



ANNUAL REPORT 2011

Year ended March 31, 2011 | KYORIN Holdings, Inc.

Profile

Since the founding of its core subsidiary, KYORIN Pharmaceutical, the Kyorin Group has taken its mission of contributing to better health seriously. Today, Kyorin is working to discover, produce, and sell pharmaceuticals through its pharmaceutical business and to develop a consumer healthcare business based on cosmetics. By promoting the faster development of superior new drugs and diversifying its businesses to respond to expanding healthcare needs, the Kyorin Group aims to realize its role as an organization supporting healthy living and to further enhance its corporate value.

About the Corporate Mark

The corporate mark consists of three curved lines that form a heart-shaped apricot. The lines represent the smiles of patients, their families, and workers in medical services, as well as Kyorin's three core businesses, namely prevention, treatment, and prognosis.

Orange: Honesty and warmth

Violet: Technology that brings confidence

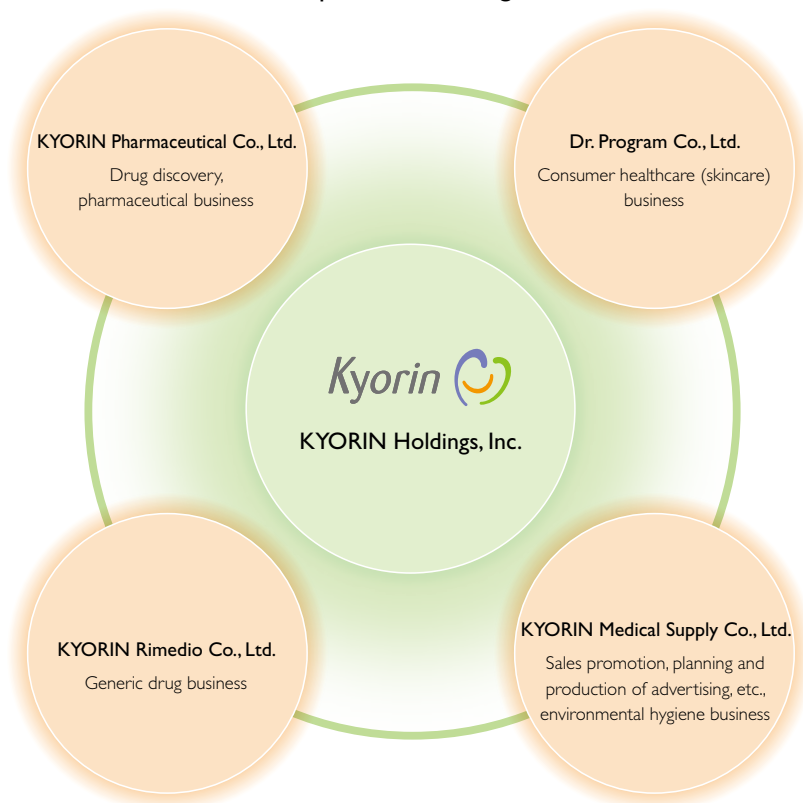
Light green: Free and lively creativity



Holding Company Structure

KYORIN Holdings, Inc. serves as the umbrella organization for the entire Kyorin Group, and by taking on the management strategy function and ensuring efficient allocation and use of management resources, works to ensure that the Group achieves its comprehensive potential and to improve consolidated business results. KYORIN Holdings, Inc. was formerly called KYORIN Co., Ltd until changing its name on July 1, 2010.

Group Structural Diagram



Disclaimer Regarding Forward-looking Statements

Statements made in this annual report with respect to KYORIN Holdings, Inc.'s forecasts, plans, strategies and other statements other than those of historical facts are forward-looking statements about the future performance of the Company and its consolidated subsidiaries and are based on management's rational assumptions and beliefs in light of information currently available. As a consequence, readers should understand that, for a variety of reasons, actual results could differ materially from projections presented in this report. Key factors that could impact our results include, but are not limited to, economic conditions, social trends, competition from rival companies, laws and regulations, uncertainties in drug development and exchange rate fluctuations.

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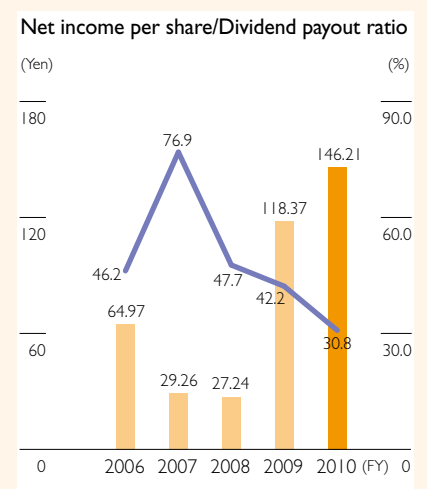
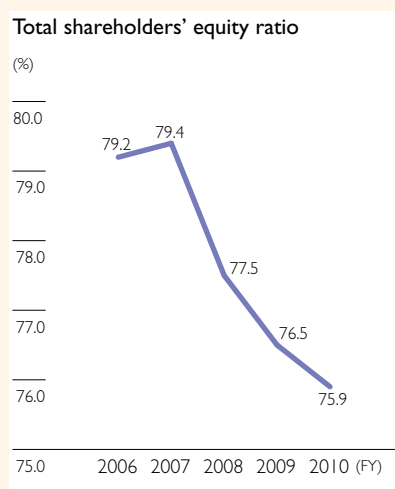
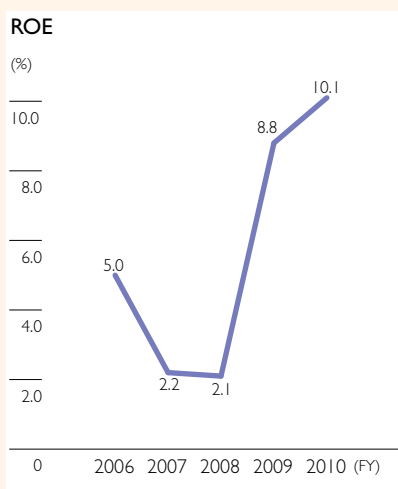
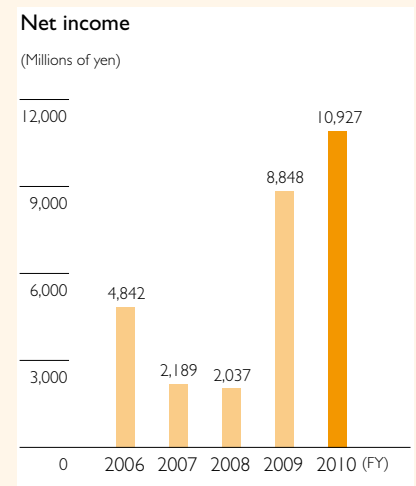
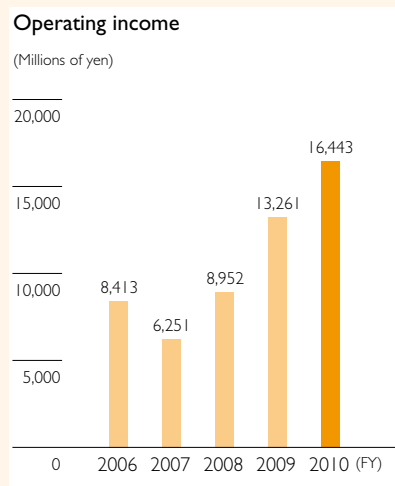
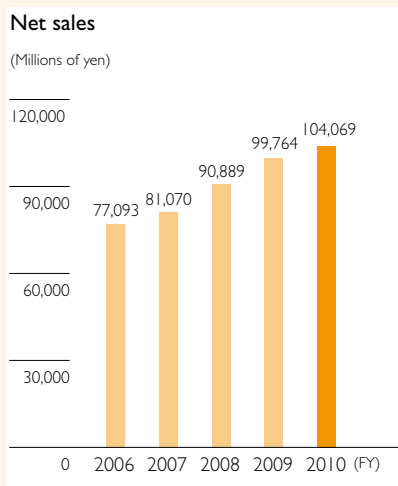
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Consolidated Financial Highlights

KYORIN Holdings, Inc. (formerly KYORIN Co., Ltd.) and Consolidated Subsidiaries
(Fiscal years ended March 31)

	Millions of yen				
	FY2006	FY2007	FY2008	FY2009	FY2010
Results of Operations					
Net sales	77,093	81,070	90,889	99,764	104,069
Operating income	8,413	6,251	8,952	13,261	16,443
Operating income/Net sales ratio (%)	10.9	7.7	9.8	13.3	15.8
Net income	4,842	2,189	2,037	8,848	10,927
Net income/Net sales ratio (%)	6.3	2.7	2.2	8.9	10.5
Net cash provided by operating activities	5,005	4,444	4,575	12,027	6,805
Net cash used in investing activities	(3,140)	(6,144)	(4,229)	412	(1,806)
Free cash flow	1,865	(1,700)	346	12,439	4,999
R&D expenses	8,609	10,826	10,531	11,807	12,495
R&D expenses/Net sales ratio (%)	11.2	13.4	11.6	11.8	12.0
Capital expenditure	2,954	1,952	1,612	1,291	1,668
Depreciation expense	4,544	4,536	3,799	2,810	2,458
ROE (%)	5.0	2.2	2.1	8.8	10.1
ROA (%)	4.0	1.8	1.6	6.8	7.7
Financial Position at Year-end					
Total assets	124,039	122,398	124,552	137,190	147,234
Total net assets	98,178	97,184	96,501	104,911	111,706
Total shareholders' equity ratio (%)	79.2	79.4	77.5	76.5	75.9
Yen					
Per Share Data					
Net assets per share	1,311.17	1,298.89	1,290.67	1,403.60	1,494.83
Net income per share	64.97	29.26	27.24	118.37	146.21
Dividend per share	30.00	22.50	13.00	50.00	45.00
Dividend payout ratio (%)	46.2	76.9	47.7	42.2	30.8

Net sales	 Net sales growth was driven by higher Kipres and Uritos sales in domestic ethical drugs, with generic drug sales also topping forecasts. As a result, net sales were ¥104,069 million, up 4.3% year on year, surpassing the ¥100,000 million mark for the first time since the Company's founding.
Operating income	 Operating income rose 24.0% year on year to ¥16,443 million, due to efforts to control the cost of sales ratio and SG&A expenses ratio, coupled with top-line growth.
Net income	 Net income was up 23.5% year on year at ¥10,927 million, reaching the highest level on record for the second straight year.
ROE	 With significant growth on the profit side as in the previous fiscal year, ROE rose to 10.1% (1.3 points above the previous fiscal year).



■ Net income per share (Left scale)
— Dividend payout ratio (Right scale)

Our Policy

Our Philosophy

Kyorin continues to fulfill its mission of cherishing life, and benefiting society by contributing to better health.

Our Vision

HOPE 100

Aim for Health Of People and our Enterprises

HOPE 100 is a long-term vision looking forward to 2023, the 100th anniversary of the founding of subsidiary KYORIN Pharmaceutical Co., Ltd. It encompasses our powerful goal of supporting healthy lifestyles through our business in the treatment and prevention of disease and the maintenance and promotion of good health. Our long-term vision HOPE 100 embodies the Group's corporate philosophy and sets out the Group's future development objectives. This philosophy is the statement of our business objective and the basic rationale for the Group's business. The future of the Group is expressed in the statement, "The Kyorin Group will promote diversified business expansion and development of the consumer healthcare business, and by 2023 be recognized both within and outside the Group as a company that supports sound and healthy lifestyles." Guided by this vision, the Group will spread its business risks and aim to achieve sound, stable, sustainable growth.

The Story of Kyorin

The name Kyorin originated from two Chinese characters that represent a truly virtuous way of practicing medicine.

Long ago, a Chinese physician named Tai Feng treated the sick free of charge, and asked those who recovered from serious illness to plant five apricot tree saplings and those cured of minor illness to plant one. As time went by, a thick forest of apricot trees was formed in the area. (A story that comes from a Chinese legend named *Shinsen-den*.)

Kyorin is a compound of *kyo*, the Chinese word for "apricot" and *rin* the Chinese word for "woods."

Praising the virtue of Tai Feng, the characters were transported from China to Japan as those representing medicine and medical treatment in general.



Our Milestones

1923 Toyo Shinyaku Sha, the predecessor of KYORIN Pharmaceutical Co., Ltd., was founded.

1931 Kyorin Chemical Laboratory was established.

1940 The company was renamed KYORIN Pharmaceutical Co., Ltd., and Kyorin Yakuin Co., Ltd. was organized as an independent marketing division.



1946 The Okaya Plant was started; and the Tokyo, Osaka, and Nagoya Branches were opened.

1957 The medical journal bulletin *Doctor Salon* was started.

1961 Behyd, a diuretic and anti-hypertensive agent, was launched.

1962 Kyorin Chemical Laboratory (later Technical Center of Development) was established.

1965 KYORIN AP-2, an analgesic, was launched. Deamelin-S, an oral hypoglycemic agent, was launched. The Head Office was completed.



