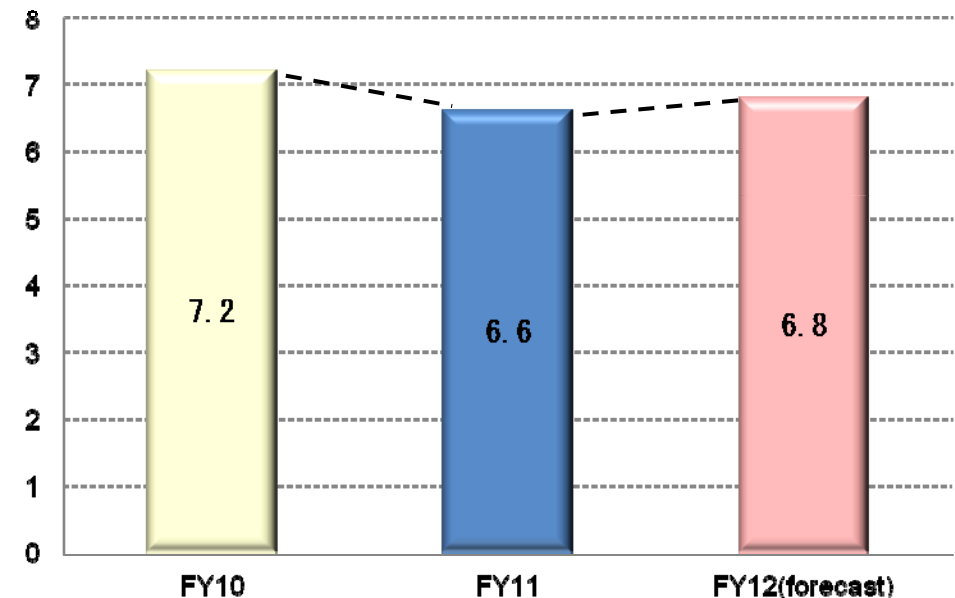
New business development leveraging
the Milton brand

■New Business Creation

Strive to realize corporate philosophy and
create new businesses to become core
drivers in the future
(Participation in Environmental Hygiene
Business)

Net Sales of Consumer Healthcare

Net sales(¥bln)

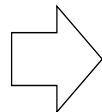


New Products: Multi-purpose disinfectant cleaner

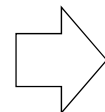
- **Product Features:**
 - Broad antibacterial spectrum and strong disinfecting power
 - Combines disinfection and cleaning in a single operation
 - Changes color to show effectiveness
- **Applications:** ➤ Medical institutions, nursing care facilities, and other sites requiring hygiene control by disinfecting surfaces in the environment
- **Sales:** ➤ KYORIN Medical Supply Co., Ltd., KYORIN Pharmaceutical Co., Ltd.



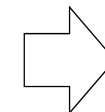
Preparation
(dissolve in water)



Set wipes in the container



Allow preparation
to soak in



Pull out a wipe and use
to clean surface

Kyocurmin : high bioavailability curcumin compound supplement



Attention on curcumin as a new supplement ingredient

- [What is Curcumin?]**
- A substance with a wide range of reported beneficial effects from ongoing medical research
 - Low bioavailability has been a standing issue

Launch of high bioavailability curcumin

Launch of products using “high bioavailability curcumin,” created by applying special technology to crush and process low bioavailability curcumin bulk powder

- **Product features**
 - Dramatic improvement in bioavailability (approx. 27 times greater) through powderizing technology
 - 1 tablet contains 30mg of high bioavailability curcumin
 - For convenience, sold in either soft gum or capsule form
 - Supports health particularly for users who are frequently in situations where alcohol is consumed

- **Sales : Online sales channel of KYORIN Pharmaceutical Co., Ltd.**

[Reference: KYORIN ONLINE SHOP of KYORIN Pharmaceutical Co., Ltd.]

<http://www.kyorin-onlineshop.com/>



**Consolidated Financial Results Forecast
for the Year Ending March 31, 2013 and
Dividends**

Consolidated Financial Results Forecast for the Year Ending March 31, 2013

(Units: ¥ billion)		FY11 (Actual)	FY12 (forecast)	Change	% Change
Net Sales (total)		103.2	104.7	+1.5	+1.4%
	Ethical drugs business	100.7	102.0	+1.3	+1.4%
	Healthcare Business	2.6	2.7	+0.1	+3.8%
Operating Income		14.5	17.9	+3.4	+24.0%
Ordinary Income		15.3	18.5	+3.2	+21.4%
Net Income		9.2	11.8	+2.6	+28.5%

		Change VS original forecast	Explanation of Variances
Net Sales (total)		+1.5	
	new ethical drugs (Japan)	+0.7	Increase of New drugs(Kipres and Uritos)
	new ethical drugs (Overseas)	Δ0.0	—
	Generic drugs	+0.8	expand of strategic products and supplementary products's sales
	Over-the-counter drugs and others	Δ0.2	—
	Heaith care(skin care)	+0.1	—
Operating Income		+3.4	reduction of R&D expenses ¥ 2.9 bln.

【 For reference 】
 ・Cost of Sales Ratio: remain mostly level
 ・SG&A Expenses Ratio: remain mostly level

Forecast of Mainstay Product Sales and Generic Drugs

(Units: ¥ billion)

	FY11	FY12 (forecast)	change	% change
Kipres	36.8	37.9	+1.1	+3.1%
Mucodyne	21.5	21.3	△0.2	△0.4%
Pentasa	18.0	17.0	△1.0	△5.1%
Uritos	6.3	7.6	+1.3	+20.4%
Gatifloxacin	1.7	1.5	△0.2	△4.7%
Generic Drugs	8.7	9.5	+0.8	+10.0%

Shareholder Returns

Basic Policy

The Company seeks to enhance its management base by balancing investments for growth and business continuity with shareholder returns. To this end, the Company aims for a consolidated payout ratio to shareholders of 30%.

Net Income

	FY10	FY11 (forecast)	FY11 (actual)	FY12 (forecast)
Net Income	10.9	10.1	9.2	11.8

Dividends

	FY10	FY11 (forecast)	FY11 (actual)	FY12 (forecast)
Dividend per share (Yen)	45.00	45.00	45.00	50.00
Consolidated payout ratio(%)	30.8%	33.3%	36.4%	31.7%

- 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.