1967 The Nogi Plant was started. (now closed)

1971 Cholexamin, a lipid metabolism and peripheral circulation improving agent, was launched.

1974 Hespander, a plasma substitute and extracorporeal circulation flow improver, was launched.

1976 Hydroxyethylstarch (HES) was licensed out to Pfirmer (Germany, present Baxter Deutschland).



1977 Central Research Laboratories (present Discovery Research Laboratories) was established.

1980 Norfloxacin (NFLX), an antibacterial agent, was licensed to Merck & Co., Inc. (USA).

1981 Mucodyne, a mucoregulant, was launched.

1982 NFLX was licensed to Astra (Sweden) and Boots (UK, present BASF/Knoll).

1983 NFLX was licensed to American Home Products (USA).

1984 Baccidal (NFLX), a broad-spectrum oral antibacterial agent, was launched.

1986 Fleroxacin (FLRX), an antibacterial agent, was licensed to F. Hoffmann-La Roche (Switzerland). Aplace, an agent for gastritis and gastric ulcers, was launched.

1989 Ketas, for bronchial asthma and cerebrovascular disorders, was launched. Baccidal Eyedrops, a broad-spectrum ophthalmic antibacterial agent, was launched.

1991 Baccidal Tablets for Children was launched.

1992 KYORIN Pharmaceutical Co., Ltd. and Kyorin Yakuin Co., Ltd. were merged, and the new KYORIN Pharmaceutical Co., Ltd. was founded.

1993 Megalocin (FLRX), a long acting new quinolone agent, was launched.

1995 The Noshiro Plant was started.



1995 Research Center (now Development Research Laboratories) was founded by integrating Research Center of Organic Syntheses, Technical Center of Development, Technical Center of Product Formulation and Technical Center of Safety Assessment.

1996 A joint venture, Nisshin KYORIN Pharmaceutical Co., Ltd., was established with Kyorin's capital participation. Gatifloxacin was licensed to Bristol-Myers Squibb (USA).

1998 Milton, an effervescent disinfectant business, was acquired from P&G.



1999 The company's stock was issued on the Tokyo Stock Exchange, Second Section.

2000 The company's stock was issued on the Tokyo Stock Exchange, First Section.

Gatifloxacin-eyedrops was licensed to Allergan (USA).

2001 Kipres, the leukotriene receptor antagonist and bronchial asthma treatment medicine, was launched. A subsidiary company, Kyorin USA, Inc. (USA), was established.



2002 A subsidiary company, Kyorin Europe GmbH (Germany), was established.

Gatiflo (GFLX), a broad-spectrum, oral antibacterial agent, was launched.

2004 ActivX Biosciences, Inc. became a wholly owned subsidiary.

2005 The stocks of Toyo Pharmar Co., Ltd. (present KYORIN Rimedio Co., Ltd.) were acquired, making it into a subsidiary company. Dr. Program Co., Ltd. became a wholly owned subsidiary.

2006 The Kyorin group shifts to a holding company structure through a share exchange with KYORIN Co., Ltd. (currently KYORIN Holdings, Inc.) (KYORIN Pharmaceutical Co., Ltd. is delisted, and KYORIN Co., Ltd. is listed on the First Section of the Tokyo Stock Exchange market.) The new Noshiro Plant began operating.

2007 A business transfer agreement was made with the Fresenius Kabi AG Group in Germany concerning Hespander and Salinhes, plasma substitutes and hemodilution agents.

Uritos Tablets 0.1mg, an overactive bladder drug, was launched. Kipres Oral Granules 4mg, a bronchial asthma treatment drug, was launched.

2008 Kipres Tablets 5mg, a bronchial asthma and allergic rhinitis treatment drug, was launched.

KYORIN Pharmaceutical merged with Nissin Kyorin Pharmaceutical. Ulcerative colitis and crohn's disease therapeutic agent Pentasa Tablets 500 was launched.

2009 Marketing rights in China were granted to Senju Pharmaceutical for Gatifloxacin Ophthalmic Solution.

A license agreement for Neramexane, a tinnitus drug, was made with Merz Pharmaceuticals for the Japan region.

2010 KYORIN Co., Ltd. changed its name to KYORIN Holdings, Inc. Mucodyne DS50%, a mucoregulant, was launched.

2011 A license agreement for Acclidinium Bromide, a COPD drug, was made with Almirall for the Japan region.

Uritos Orally Disintegrating (OD) Tablets 0.1mg, an overactive bladder drug, was launched.

To Our Stakeholders



Representative Director, President and Chief Executive Officer
Masahiro Yamashita

We offer our deepest sympathies to all of those affected by the recent Great East Japan Earthquake, along with our prayers for the earliest possible recovery of the afflicted regions.

Fortunately, none of the Kyorin Group's companies suffered any personal injury or fatalities, with only minimal physical damage, and the effect of the earthquake on business performance has been minor.

Valuing Our Founding Spirit, while Working to Realize the Goals of Our Corporate Philosophy

Since its founding in 1923, KYORIN Pharmaceutical, the Kyorin Group's core subsidiary, has taken its mission of contributing to better health seriously, working to research, develop, produce, and sell unique drugs. One aspect of that founding spirit can be seen in our name, Kyorin, which carries a historical meaning of "medicine" or "medical care," and in the corporate message we have used since 1969: "Your Health is Kyorin's Mission."

Today, the Kyorin Group carries on this founding spirit under the corporate philosophy of cherishing life and benefiting society by contributing to better health. In addition to contributing to the treatment of disease by providing superior drugs and by building a portfolio of businesses that can respond to diversifying health needs, from health maintenance and advancement to disease prevention, we are working to enhance our identity as a Group and our corporate value.

Implementing Our Long-Term Vision and Our Medium-Term Business Plan

Since last year, the Kyorin Group has begun work on HOPE 100, a new long-term vision for the period through 2023, which will mark the 100th anniversary of KYORIN Pharmaceutical, our core subsidiary, as well as a new medium-term business plan, HOPE 100 Stage I (for fiscal 2010–2015), designed to reach the objectives of that vision.

Under the long-term vision, the future of the Group is expressed in the statement, "The Kyorin Group will

promote diversified business expansion and development of the consumer healthcare business, and by 2023 be recognized both within and outside the Group as a company that supports sound and healthy lifestyles." The business strategy is to focus on becoming a company that can respond to diversifying healthcare needs, centered on the pharmaceutical business, while working to diversify management risk and achieving sound, sustainable growth. Meanwhile, the Group's organizational strategy places great value in the idea that "a business is only as good as its people," and we seek to become a place in which employees can bring passion to their work: in short, a leading company for pursuing fulfilling careers.

Under HOPE 100 Stage 1, the medium-term business plan positioned as the first step in achieving this long-term vision, the Kyorin Group will push ahead with a multi-core (MC) strategy comprising our pharmaceutical and consumer healthcare businesses. In the pharmaceutical business, we will work to build and promote the multi-faceted business model we call our Pharma Complex Model, an approach encompassing new drugs, original drugs, and generic drugs. In new drugs, we will continue to expand our R&D (research and development) pipeline, while supporting the creation of drugs that can be licensed out worldwide. We are also aiming to bring a unique approach to the expansion of our generic drug business. In consumer healthcare, our goal is to supplement risks in the pharmaceutical business and put in place a structure for promoting the Group's growth by developing Milton and our existing skincare business, and by creating new businesses. In addition, we recognize that the most crucial factors behind executing our business strategy and delivering results are valuing our employees and revitalizing both our people and our organization as a whole. Recognizing this, we will work to rebuild our human resources management, including structures for hiring, training, performance evaluation, promotion, personnel allocation, compensation, and benefits.

Our numerical targets are to achieve consolidated sales of ¥140.0 billion and operating income of ¥20.0 billion in fiscal 2015, the last year of HOPE 100 Stage 1. The Kyorin Group will work to strengthen its management base through balanced implementation of investments for growth, investments for business continuity, and shareholder returns. Our dividend policy targets a consolidated payout ratio to shareholders of 30%.

Working toward Sustainable Performance Growth

This summarizes our policies for business activity in the medium to long term, but at the same time, the Kyorin Group must of course expand business performance in the short term. In fiscal 2010, Group consolidated sales reached ¥104.1 billion, with operating income of ¥16.4 billion and net income of ¥10.9 billion—all record sales and earnings results—a performance we are sure our stakeholders will be pleased with. While fiscal 2011 promises an even more challenging business environment, we intend to work hard to achieve new record net sales for the eighth year in a row on a consolidated basis, and posting record-high operating income for the third consecutive year. We also recognize that, in this second year of HOPE 100 Stage 1, we will be expected to improve not only results, but operations as well, as we work to achieve our business vision.

Going forward, the Kyorin Group will be even more proactive in transmitting information to our stakeholders, and we hope you will recognize the progress we are making in business performance with HOPE 100 and elsewhere. I look forward to the continued understanding and support of all of our stakeholders.

July 2011

Masahiro Yamashita

Representative Director, President and Chief Executive Officer

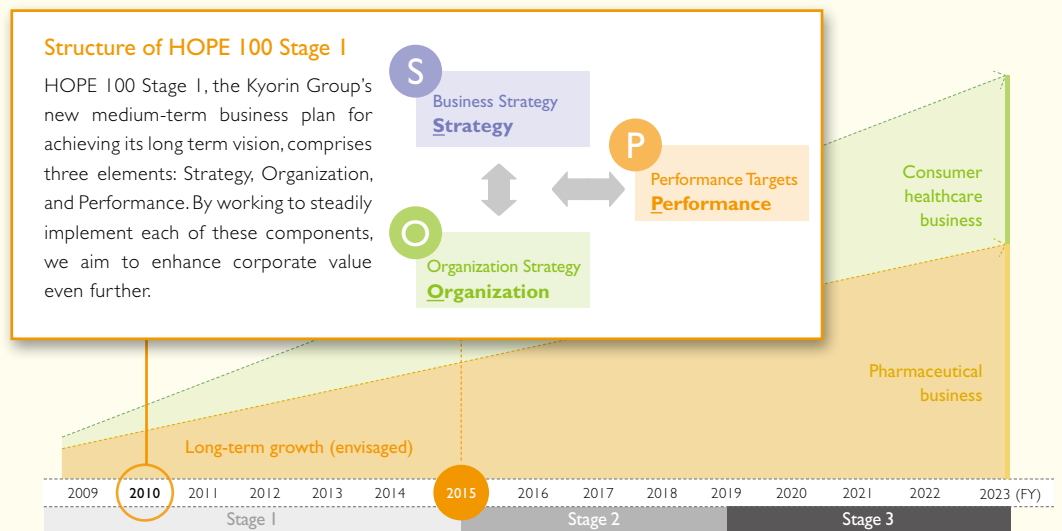


Medium-Term Business Plan HOPE 100 Stage I

As the first step in achieving the Kyorin Group's long-term vision, HOPE 100, for realizing its corporate philosophy, we aim to bolster the forward momentum of its businesses by reorganizing them and building a framework for promoting each business at the HOPE 100 Stage I.

In promoting HOPE 100 Stage I, the Group will maintain its core pharmaceutical business, while diversifying its core businesses through the consumer healthcare business. The expression "diversify" indicates our strong desire to develop each business in the Group as a new core driver of the Group's growth. Specifically, we have been promoting a multi-core strategy and a new pharmaceutical business model, the Pharma Complex Model.

In addition, evolving into a company which supports healthy lifestyles and contributes to individual health requires that the Kyorin Group itself achieves sound growth. This includes not only financial good health, but also efforts to build a solid management platform to ensure that it remains healthy in terms of corporate governance, compliance, and corporate social responsibility.

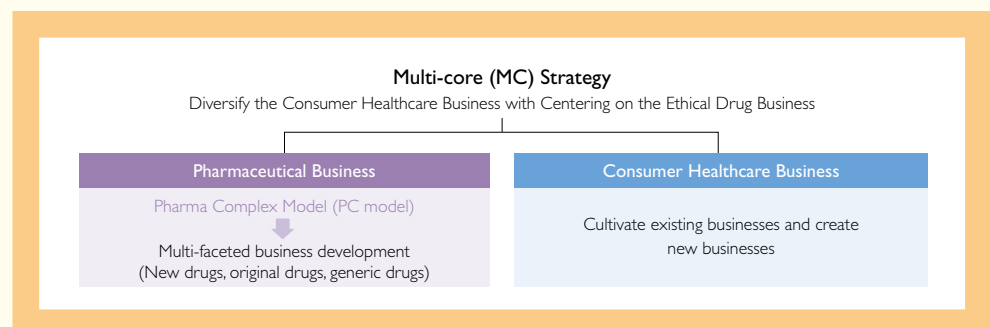


Overview of Business Strategy

To become a company that supports healthy lifestyles, as stated in the long-term vision, the Company will build a diverse business portfolio centered on the core pharmaceutical business and contribute to the health of individuals through the total healthcare business.

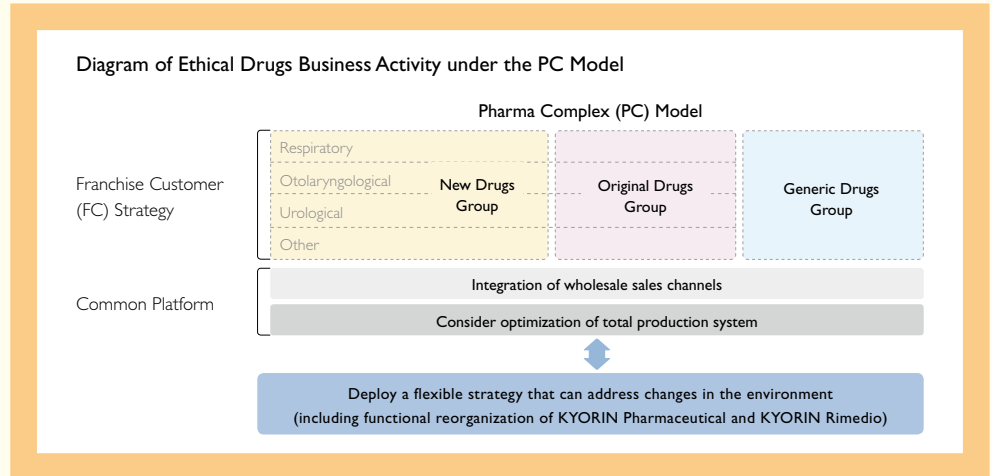
Overview of the Multi-core (MC) Strategy

To strengthen its ethical pharmaceutical business through multi-faceted expansion and diversify business risk, the Company will aim for diverse expansion and growth in its consumer healthcare business.



Overview of the Pharma Complex (PC) Model

In order to respond to changes in business environments, including trends in regulatory policies, the Kyorin Group will work toward a multi-faceted expansion of its pharmaceutical business, aiming for sustainable growth. To do this, under the PC Model the Company classifies ethical drugs into “New Drugs Group” (drugs already launched or being under development, which are protected by patents and exclusivity), “Original Drugs Group,” and “Generic Drugs Group,” enabling us to adopt a flexible strategy in responding to changing environments.



Overview of Organizational Strategy

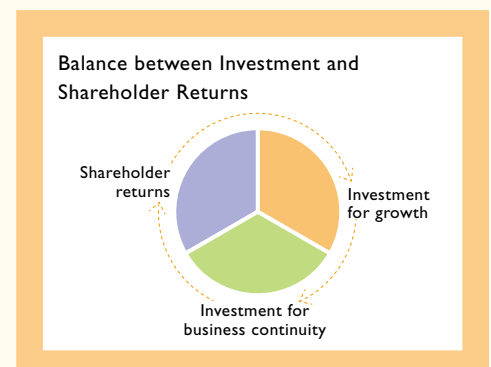
In the formulation of its long-term vision and medium-term business plan, the Kyorin Group has emphasized its founding conviction that “a business is as good as its people” and is promoting people-oriented management. It is by valuing our employees and energizing our people and our organizations, that we will drive the execution of our business strategy, and we recognize these as the most critical issues in achieving results. To accomplish this, under HOPE 100 Stage 1, we will strive to become a leading company for job fulfillment, one in which employees can feel a sense of pride and trust in the company and its organizations, and in which all Group employees are united in their work. The first steps towards realizing this goal will include efforts to rebuild our human resources management in every Group company (hiring, training, evaluation, promotion, assignment, compensation, and benefits) and to revitalizing communications.

Performance Targets

Under HOPE 100 Stage 1, in addition to quantitative performance targets, the Kyorin Group also aims to contribute to stakeholders. We will strengthen our management base by balancing investments for growth, investments for business continuity, and shareholder returns. In investments for growth, we plan to license in new products to reinforce the R&D pipeline in our core pharmaceutical business and make strategic investments in new consumer healthcare operations. In deciding dividends we target a consolidated payout ratio of 30%.

* Skincare, over-the-counter drugs and others

FY2015 (Target)	(Billions of yen)
Consolidated net sales	140.0
Pharmaceutical business	120.0
Consumer healthcare business*	20.0
Consolidated operating income	20.0



Summary of the First Year of Medium-Term Business Plan HOPE 100 Stage I

In fiscal 2010, the first year of the new medium-term business plan HOPE 100 Stage I, the Kyorin Group pushed forward aggressively with management initiatives to build and promote a new pharmaceutical business model, and develop its consumer healthcare business and create new businesses. The goal of these initiatives is to achieve sound, sustainable growth.

As a result, consolidated sales increased for the seventh consecutive fiscal year, while income rose for the second year in a row. Growth in primary products Kipres and Uritos led the rise in sales, while generic drugs also performed better than planned. As a result, the Group posted net sales of ¥104.1 billion, an increase of 4.3% year on year, with net income up 23.5% year on year to ¥10.9 billion, both figures reaching record highs for the second period in a row.

HOPE 100 Stage I Performance Targets

	Billions of yen		
	FY2009 (Results)	FY2010 (Results)	FY2015 (Target)
Net sales	99.8	104.1	140.0
Pharmaceutical Business	91.0	96.9	120.0
Consumer healthcare business*	8.7	7.2	20.0
Operating income	13.3	16.4	20.0

* Skincare, over-the-counter drugs and others

Sales of Main Products

	Billions of yen			
	FY2009 (Results)	FY2010 (Results)	Change	Change (%)
Kipres	29.2	34.5	5.3	18.3
Mucodyne	20.9	21.3	0.4	1.6
Pentasa	19.4	19.4	0	0.1
Uritos	3.7	5.5	1.8	48.4

New Drugs Group

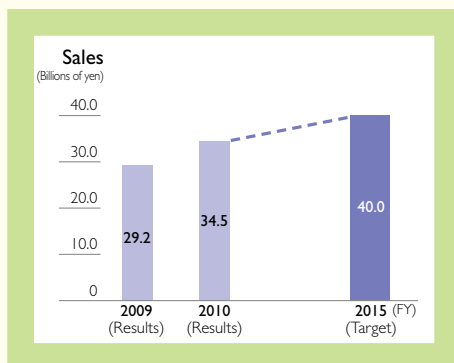
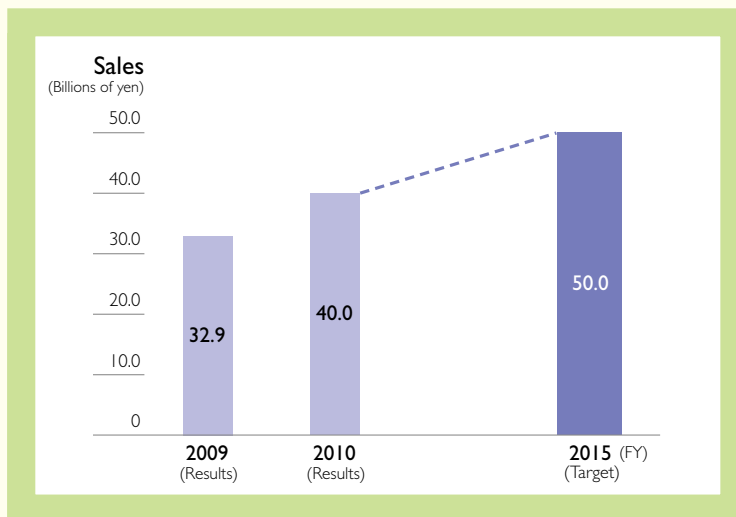
Primary products classified as "New Drugs Group" under the PC Model include the bronchial asthma and allergic rhinitis treatment Kipres, and the overactive bladder (OAB) treatment Uritos.

Under HOPE 100 Stage I, we are working to expand the market for Kipres and Uritos as far as possible, while in our R&D pipeline, we are focusing on bringing KRP-108* quickly to market and on out-licensing KRP-104. Enhancing the R&D pipeline from a long-term perspective is also a major issue, and we continue to

work on enrichment of our R&D pipeline in the franchise customer domain and on early commercialization.

Our plan is to lift sales of "New Drugs Group" from ¥40 billion in fiscal 2010 to ¥50 billion in 2015.

* The Company aims to file of NDA for KRP-108 in fiscal 2012 and launch in fiscal 2014. Characteristics of KRP-108 include its combination of ICS (fluticasone) and LABA (formoterol), and its optimal inhalation device.

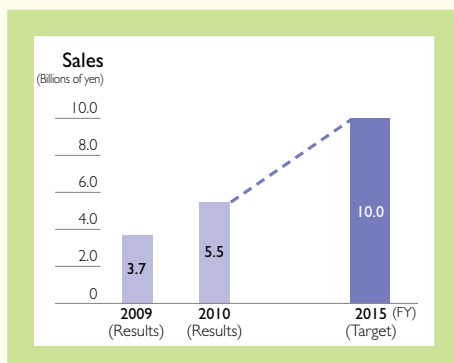


Kipres

While some impact was seen from reduction to the official price of Kipres on Japan's National Health Insurance drug price list (down 7.2%) in fiscal 2010, steady growth came with an increase in prescriptions for allergic rhinitis. We also saw additional growth in prescriptions for both adult and child bronchial asthma patients, in particular greater use of 4mg fine granules and 5mg chewable tablets. This led to expansion of our share of the market for LT antagonists.

In fiscal 2011, we will position Kipres as a base treatment for allergic rhinitis and encourage its wider prescription by educating doctors in the fact that allergic rhinitis is a chronic inflammatory disease, and by building further evidence.

Prescriptions of leukotriene antagonists for allergic rhinitis remain low, and by continuing these efforts, we hope to expand their prescription not only among otolaryngologists, but general internists as well, with target sales in fiscal 2015 of ¥40.0 billion.



Uritos

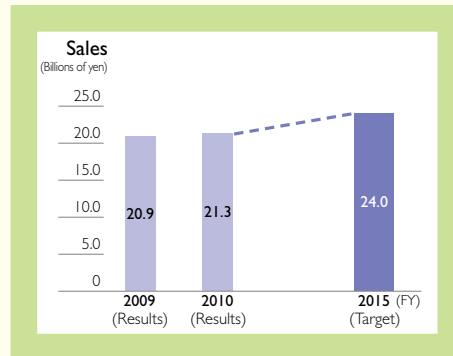
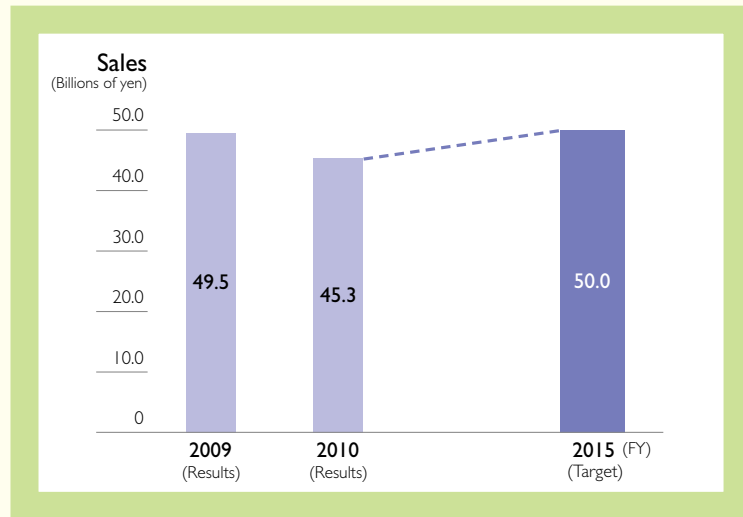
In fiscal 2010, the impact of official price reduction (down 0.9%) was limited, as Uritos became subject to the new policy regarding premiums for promoting new drug creation and the elimination of off-label drug use. We were able to expand our share of the overactive bladder (OAB) market by working aggressively to position Uritos as a first-choice prescription through uncovering latent markets and product differentiation.

We will continue these efforts in fiscal 2011, as we work to increase market penetration of our new orally disintegrating (OD) tablet formulation, which went on sale in April of this year. While consultation rates for patients with OAB remain low, we believe that new treatments scheduled to come to market will give it greater momentum, increasing patient awareness of the disease and demand for treatment. The OAB market is predicted to grow to ¥100.0 billion in fiscal 2015, and we aim to grow sales of Uritos with it to ¥10.0 billion by the same year.

Original Drugs Group

In "Original Drugs Group," we are using lifecycle management (LCM) to enhance product value and extend product lifecycles. In particular, we are focusing on improving value and extending the lifecycles of key products such as the mucoregulant Mucodyne and Pentasa, a treatment for ulcerative colitis and Crohn's disease.

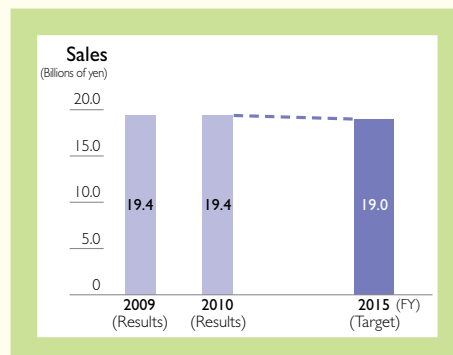
Our plan is to lift sales of original drugs from ¥45.3 billion in fiscal 2010 to ¥50 billion in fiscal 2015.



Mucodyne

Sales of Mucodyne saw some impact from official price reduction in fiscal 2010 (down 7.6%), but after posting sales of approximately ¥4.0 billion from the new DS50% formulation that launched in May of 2010, and through efforts to expand prescription for use in patients with chronic respiratory disorders and sinusitis, we were successful in improving business performance.

In fiscal 2011, we will work to increase prescription of the new DS50% formulation to a wide age range, while also aiming to maximize market penetration by utilizing evidence-based data to increase prescriptions in patients with chronic respiratory disorders and sinusitis. We aim to grow sales of Mucodyne to a target of ¥24.0 billion by fiscal 2015.



Pentasa

In fiscal 2010, Pentasa saw the twin effects of both official drug price reduction (down 6.2%) and the introduction of competing products, but sales remained level with the previous period. We worked to establish Pentasa as a standard prescription for treating ulcerative colitis, and saw increased prescription of the 4g dose for use in the active stage of the disease, as well as combination use of Pentasa Enema to induce and maintain remission.

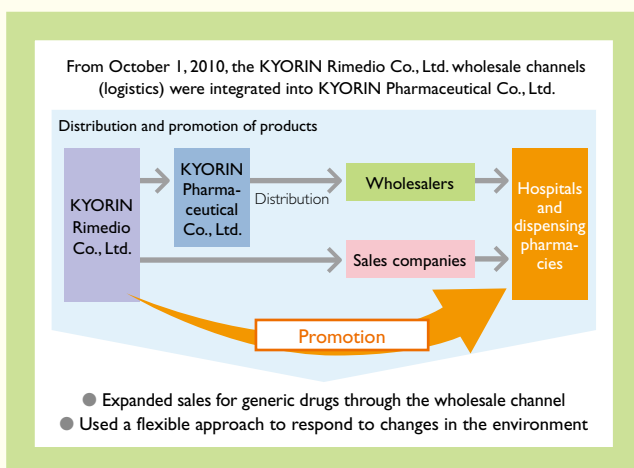
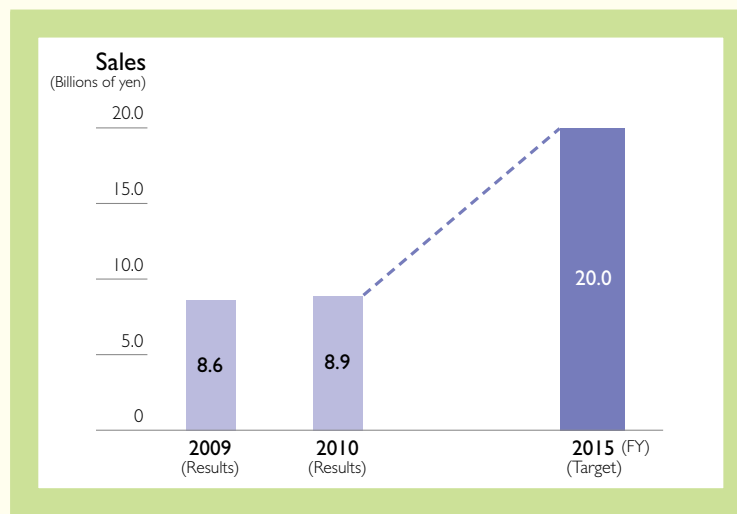
In fiscal 2011, we will continue to establish Pentasa as a standard prescription for ulcerative colitis, while also emphasizing patient convenience by providing a variety of dosages and formulations (250mg tablets, 500mg tablets, enema) in response to broad patient needs. We will further meet those needs by developing new formulations and dosages, targeting sales in fiscal 2015 of ¥19.0 billion.

Generic Drugs Group

The Kyorin Group is aiming to expand its business in distinctive generic drugs by working to strengthen collaboration within the Group and aggressively promoting external alliances. In fiscal 2010, sales in the health insurance pharmacy market were steady due to the premium system for dispensing generic drugs. We also worked to implement measures to increase sales and expand profits in response to systemic reforms and other changes in the business environment, including integrating distribution channels and lowering the cost of sales ratio by reducing raw material costs.

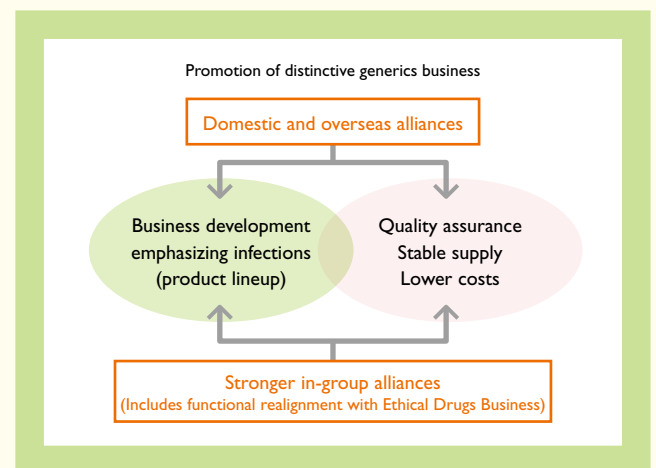
By further expanding sales of key products, enhancing the number of new items and strengthening our product lineup in key areas, we plan to raise sales from ¥8.9 billion in fiscal 2010, to ¥20.0 billion by fiscal 2015.

Sales at KYORIN Rimedio amounted to ¥10.3 billion, marking the first time sales have reached ¥10.0 billion in a 12-month period (due to a change in the accounting period, 14 months of sales were posted in the previous fiscal year).



Integration of Distribution Channels

On October 1, 2010, KYORIN Rimedio Co., Ltd. integrated its wholesale sales routes with those of KYORIN Pharmaceutical Co., Ltd. As a result, we are beginning to see increased sales of generic drugs through wholesale channels. The important next step is to begin building an effective, efficient infrastructure to enable us to deploy more flexible strategies within the Group in response to future changes in the market environment.



Promotion of Distinctive Generic Drugs Business

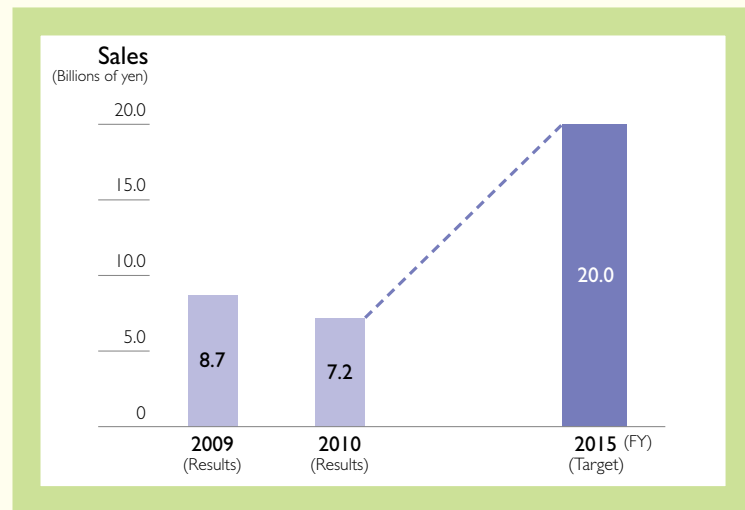
The first objective is to promote quality assurance, stable supply, and lower costs by strengthening collaboration within the Group and alliances both at home and abroad. We see reducing our cost of sales ratio as a particularly important issue. Our second objective is to begin working initiatives to gain competitive advantage through our product lineup in specific areas. Specifically, we will focus on infectious diseases as one key area, and we are currently working to enhance our product lineup in certain types of antibacterial agents that are needed in Japan.

Sales in Consumer Healthcare Business (Skincare and Nonprescription Drugs, etc.)



Under HOPE 100 Stage 1, the consumer healthcare business is classified into the skincare business and non-prescription drugs. We are working to diversify our business, both to compensate for risks in our pharmaceutical business and to achieve sustained growth for the Kyorin Group as a whole. In the skincare business, our efforts focus on bringing the business into profitability while promoting growth, including expansion into Asian markets. In nonprescription drugs, we are working to leverage the Milton brand, while also aiming to create new businesses. Beginning in fiscal 2011, the Kyorin Group has also decided to begin aggressive work in the new business of environmental hygiene, finding ways to meet medical needs and contribute to better health through environmental infection control.

By continuing to study and consider new future-oriented acquisitions in the field of environmental hygiene, while also considering the potential for business growth in areas related to ethical drugs, we are targeting sales of ¥20.0 billion in fiscal 2015.



Participation in Environmental Hygiene Business

The Kyorin Group considers the environmental hygiene business to include “businesses related to maintaining and enhancing human health by improving harmful environments, based on an approach to health and disease that examines the environments where people live.”

We will initially develop this business by focusing on controlling bacterial and viral infections in the environment.

In fiscal 2011, we will begin sales of space purification systems and related products, utilizing stabilized chlorine dioxide manufactured by DuPont in the U.S. Sales will be handled primarily by KYORIN Medical Supply Co., Ltd. (formerly Kyobundo Co., Ltd.).

Research and Development

As the core of the Kyorin Group's pharmaceutical business, KYORIN Pharmaceutical focuses on R&D to ensure that the best products are delivered to patients as quickly as possible. Our future vision for the Company under the long-term vision HOPE 100 is to be a drug manufacturer that is trusted by patients and medical professionals, and is recognized for its presence in society. Under the HOPE 100 Stage 1 medium-term business plan, our goal is to establish a strong presence in specific fields, while discovering new, original drugs on a global basis. Specifically, the Company is working on building an attractive drug pipeline in respiratory medicine, otolaryngology, and urology, while creating several new drugs and out-licensing such new drugs globally.

Using its global drug discovery network, including KYORIN Pharmaceutical's Kyorin Discovery Research Laboratories in Japan, ActivX Biosciences, Inc. in the United States, and Kyorin-Scotland Research Laboratories in Europe, the Kyorin Group explores drug discovery seeds and leads. With the Group's strengths in synthesis and ability to swiftly evaluate drug efficacy, pharmacology, ADME (Absorption, Distribution, Metabolism, Excretion), and safety, and with close collaboration between departments that promotes more reliable results, we are able to efficiently promote the discovery of compounds with development potential and thus facilitate high-quality clinical trials.

In the medium- to long-term, the Kyorin Group's research strategy will focus on key fields including respiratory medicine, urology, and infectious diseases, and we also work on other fields to meet unmet medical needs. In selecting our R&D themes, we are working with a cross-functional team to evaluate opportunities using a Company-wide, multi-perspective approach to determine target diseases and the corresponding concept of products we wish to develop. In addition, we are strengthening our search for the seeds of new drugs by promoting open innovation with outside entities and working to further expand our drug discovery network. We are also working to further streamline clinical development (clinical trials in Asia, as well as joint international trials) with the goal of bringing lifecycle management projects in specific fields and other development projects to market as quickly as possible, as we continue to build an extensive drug portfolio.

Focus on Timelines in Research and Development

Under HOPE 100 Stage 1, we have classified our initiatives based on the stage at which their results are to be realized, paying close attention to the plan's timeline as we promote research and development activities. Under the medium-term business plan, we will aim to introduce the bronchial asthma treatment KRP-108 within fiscal 2014 and out-license KRP-104, our anti-diabetes agent. At the same time, we will work actively on the lifecycle management of our pharmaceuticals.

	HOPE 100 Stage 1 FY2010-2015	HOPE 100 Stage 2 FY2016-2019	HOPE 100 Stage 3 FY2020-2023
Tasks at Each Stage	<ul style="list-style-type: none"> Life Cycle Management promotion KRP-108 (aim for FY2014 launch) KRP-104 (aim to out-license) 	<ul style="list-style-type: none"> Early application and approval of newly developed products Pipeline enhancement and strengthening 	<ul style="list-style-type: none"> Creation of original new global products
	Aim to in-license products		
Life Cycle Management	For Pentasa, a UC/CD drug: <ul style="list-style-type: none"> New dosage regimen (QD treatment) New dosage form (Suppository) 		
Newly Developed Products (Incl. products in-licensed)	KRP-108 (asthma) KRP-104 (diabetes) In-licensing of new products for respiratory medicine, otolaryngology, and urology	KRP-209 (tinnitus) KRP-203 (immunomodulator: IBD) KRP-110 (constipation and intractable pruritus) KRP-ABI102 (COPD) KRP-AM1977X (respiratory infection) KRP-AM1977Y (anti-MRSA)	
Creation of Original New Drugs	<ul style="list-style-type: none"> Clarify direction of R&D (concentrating on FC domain and respond to unmet medical needs) Strengthen capacity to create new drugs (restructuring the drug discovery network) 		

Products under Development

(As of July 29, 2011)

Ph II~Application

Compound/Code	Therapy area/Action	Origin	Features	Comments	Stage					
					Pre-clinical	Ph I	Ph II	Ph III	NDA	
Pentasa (tablet)	Ulcerative colitis	Ferring Pharmaceuticals	New dosage regimen for ulcerative colitis in the remission phase (once a day)		Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
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	Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
KRP-108 (inhalant)	Anti-asthmatic	SkyePharma	An ICS/LABA combination product which offers better compliance and convenience to patients	<ul style="list-style-type: none"> License agreement with SkyePharma (4/2008) Domestic Ph II completed (4/2010) 	Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
KRP-104	Anti-diabetes agent	In-house	A DPP IV 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"> Overseas Ph IIb completed (3/2011) Domestic Ph IIb completed (3/2010) 	Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█

*1 United States: SkyePharma, Europe: Mundipharma
Other Comments

Uritos OD Tablet 0.1mg (orally disintegrating tablet of immidafenasin (INN), a drug for overactive bladder); Launched in 4/2011

POC Project (Pre-clinical ~ Ph II)

Compound/Code	Therapy area/Action	Origin	Features	Comments	Stage					
					Pre-clinical	Ph I	Ph II	Ph III	NDA	
KRP-203	Transplantation, autoimmune diseases, and IBD	In-house	An immunosuppressant with a novel mechanism called an SIP-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.	<ul style="list-style-type: none"> License agreement with Novartis (2/2006) New license agreement IBD (11/2010) 	Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
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.		Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
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	<ul style="list-style-type: none"> License agreement with Merz (11/2009) Merz: Ph I clinical trial of Japanese patients in US completed (3/2010) 	Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
KRP-ABI102 (inhalant)	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. 1. Fewer systemic side effects 2. Twice-daily dosage offers a full-day improvement in symptoms and respiratory function 3. Short time required for the maximum effect	License agreement with Almirall (2/2011)	Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
KRP-AMI977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	1. Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA) 2. Outstanding ADME (oral absorption, tissue migration) 3. High degree of safety expected since safety hurdles cleared prior to clinical trials		Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█
KRP-AMI977Y (Injection)	New quinolone synthetic antibacterial agent	In-house	1. Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA) 2. Outstanding ADME (oral absorption, tissue migration) 3. High degree of safety expected since safety hurdles cleared prior to clinical trials		Domestic	█	█	█	█	█
					Overseas	█	█	█	█	█

*2 Ph II (POC) 12/2010 Novartis

*3 Merz

*4 Europe: Almirall, United States: Forest Laboratories

Licensing Development

Compound/Code	Licensee/ Collaborative research	Therapy area/Action	Origin	Comments	Stage						
					Pre-clinical	Ph I	Ph II	Ph III	NDA		
Alphagan/ AlphaganP	Senju Pharmaceutical	Glaucoma treatment	Allergan (US)	<ul style="list-style-type: none"> Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution) License-out to Senju (5/2004) 	Domestic	██████████	██████████	██████████	██████████	██████████	██████████
					Overseas	██████████	██████████	██████████	██████████	██████████	██████████
Ketas	MediciNova (US)	Cerebrovascular disorders	In-house	<ul style="list-style-type: none"> 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 	Domestic	██████████	██████████	██████████	██████████	██████████	██████████
					Overseas	██████████	██████████	██████████	██████████	██████████	██████████
KCA-757	MediciNova (US)	Bronchial asthma and interstitial systitis	In-house	<ul style="list-style-type: none"> 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 Interstitial cystitis: Result of Ph I/III was reported in January 2007 and development ceased Bronchial asthma: Clinical trial overseas was discontinued 	Domestic	██████████	██████████	██████████	██████████	██████████	██████████
					Overseas	██████████	██████████	██████████	██████████	██████████	██████████
KRP-203	Novartis (Switzerland)	Transplantation, autoimmune diseases, and IBD	In-house	<ul style="list-style-type: none"> 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) New license agreement IBD (November 2010) 	Domestic	██████████	██████████	██████████	██████████	██████████	██████████
					Overseas	██████████	██████████	██████████	██████████	██████████	██████████

*5 Bronchial asthma

**Interstitial cystitis

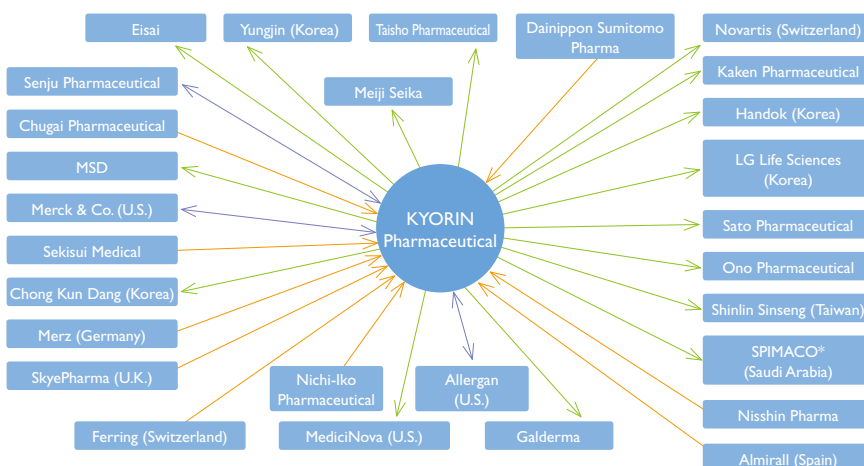
Reinforcing Our Pipeline in Specific Fields through Alliances

The Kyorin Group has set a goal of establishing a strong presence in the specific fields of respiratory medicine, urology, and otolaryngology, and is working to reinforce its R&D pipeline. As the global supply of promising new drugs runs dry, the presence of competitors makes it extremely difficult to license in new products. Under those difficult conditions, in the three years since fiscal 2008, we have been able to license three new products in the franchise customer field, including KRP-108, an inhaler for asthma, KRP-209, a treatment for tinnitus, and KRP-ABI 102, a treatment for chronic obstructive pulmonary disease. These results are due to the fact that all of the companies licensing these products found the prospect of working with the Kyorin Group attractive, and were confident that we would prove to be a reliable partner. We believe this is evidence that the franchise customer strategy we are pursuing is gaining a firm hold in the pharmaceutical industry, both in Japan and overseas.

Going forward, our employees will work together to increase our comprehensive potential and build an even more attractive pipeline of products.

Promoting Domestic and Overseas Alliances

Through proactive collaboration with outside firms, the Kyorin Group is working to enrich our R&D pipeline and to maximize the value of our original products.



* SPIMACO: Saudi Pharmaceutical Industries & Medical Appliances Corporation

Trends in the Domestic Pharmaceutical Market

In the domestic market, national healthcare costs continue to rise as the population ages, increasing the burden on national finances. As a result, more measures are being promoted to contain healthcare costs. Specifically, the Japanese government is promoting the use of generic drugs, with a goal of having generic drugs represent a 30% share in volume by fiscal 2012. The government has also made additional reductions to the prices of longstanding items on the NHI drug price list, with an additional 2.2% reduction in fiscal 2010. Another new initiative under consideration is to increase patient cost for OTC analogous drugs.

Other factors have also brought major changes to the business environment. Foreign firms have grown larger through M&As, and R&D productivity has dropped as costs have soared, while new premiums for promoting new drug creation and the elimination of off-label drug use*¹ were implemented on a trial basis in fiscal 2010. The Guidelines for Transparency*² formulated by the Japan Pharmaceutical Manufacturers Association have also altered the competitive environment for medical representatives.

*¹ Under the system, new drugs for which no generic is available, and which meet certain requirements, can in practice maintain their prices until a generic product comes to market.

*² These guidelines call for disclosure of research costs, clinical trial costs, funds donated, speaker gratuities, lecture fees, and other information.

Market Trends in Treatments for Bronchial Asthma

The market for treatments for bronchial asthma in fiscal 2010 was worth approximately ¥180.0 billion, and is expected to grow to approximately ¥200.0 billion by fiscal 2015. While patient numbers will remain flat and the shift to generic drugs will accelerate, prescriptions of leukotriene receptor agonists and of higher-priced ICS/LABA* combination treatments are expected to lead the market.

*ICS: Inhaled corticosteroids, LABA: Long-acting β_2 -agonists

Market Trends in Treatments for Allergic Rhinitis

The market for treatments for allergic rhinitis in fiscal 2010 was worth approximately ¥120.0 billion.

Going forward, the number of allergic rhinitis patients is expected to climb by 5% per year, and by fiscal 2015, the market is forecast to be worth ¥150.0 billion.

Market Trends in Treatments for Overactive Bladder (OAB)

The market for treatments for OAB in fiscal 2010 was worth approximately ¥60.0 billion.* In fiscal 2011, the world's first beta 3 stimulant is scheduled to enter the market, along with new anticholinergic agents and patch-type treatments that are a new formulation in Japan. Drug companies are expected to begin ramping up their patient education efforts in line with these developments.

As a result, the market is predicted to grow to ¥100.0 billion in fiscal 2015.

* Source: Compiled from ©2011 IMS Japan K.K., JPM (March 2011 MAT). Unauthorized copying prohibited.

Market Trends in Expectorants

The market for expectorants in fiscal 2010 was worth approximately ¥48.0 billion. With no competing products scheduled to come to market, generic products are expected to continue to spread. Given these factors, the market for expectorants is expected to remain flat, at about ¥48.0 billion* in fiscal 2015.

* Source: Compiled from ©2011 IMS Japan K.K., JPM (March 2011 MAT). Unauthorized copying prohibited.

The Kyorin Group's business is comprised of the pharmaceutical and consumer healthcare (skincare) segments. In the pharmaceutical business, the Group's operations mainly involve development, manufacture, and sales of ethical drugs (domestic and overseas ethical drugs, and generic drugs) and over-the-counter drugs and others. In its consumer healthcare (skincare) business, the Group develops and sells skincare products.

Pharmaceutical Business

Outline of Operations

The core companies that make up the pharmaceutical business are KYORIN Pharmaceutical, which undertakes R&D, manufacture and sales of new drugs, and KYORIN Rimedio, which carries out R&D, manufacture, and sales of generic drugs. The pharmaceutical business is classified into new drugs, original drugs, and generic drugs, and employs the Pharma Complex Model to allow flexible strategy in response to changes in the business environment. In new drugs, we will work to maximize the adoption of our core products and strengthen our drug development pipeline from a long-term perspective. In original drugs, we will continue to promote lifecycle management and to establish a strong presence in certain areas. In generic drugs, our aim is to build a distinctive business by fostering links within the Group and alliances with partners in and outside of Japan to strengthen our sales capabilities, lowering cost of sales ratios, and expanding our product lineup in certain areas.



(Millions of yen)

	FY2009	FY2010
Net sales	96,422	101,271
Operating income	13,218	16,318

Ethical Drug Sales in Japan	■
Ethical Drug Sales Overseas	■
Generic Drugs	■
Over-the-Counter Drugs and Others	■
Consumer Healthcare (Skincare)	

Consumer Healthcare (Skincare) Business

Outline of Operations

The core company in this business, Dr. Program Co., Ltd., develops and sells skincare products. Through Dr. Program, the Kyorin Group offers a range of skincare products targeting women over 40 based on nanocapsule technology. The Group is also working to enhance its lineup of high value-added products and to expand its base of repeat customers, rather than simply increase customer numbers, while also focusing on strengthening its operating base through collaboration between Group companies.



(Millions of yen)

	FY2009	FY2010
Net sales	3,342	2,797
Operating income	(192)	104

Ethical Drug Sales in Japan	
Ethical Drug Sales Overseas	
Generic Drugs	
Over-the-Counter Drugs and Others	
Consumer Healthcare (Skincare)	■

Segment Overview



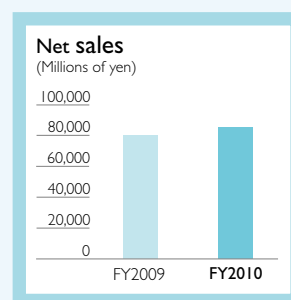
Following a revision to Japan's accounting standard for disclosures about segments of an enterprise and related information, from fiscal 2010, the Kyorin Group has presented its financial results information in two segments: the pharmaceutical business, and the consumer healthcare (skincare) business. At the same time, in presenting information about the medium-term management plan HOPE 100 Stage I, in line with our management strategy we classify information on business activities into five categories. Specifically, information about the pharmaceutical business (domain) is classified into domestic ethical drugs, overseas ethical drugs, and generic drugs, while information about the consumer healthcare business (domain) is further classified into skincare and nonprescription drugs, etc. In other words, the consumer healthcare business under the medium-term management plan uses a very broad definition, with target sales including the total of skincare and nonprescription drugs.

Ethical Drug Sales in Japan

We promoted our franchise customer strategy, stepping up sales activities to specialist medical professionals and institutions involved mainly in respiratory medicine, otolaryngology, and urology. We also worked to further bolster our wholesale strategy to build effective sales capabilities and raise productivity. In addition, we promoted appropriate use of products based on scientific evidence and succeeded in maximizing their penetration.

As a result of these activities, sales increased 6.9% year on year to ¥85,284 million.

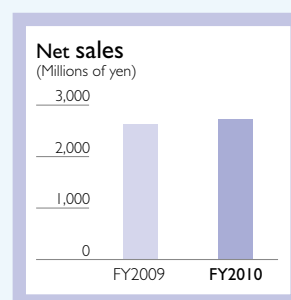
Among key products in this business Kipres, for treating bronchial asthma and allergic rhinitis, and Uritos, for treating overactive bladder, sold briskly, and Mucodyne, a mucoregulant, also increased sales over the previous fiscal year.



Ethical Drug Sales Overseas

Sales of core product gatifloxacin ophthalmic solution (out-licensed to Allergan (US)) were more or less flat year on year:

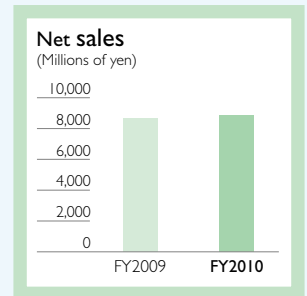
Sales rose 4.1% year on year to ¥2,736 million.



Generic Drugs

Measures to promote the use of generic drugs (revisions to the premium system for dispensing generic drugs) took effect from April 2010, causing the market to expand. Against this backdrop, the Kyorin Group achieved strong sales of generic drugs in the insurance dispensing pharmacy market.

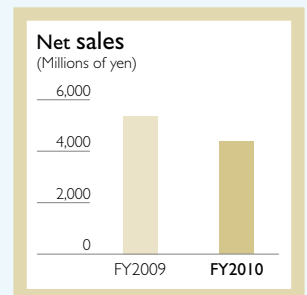
As a result, sales rose by 2.7% year on year to ¥8,871 million (due to changing its fiscal year-end in the previous fiscal year, KYORIN Rimedio's previous fiscal year consisted of 14 months). Moreover, to allow a flexible strategic response to changes in the operating environment of the ethical drugs business, from October 1, 2010, the KYORIN Rimedio wholesale channels (logistics) were consolidated and integrated into KYORIN Pharmaceutical.



Over-the-Counter Drugs and Others

The core product in this segment is the Milton brand of baby bottle disinfectant, which holds the top market share for liquid baby bottle disinfectants in Japan. The product line saw sales increase compared to the previous fiscal year. In OTC drugs, we have a distinctive advantage among OTC drug divisions of ethical drug manufacturers in being able to supply specialist information in the field of respiratory disorders in particular. We leveraged this in working to strengthen our COOL ONE brand, mainly of COOL ONE Kyotan Soft expectorant capsules.

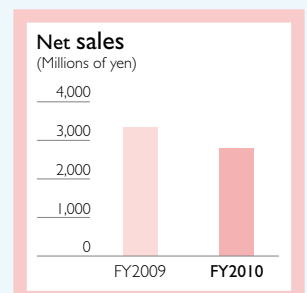
Despite these efforts, sales fell 18.7% compared to the previous fiscal year to ¥4,378 million, mainly due to the influence of Kyobundo Co., Ltd. (from April 1, 2011 "KYORIN Medical Supply Co., Ltd.") changing its fiscal year-end date from the end of February to the end of March. This resulted in a 13-month year for the previous fiscal period.



Consumer Healthcare (Skincare)

The skincare market saw increasing competition from new participants, some from other industries, and other major corporations. This, in addition to a protracted slump in private consumption and lower demand, sent sales at Dr. Program with its nanocapsule technology-based cosmetics business lower for the year.

As a result, segment sales declined 16.3% year on year to ¥2,797 million, while operating income came to ¥104 million (compared to an operating loss of ¥192 million in the previous fiscal year).



List of Main Subsidiaries

KYORIN Pharmaceutical Co., Ltd.

<http://www.kyorin-pharm.co.jp/en/>

KYORIN Pharmaceutical envisions itself as a drug manufacturer that is trusted by patients and medical professionals, and is recognized for its presence in society. To achieve that, we are working to enhance our presence in specific fields, including respiratory medicine, otolaryngology, and urology, while discovering new, original drugs on a global basis. In sales, we are deploying a franchise customer strategy, focusing again on the key areas of respiratory medicine, otolaryngology, and urology. By focusing resources in these key areas, we are working to strengthen the competitiveness of our domestic sales base, utilizing around 750 medical representatives to provide customer-centric sales and ongoing, detailed service.

We are also working aggressively to promote alliances with leading firms both domestically and abroad, and to reinforce our R&D pipeline in our franchise customer fields.

In proprietary drug discovery we focus on respiratory disease, otolaryngology, urology, and other key areas, utilizing our global network across Japan, the United States, and Europe and close collaboration between our divisions to verify drug synthesis, pharmacology, ADME (Absorption, Distribution, Metabolism, Excretion), and safety. These links underpin our efforts to discover original, new, world-class drugs.

Our production infrastructure features world-class manufacturing facilities and GMP*-based management, which will enable us to establish a system for providing a stable supply of high-quality products at low cost, and to build further trust.

As the environment surrounding the pharmaceutical industry grows increasingly turbulent both in Japan and abroad, KYORIN Pharmaceutical continues its efforts to establish a solid position in the industry, as we work to become a drug manufacturer that is trusted by both patients and medical professionals, and that is recognized by society for its contribution to good health.

* Good Manufacturing Practice: Standards for pharmaceutical manufacturing and quality assurance management

Areas of Business

- Drug discovery research
- R&D
- Manufacturing
- Sales



KYORIN Rimedio Co., Ltd.

<http://www.kyorin-rmd.co.jp/>
(Japanese only)

As the generic drug business subsidiary of the Kyorin Group, KYORIN Rimedio aims to become a highly reliable generic drug manufacturer. It will strive to improve product quality and win the trust of healthcare professionals, and to provide products that patients can use with confidence.

To respond to the growing needs for generic drugs at medical institutions and insurance dispensing pharmacies, and from other healthcare providers, KYORIN Rimedio will work to establish a brand with a reputation for reliability and safety. To do this, we will utilize our strengths, including production infrastructure that enables production of a wide range of formulations, and alliances within the Kyorin Group. We will also continue to aggressively promote alliances with domestic and overseas firms, enhancing our product lineup in specific fields, while working to reduce the cost of sales ratio and improve competitiveness.

To contribute to better patient health, and play a vital social role in containing healthcare costs and helping to maintain Japan's social security infrastructure, KYORIN Rimedio will continue to ensure a stable supply of quality products and information, and to deliver distinctive, reliable generic drug products to the market as a generic drug company.

Areas of Business

- R&D
- Manufacturing
- Sales



Dr. Program Co., Ltd.

<http://www.drprogram.co.jp/>

(Japanese only)

Dr. Program has gained the support and trust of its customers, and grown its business since it was established, based on providing highly safe and effective cosmetics. In this business, we manufacture products based on nanocapsule technology—a drug formulation concept that we have cultivated through research into new beauty enhancing compounds and development of technologies for penetration of compounds.

The domestic skincare and cosmetics market is approaching maturity, with a continued slump in consumer spending and an increasingly difficult competitive environment. Under these conditions, Dr. Program will continue to develop products in line with our proprietary concept of providing high-quality, mild products at a price that makes continued use affordable, and focus sales on women in their 40s or older, who can appreciate the quality of our technology. We will also expand our business through our mail order operation, which gives us a unique way to build a direct connection with our customers. Dr. Program also continues to explore overseas expansion, and is preparing to swiftly take advantage of new business opportunities.

Going forward, the company will continue to listen closely to its customers, working to create completely new value in the market and contributing to the beauty and good health of women.

Areas of Business

- Development and sales of skincare products



KYORIN Medical Supply Co., Ltd.

<http://www.kyorin-ms.co.jp/>

(Japanese only)

As part of its efforts to fully enter the environmental hygiene business in fiscal 2011, Kyobundo Co., Ltd changed its name to KYORIN Medical Supply Co., Ltd.

The former Kyobundo Co., Ltd. was primarily responsible for providing shared services to companies in the Kyorin Group. Utilizing its knowledge and experience in marketing and advertising in the pharmaceutical business, Kyobundo was involved in a wide range of communications-related business activities, from overall advertising planning and production, to package design, event and seminar planning and operations, and corporate PR.

Going forward, in addition to these existing services, KYORIN Medical Supply will embark on new initiatives in the environmental hygiene business. The company will approach health and disease issues faced by individuals and society by focusing on the environments in which we live, seeking ways to contribute to society as a company that supports healthy living.

Areas of Business

- Sales promotion, planning and production of advertising, etc.
- Environmental hygiene business



Corporate Social Responsibility

The starting point of the Kyorin Group's corporate social responsibility (CSR) endeavors is its corporate philosophy, that is "to cherish life and benefit society by contributing to better health." For sustainable growth, Kyorin will prioritize building and maintaining trust-based relationships with medical professionals, customers, shareholders, investors, employees, business partners, and local communities. The Group will continue to work to realize that goal by providing trusted products and services, and by fulfilling its corporate social responsibility in the areas of environmental and industrial safety and hygiene through activities that contribute to health and society.

Corporate Social Responsibility

In recognition of the importance of its corporate social responsibility, the Kyorin Group is enhancing its corporate ethical standards and putting in place a system of compliance in line with the approach set out below.

Compliance Measures

Basic policy

An enterprise should pursue profits through fair competition as an economic entity, and at the same time should be a force for the greater good of society.

Based on its corporate philosophy "to cherish life and benefit society by contributing to better health," the Kyorin Group will conduct its activities in every country based on a high standard of corporate ethics, respecting human rights and observing all laws, as well as standards of conduct and the spirit thereof.

Measures

To ensure the Group's activities are based on a high standard of corporate ethics, the Company has built a compliance framework. It has drawn up the Kyorin Holdings Corporate Charter; updated its Compliance Guidelines to their current form in August 2010, and holds a Compliance Committee meeting once a month.

1. The Kyorin Holdings Corporate Charter was developed to specify matters of corporate ethics and compliance in accordance with our corporate philosophy, and serves as the starting point for our corporate activities.
2. The Compliance Guidelines complement the Kyorin Holdings Corporate Charter by clarifying the standards to be followed for sound and proper business activities.
3. In March 2006, the Compliance Committee was established to provide overall supervision of corporate ethics and compliance systems. Each company has a compliance promotion manager who is responsible for the understanding and instilling of corporate ethics and compliance.

Education and training

In-house training courses are conducted to promote understanding of and instill corporate ethics and compliance.

1. Compliance managers organize education and training courses on corporate ethics and compliance, which are conducted at each level of the organization on a Company-wide basis, and run instructional activities for Company officers and employees.
2. Details relating to corporate ethics and compliance are incorporated into job function-specific training conducted by each division to promote understanding and instill a sense of ethics and awareness of compliance among employees.

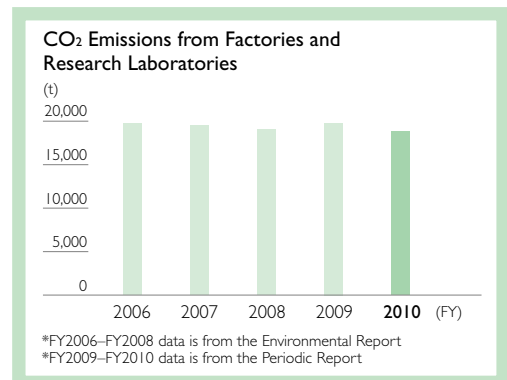
3. Each November is designated as compliance enhancement month, during which time the Company works to tighten up on compliance at every level.

Ongoing Environmental Initiatives

The main subsidiary of the Kyorin Group, KYORIN Pharmaceutical, is implementing the following activities on an ongoing basis.

1. Preventing global warming

- Reduce the amount of fuel used by installing cogeneration systems and using smaller boilers
- Reduce power consumption by controlling air conditioning settings to 28°C in summer and 21°C in winter
- Use eco-cars and hybrid vehicles to improve fuel efficiency and reduce exhaust emissions



2. Reducing waste volume

- Reduce waste emissions and promote recycling towards achieving zero final landfill, and introduce a negative carbon printing system

3. Managing chemical substances

- Manage substances covered by the Pollutant Release and Transfer Register (PRTR) Law, and evaluate methods for reducing amounts used and the use of alternatives

4. Preventing atmospheric pollution

- Measure and control the amounts of soot and smoke, nitrogen oxides (NO_x) and sulfur oxides (SO_x) emitted by boilers and generators

5. Preventing water pollution

- Process wastewater, including by primary processing plants, and management of pH, biochemical oxygen demand (BOD), and suspended solids (SS) levels

6. Preventing deforestation

- Recycle paper; use recycled paper; and promote a paperless office environment

7. Preventing destruction of the ozone layer

- Swiftly replace equipment that uses specified chlorofluorocarbons

8. Preventing ground subsidence

- Check for ground subsidence and improve utilization of piped water

9. Preventing contamination of soil and surface water

- Locate tanks above ground, install oil barriers, and implement emergency response training

10. Noise reduction

- Take steps to measure and manage noise levels

11. Preventing foul odors

- Install draft chambers and use scrubbers to remove odors

Measures Relating to Industrial Safety and Hygiene

In 2004, subsidiary KYORIN Pharmaceutical obtained occupational health and safety management system certification (OHSAS 18001) for all production and research divisions, and in 2005, consolidated its ISO 14001 and OHSAS 18001 measures. The Rimedio Center of KYORIN Rimedio obtained ISO 14001 certification in 2008 and OHSAS 18001 certification in 2009.

1. Rate and severity of work accidents

As a result of measures implemented to prevent work accidents, the frequency and severity of such accidents are much lower than the industry average. There have been no fatal accidents since the start of operations.

2. Vehicle accidents

Despite setting a target of a year-on-year reduction of around 40% in the number of vehicular accidents per branch, in fiscal 2010 there were 202 accidents, 16 more than the previous year. To turn around this increasing trend in vehicle accidents, for fiscal 2011, the Kyorin Group is implementing various accident-prevention measures, incorporating both physical and systematic approaches.

Risk Management Measures

The passing of the Corporation Law in May 2006 made it necessary to set up an internal control system. Kyorin established a Risk Management Committee in order to prevent risks from materializing and deal with any risks that do materialize. Also, a risk management promotion officer has been appointed at each company to raise awareness relating to risk management.

Local Community Activities

Cherry blossom viewing party

The Kyorin Pharmaceutical Discovery Research Laboratories and Development Research Laboratories hold an annual party for viewing the blossoms on cherry trees that are more than 40 years old. As usual, this year's party had many participants. The occasion was also used as an opportunity to explain Kyorin's environmental and occupational safety activities.

Summer evening parties

Each year, the KYORIN Pharmaceutical Development Research Laboratories and various plants hold summer evening parties to which local



residents are invited. These are popular events that provide an opportunity to further promote understanding of the Company's activities.

Local cleanup activities

For nine years, the Okaya Plant has been a "foster parent" responsible for beautifying a section of the shore of Lake Suwa as part of the Lake Suwa Adoption Program. Employees also help to keep the lakeside park clean.

Employees of the Noshiro Plant participate in voluntary activities to maintain the Kaze-no-Matsubara, a pine forest and recreational area that acts as a barrier protecting the locality from winds.

In our head office, employees participate on a voluntary basis in cleanup campaigns carried out twice a year by the local Chiyoda City authorities.



Distribution of Doctor Salon booklets

Radio Nikkei broadcasts Doctor Salon, a program aimed at physicians. These broadcasts have been compiled into booklets, which KYORIN Pharmaceutical's medical representatives distribute during their monthly calls on doctors. A wide range of diseases is covered, providing timely coverage of current topics, making the booklets very popular with primary care physicians.

Supporting sporting events

The Kyorin Group supports sporting events that help to promote health. Among these is the Shimotsuke Soccer Workshops for children, with former J-League players and other soccer athletes serving as instructors.

Employee Voluntary Community/ Health Activities (Kyorin Smile Program)

The Kyorin Group launched its corporate branding program in March 2006. To help achieve a happy society, the aim of the corporate branding program is to change the awareness and actions of each and every employee by promoting the Kyorin Smile Program, a set of employee initiatives for making a contribution to society and people's health. The activities in this program include donating blood, local beautification schemes, and fund-raising.

In fiscal 2010, the Kyorin Group donated a total of ¥160,231 contributed by employees to Unicef. This money is being used for funding a sanitation improvement project in Burkina Faso in West Africa. The Group also collected 3.0 kilograms of used stamps, which were donated to the Japanese Organization for International Cooperation in Family Planning (JOICFP). The stamps will be used to help fund White Ribbon Campaign activities aimed at protecting the lives of mothers and babies throughout the world.

Basic Management Policies

As a group, our corporate philosophy is “to cherish life and benefit society by contributing to better health.” To realize this philosophy we will pursue diverse expansion and development of our consumer healthcare business under our long-term vision HOPE 100 (Aim for HHealth Of PPeople and our Enterprise), aiming to be a group that supports sound and healthy lifestyles.

Basic Policy on Corporate Governance

The key management goal for KYORIN Holdings, Inc. is to continue raising shareholder value. To achieve this goal requires fostering a management environment that enables us to build trust with stakeholders and the general public. Therefore, having given better corporate governance a high priority, we seek to ensure prompt decision-making, strong monitoring of the appropriateness of management, and ethical and transparent corporate activities. To ensure transparency and fair disclosure, we release appropriate information without delay for the benefit of shareholders and investors. Within our website, we have created an investor information section on which we list business performance data, information presented at meetings, our securities report, news releases and other corporate information, enabling anybody to access information about Kyorin at any time. In the future, we intend to actively increase our disclosure of information, and expand and improve our communications with all stakeholders.

We are an audit- and committee-based company under Japanese law. The Board of Auditors endeavors to fully demonstrate its auditing and supervising functions and ensure the transparency of the decisions being made by the Board of Directors. Corporate auditors conduct audits in line with an auditing policy and plan set by the Board of Auditors at the beginning of each fiscal year. Corporate auditors carry out a diverse range of activities in fulfilling

their auditing function. In addition to participating in important meetings, including those of the Board of Directors and the Management Committee, corporate auditors implement comprehensive audits by checking documents and other materials relating to key decisions and inspecting departments, facilities, and Group companies.

In recognition of our corporate social responsibility, for every Kyorin Group company we appoint compliance and risk management promotion officers. In addition, we have established a Group-wide compliance and risk management system that is administered by the Compliance Committee and Risk Management Committee. We have established guidelines for each affiliated company based on the Kyorin Compliance Guidelines and set up a system for employees to report and seek advice about possible irregularities. In addition to the above measures, we have created management guidelines for affiliated companies and built a system of support that respects their autonomy. Under this system, we receive regular business reports from these companies and hold meetings with their management before deciding important issues. The Internal Audit Office conducts audits of affiliated companies based on internal audit guidelines. Based on the results of these audits, departments that oversee the operations of the affiliated companies issue instructions or warnings and provide appropriate guidance.

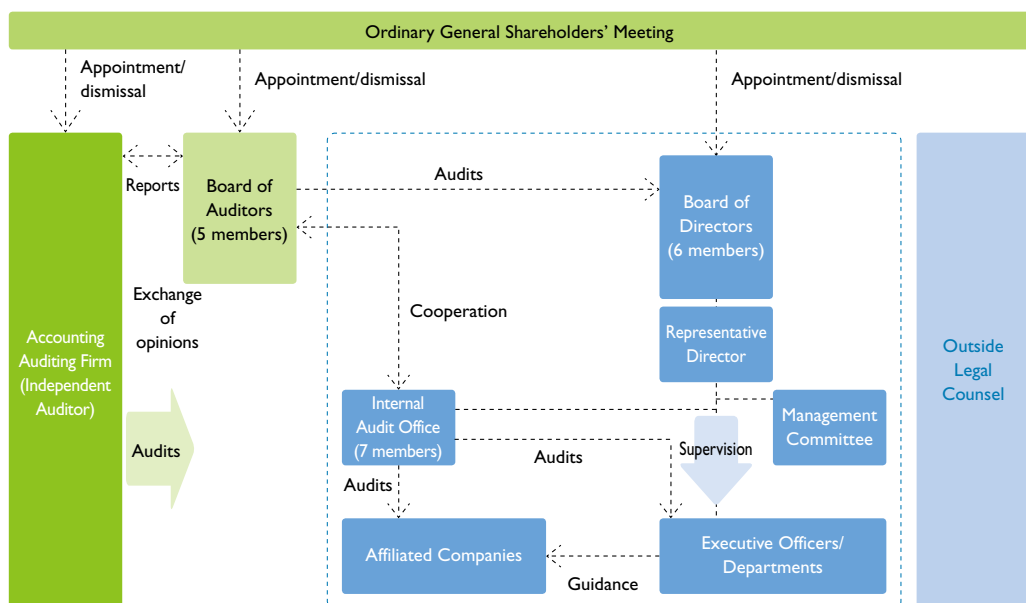
Management Organization and Internal Control System

1. Management Organization

To clarify the roles of our six directors, who are responsible for making business decisions and supervising business execution, and six executive officers, who are responsible for business execution,

Kyorin has established an executive officer system. The Board of Directors usually meets once a month, deciding important operational matters after debating the issues as well as supervising each director's duties. To oversee business execution, we established a

Corporate Governance and Management Structure (As of June 24, 2011)



Management Committee, comprising the president and directors, which discusses key operational matters concerning the Group.

We also utilize a corporate auditor system with two statutory corporate auditors and three outside corporate auditors. By capitalizing on such auditing and supervisory functions, we are building a system that facilitates highly transparent decision-making.

2. Basic Philosophy and Status of Internal Control System

Kyorin is building an internal control system in accordance with the following basic policy: In keeping with our corporate philosophy of “cherish life and benefit society by contributing to better health,” we undertake our activities in Japan and overseas guided by a high standard of corporate ethics as we respect human rights and comply with the letter and spirit of all laws and codes of conduct.

- ① We established the Compliance Committee, which is chaired by a director in charge and includes the Director of the Internal Audit Office who serves as a member of the committee. Thoroughgoing guidance is provided to executives and regular employees via training programs, while the Corporate Ethics Hotline has been set up for consultations and reporting matters concerning internal violations. Moreover, we have set Company rules to ensure the accuracy of financial reporting, and developed systems for ensuring the validity and reliability of internal controls over financial reporting of the Group.
- ② We are building and operating a structure for reducing and preventing risks. As part of this structure, we established the Risk Management Committee, chaired by a director in charge, with the General Affairs & Human Resources Department responsible for overseeing the committee. For risks concerning compliance, the environment and accidents, we also formulated the Risk Management Guidelines and the Corporate Ethics and Compliance Guidelines as part of a quick-response structure. Additionally, to handle crisis management when dealing with any contingencies, we have set up the Contingency Measures Headquarters under the leadership of the president.
- ③ In accordance with the Documentation Management Guidelines and other internal regulations, we carry out the appropriate preparation, preservation, and management of information regarding directors' decisions, their execution of other duties and reports concerning directors.
- ④ To ensure that auditors effectively perform audits, the accounting auditing firm explains the details of the accounting audit to the auditors and exchanges various information while cooperating with the Internal Audit Office in ensuring appropriate communication and effective auditing.
- ⑤ Along with establishing compliance committees and risk management committees at each Kyorin Group company, the Compliance Committee and Risk Management Committee oversee and promote compliance and risk management for the entire Group. In addition, we have built a structure for consultation and reporting that covers the whole Group.

We will create management guidelines for affiliated companies and build a system of support that respects their autonomy. Under this system, we will receive regular business reports from these companies and hold meetings with their management before deciding important issues.

The Internal Audit Office performs audits of affiliated companies based on internal audit guidelines. Depending on the results of these audits, departments that oversee the operations of the affiliated companies issue instructions or recommendations and provide appropriate guidance. Moreover, we are also building a

structure that enables managers to prepare reliable internal control reports for financial reporting. Under this structure, the Internal Audit Office also evaluates and reports on internal controls related to financial reporting based on the newly established Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control over Financial Reporting.

- ⑥ Basic rationale on the elimination of anti-social forces and the establishment of related measures. Giving consideration to our corporate philosophy, we formulated the Kyorin Holdings Corporate Charter to ensure a high standard of corporate ethics and thoroughgoing compliance. This charter clearly states that we will “stand firmly against any anti-social forces or groups that pose a threat to the order and safety of society.”

The Company will eliminate any relationships with and strongly confront anti-social forces or groups. As an internal structure for overall monitoring of our corporate ethics and our compliance structure, we established the Group Compliance Committee, with the director in charge of the committee also handling overall coordination. As the department in charge of compliance, the General Affairs & Human Resources Department is working to strengthen and promote a wider permeation of corporate ethics and compliance through education and other measures in collaboration with relevant departments.

We have also established standard measures to prepare for any possible undue demands from anti-social forces. To this end, we have built a structure that includes designating a “person responsible for prevention of undue claims” at our Head Office and all branch offices to respond to encounters with any anti-social forces or groups. We also maintain close communications with police departments with relevant jurisdictions, special crime prevention units, and legal advisers to ascertain the latest trends and gather other information on anti-social forces or groups as well as for guidance, consultation, and assistance. Also, we have prepared Responding to Telephone Calls and Visits to the Company during the Initial Phase of Claim-Related Problems as a manual, to ensure that employees make appropriate initial responses. In this manner, we have established a structure for properly responding to any demands from anti-social groups.

3. Audit Organization

① Internal Auditors

Internal audits are conducted by the Internal Audit Office, which is staffed by seven employees, reports directly to the president and is independent from other sections. Based on yearly auditing plans, the Internal Audit Office regularly assesses and evaluates the effectiveness and efficiency of the legal compliance and internal control systems in every section of the parent and Group companies. After an audit, the office communicates any problems or areas that need improvement directly to the president and makes the appropriate recommendations.

Another function of the office is to evaluate the Group's internal controls over financial reporting. The office evaluates the maintenance and operation of these internal controls according to a predetermined scope for evaluation, and makes a report to the President.

② Corporate Auditors

Corporate auditors conduct audits in line with an auditing policy and plan set by the Board of Auditors at the beginning of each fiscal year. In addition to participating in important meetings, including those of the Board of Directors and the Management Committee, corporate auditors implement comprehensive audits by checking documents and other materials relating to key decisions and

inspecting departments, facilities, and Group companies.

Under our adopted system, if someone discovers that an executive officer or employee is acting in contravention of either laws and regulations, or the Company's Articles of Incorporation, they immediately notify the corporate auditors. We are working to establish an environment conducive to more efficient audits by corporate auditors by coordinating closely with executives and regular employees and by fostering deeper understanding of audits. Furthermore, we assign auditing staff to assist the duties of the corporate auditors as necessary, and these human resources are carefully checked by directors and auditors to ensure that they are independent.

Moreover, the senior corporate auditor, Seiyu Miyashita has experience as a director and head of accounting of KYORIN Pharmaceutical Co., Ltd, and has a considerable level of knowledge about finance and accounting.

③ Outside directors and outside corporate auditors

Kyorin has three outside auditors who are neutrally positioned and not compromised by relationships with management or parties having a special interest. These outside auditors all have a considerable level of knowledge of corporate legal matters, and matters of finance and accounting. We utilize their specialist understanding and wide-ranging knowledge and experience to strengthen and enhance our auditing functions. In terms of independence of outside auditors, we do not consider auditors from major shareholding companies and key trading partners to be truly independent. To ensure that execution of duties by directors is legal, transparent, and fair, we believe that outside auditors who have a high level of neutrality that is not compromised by a relationship with management or parties having a special interest, and for whom there is no risk of forming a contradiction of interest with general shareholders, are the most independent.

Our outside corporate auditor, Masaji Obata is well versed in the Corporation Law as a lawyer, and has considerable knowledge concerning finance and accounting.

Moreover, Kyorin Holdings has not appointed an outside director. Compared to an outside director, who would be appointed for only one year, the corporate auditors, who do not execute business duties at Kyorin Holdings, have a more stable position of four years, and have independent compensation and authority. With respect to appointments, the corporate auditors have the auditors' right of agreement, the right to make proposals and to carry out comprehensive surveys. For these reasons, we believe that corporate auditors are more independent from management than outside directors. Moreover, our outside corporate auditors make an active contribution to Board of Directors and Board of Auditors meetings, offering comments and advice from a specialist perspective informed by wide ranging knowledge and experience. This helps to ensure that execution of duties by the directors is appropriately legal, transparent, and fair, and we believe it is the best way to strengthen oversight functions through links between directors and corporate auditors.

④ Independent Auditors

In accordance with the Corporation Law and the Financial Instruments and Exchange Law, we receive annual audits by Ernst & Young ShinNihon LLC. We benefit from its valuable advice as an accounting auditing firm, as well as from its services as an auditor of our financial accounts.

The following certified public accountants performed the audit of KYORIN Holdings, Inc.

(Names of certified public accountants)

Mari Sono, designated limited liability partner and engagement partner; Hidemitsu Kato, designated limited liability partner and

engagement partner

A further 7 certified public accountants and 12 assistant accountants assisted with the audit.

The Board of Auditors provides a forum for close, regular exchange of information with the Internal Audit Office and the accounting auditing firm, thereby enhancing the auditing system.

4. Overview of Personnel, Capital and Trading Relationships between the Company and the Outside Directors and Outside Auditors

None to report.

5. Compensation of Directors and Corporate Auditors

In fiscal 2010, ended March 31, 2011, compensation paid to directors and corporate auditors was ¥241 million: ¥212 million to 10 directors (excluding outside directors), and ¥29 million to 3 corporate auditors (excluding outside auditors).

There were no payments to directors corresponding to employee salaries.

Remuneration for outside officers totaled ¥15 million for 3 directors.

6. Number of Directors

The number of directors is limited to 15 as set out in the Company's Articles of Incorporation.

7. Conditions for Resolution on Appointments of Directors and Corporate Auditors

The Company's Articles of Incorporation stipulate that a resolution to appoint a director or corporate auditor must be by majority vote of attending shareholders holding at least one-third of the voting rights of shareholders who are eligible to exercise voting rights.

8. Ordinary General Shareholders' Meeting Matters that May Be Resolved by the Board of Directors

① Acquisition of treasury stock

Pursuant to the provisions of Article 165, paragraph 2 of the Corporation Law of Japan, the Company's Articles of Incorporation stipulate that the Company may acquire treasury stock by resolution of the Board of Directors. The aim is to allow management to exercise capital policies as deemed appropriate in response to changes in the operating environment, by allowing the Company to acquire treasury stock through market transactions, etc.

② Decision-making body for cash dividends from retained earnings

Pursuant to Article 459, paragraph 1 of the Corporation Law of Japan, and except where otherwise specified in a separate applicable legal or regulatory provision, the Company's Articles of Incorporation stipulate that cash dividends are to be decided by resolution of the Board of Directors, and not the ordinary general shareholders' meeting. The aim is to allow management to exercise capital policy as deemed appropriate.

9. Requirements for Special Resolution by the Ordinary General Shareholders' Meeting

Pursuant to Article 309, paragraph 2 of the Corporation Law of Japan, the Company's Articles of Incorporation stipulate that special resolutions by the ordinary general shareholders' meeting must be passed by at least a two-thirds majority vote of attending shareholders holding at least one-third of the voting rights of shareholders eligible to exercise voting rights. The aim is to lower the required quorum for a special resolution of the ordinary general shareholders' meeting to facilitate operation of the meeting.

Directors, Auditors, and Corporate Officers

(As of June 24, 2011)



Representative Director;
President and Chief Executive Officer
Masahiro Yamashita



Executive Director
Keiji Hirai
KYORIN Pharmaceutical Co., Ltd.
Representative Director, President and
Chief Executive Officer



Senior Executive Director
Minoru Hogawa
Management Planning
Finance & Accounting



Senior Executive Director
Mitsutomo Miyashita
Intellectual Property



Executive Director
Tomiharu Matsumoto
General Affairs & Human Resources
Legal



Executive Director
Yutaka Ogihara
President's Office
Corporate Communication
Information System Management

Senior Corporate Auditors

Seiyu Miyashita
Shigeru Abe

Corporate Auditors

Masaji Obata
Junji Honda
Yasuyuki Hirota

Senior Executive Officers

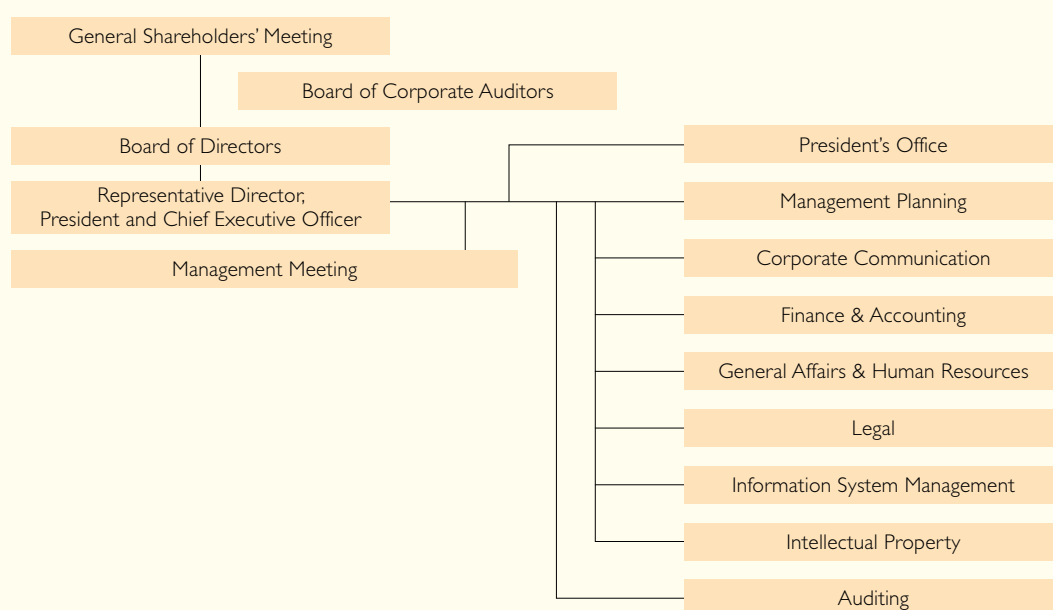
Takayoshi Ishizaki
Yoh Ito
Satoru Kanai

Corporate Officers

Haruki Watanabe
Takashi Nishino
Shigeru Ogihara

Organization Chart

(As of June 24, 2011)



Major Subsidiaries and Affiliates

(As of July 2011)

Consolidated Subsidiaries	KYORIN Pharmaceutical Co., Ltd.	Capital: ¥4,317 million Percentage of ownership: 100% Head office: 5, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-8311 Operations: Manufacture and sales of prescription medicines and quasi-drugs, diagnostics, and industrial chemicals
	KYORIN Medical Supply Co., Ltd.	Capital: ¥488 million Percentage of ownership: 100% Head office: Kyorin Nishi-Shinjuku Building, 25-13, Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo 160-0023 Operations: Sales promotion, planning and production of advertising, etc.
	KYORIN Rimedio Co., Ltd.	Capital: ¥1,200 million Percentage of ownership: 100% Head office: 287-1, Shimochō Moroe-cho, Kanazawa City, Ishikawa Prefecture 920-0017 Operations: Manufacture and sales of prescription medicines and quasi-drugs, diagnostics, and industrial chemicals
	Dr. Program Co., Ltd.	Capital: ¥251 million Percentage of ownership: 100% Head office: 3rd Floor, 4-40, Minami-Aoyama 5-chome, Minato-ku, Tokyo 107-0062 Operations: Development and sales of skincare products
KYORIN Pharmaceutical Co., Ltd. Subsidiaries	Kyorin USA, Inc.	Capital: US\$500,000 Percentage of ownership: 100% Head office: 500 Frank W. Burr Boulevard, Teaneck, New Jersey 07666, United States Operations: Research and analysis of other companies' technologies and collection of information concerning clinical trials
	Kyorin Europe GmbH	Capital: 50,000 EURO Percentage of ownership: 100% Head office: Kaiserstrasse 8, 60311 Frankfurt am Main, Germany Operations: Research and analysis of other companies' technologies and collection of information concerning clinical trials
	ActivX Biosciences, Inc.	Capital: US\$1 Percentage of ownership: 100% Head office: 11025 N. Torrey Pines Rd., La Jolla, California 92037, United States Operations: Discovery and evaluation of candidate compounds
Equity-method Affiliates	Nippon Rika Co., Ltd.	Capital: ¥411 million Percentage of ownership: 29.2% Head office: 2-2, Nihonbashi Honcho 4-chome, Chuo-ku, Tokyo 103-0023 Operations: Production and sales of pharmaceuticals, reagents, intermediates, and other products

Corporate Information

(As of March 2011)

KYORIN Holdings, Inc. (Trading name changed from July 1, 2010)	Head Office 5, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo 101-8311 Phone: +81-3-3293-3451 URL: http://www.kyorin-gr.co.jp/en/																						
Establishment	1958																						
Common Stock	¥700 million																						
Outstanding Shares	74,947,628																						
Shareholders	3,518																						
Major Shareholders	<table><thead><tr><th></th><th>Percentage of total shares outstanding</th></tr></thead><tbody><tr><td>Minoru Ogihara</td><td>8.18%</td></tr><tr><td>Hiroko Ogihara</td><td>6.86%</td></tr><tr><td>Apricot Co., Ltd.</td><td>6.67%</td></tr><tr><td>KM Godo Kaisha</td><td>4.82%</td></tr><tr><td>Yoshiko Ogihara</td><td>3.90%</td></tr><tr><td>Mykam Co., Ltd.</td><td>3.66%</td></tr><tr><td>Japan Trustee Services Bank, Ltd. (Trust Account)</td><td>3.11%</td></tr><tr><td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td><td>3.04%</td></tr><tr><td>Yutaka Ogihara</td><td>2.48%</td></tr><tr><td>Mariko Ogihara</td><td>2.35%</td></tr></tbody></table>		Percentage of total shares outstanding	Minoru Ogihara	8.18%	Hiroko Ogihara	6.86%	Apricot Co., Ltd.	6.67%	KM Godo Kaisha	4.82%	Yoshiko Ogihara	3.90%	Mykam Co., Ltd.	3.66%	Japan Trustee Services Bank, Ltd. (Trust Account)	3.11%	The Master Trust Bank of Japan, Ltd. (Trust Account)	3.04%	Yutaka Ogihara	2.48%	Mariko Ogihara	2.35%
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Listing	Tokyo Stock Exchange, First Section																						
Transfer Agent	Mizuho Trust & Banking Co., Ltd., 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028 Phone: +81-3-3278-8111																						



KYORIN Holdings, Inc.

5, Kanda Surugadai 2-chome, Chiyoda-ku, Tokyo
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