

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2010

- Consolidated Financial Results
- Main Product Sales Update
- Main R&D Activities
- Reference
 - Consolidated Financial Results for the First Quarter Ended June 30, 2009
 - Results and Forecast of Main Subsidiary Companies

August 5, 2009

KYORIN Co., Ltd.



Outline of First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2010



First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2010

<Year on Year>

[Net sales] Consolidated sales increased 12.2% year over year to ¥23.3 billion due to the favorable progress of new priority drugs in Japan.

[Income] Despite an increase in sales costs and general administrative overhead due to the merger with Nisshin Kyorin Pharmaceutical Co., Ltd., sales increased and the cost of sales ratio improved due to the in-house production of Pentasa, our new priority drug. As a result, operating income surged 217.0% year over year to ¥3.2 billion and net income jumped 265.8% to ¥2.0 billion.

<Progress to Forecast>

Operating income exceeded the forecast amount for the interim term ending September 2009 due to a gap that occurred in the accounting terms for R&D expenses, which is a component of sales costs and general administrative overhead, in addition to the sales increase. However, because future R&D expenses are expected that could offset the aforementioned gap, we are not changing the projections for the interim term ending September 2009 and the fiscal year ending March 2010 that were announced on May 13, 2009, at this time.

Units: Millions of yen	First quarter June 30, 2006	First quarter June 30, 2007	First quarter June 30, 2008	First quarter June 30, 2009	YoY change (%)
Net sales	18,685	21,891	20,756	23,289	12.2%
Operating income	1,686	4,082	995	3,156	217.0%
Ordinary income	1,690	4,321	1,228	3,417	178.2%
Net income	782	2,600	540	1,976	265.8%

Sep/09 Interim term (forecast)	YoY change (%)	Year ending March 31, 2010 (forecast)	YoY change (%)
43,100	7.1%	96,400	6.1%
2,500	101.0%	11,500	28.5%
2,900	146.7%	12,300	33.6%
1,500	—	7,300	258.3%

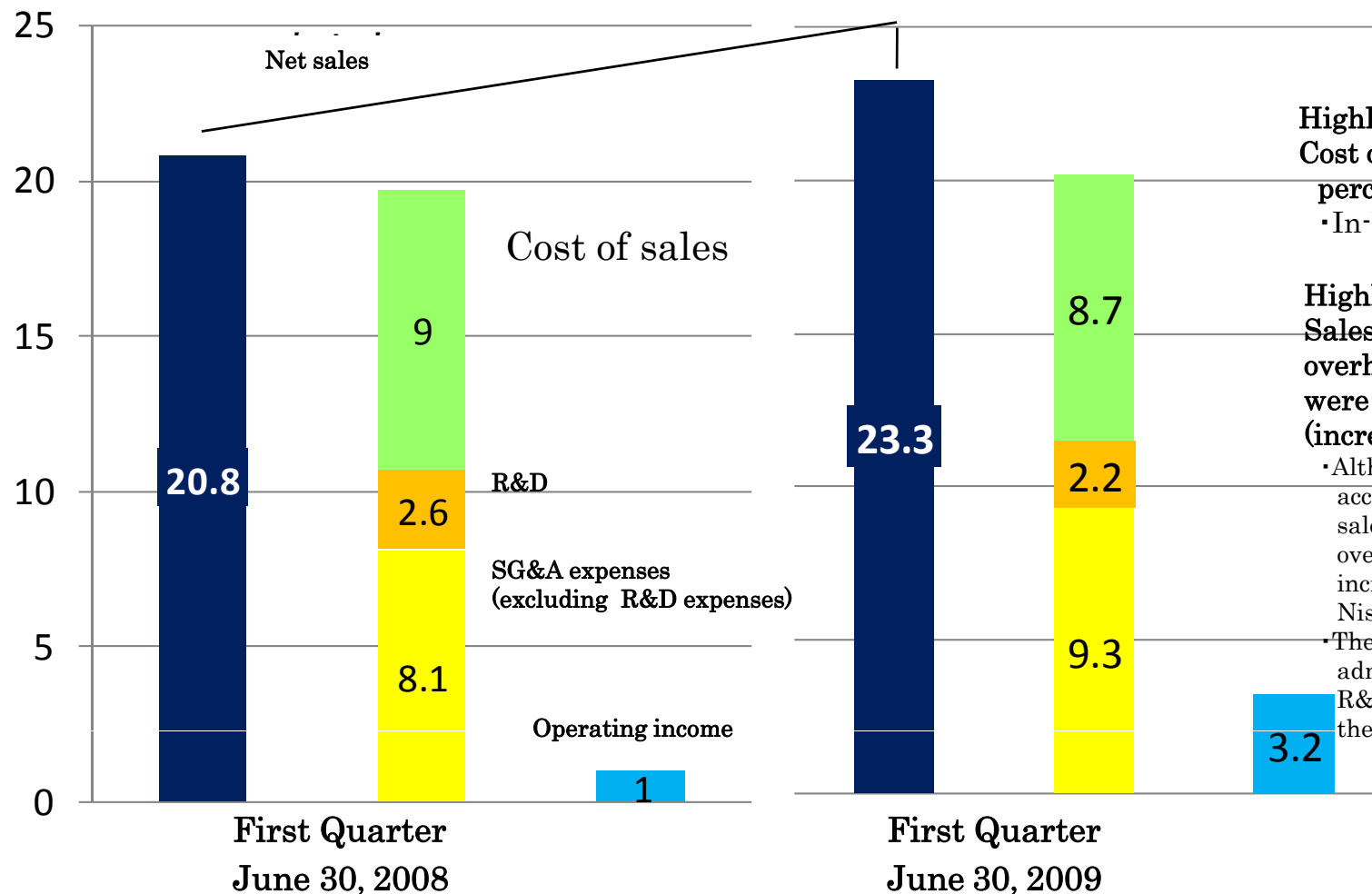
Highlights of Business Performance for the First Quarter Ended June 30, 2009, and Forecasts



(Units: ¥ billion)

Highlight ①

Net sales increased ¥2.5 billion. (Kipres, Pentasa, Uritos, generic products)



Highlight ②

Cost of sales ratio declined 6.1 percentage points.

- In-house production of Pentasa, etc.

Highlight ③

Sales costs and general administrative overhead other than R&D expenses were almost level

(increased 0.6 percentage point).

- Although there was a difference in accounting terms for R&D expenses, sales costs and general administrative overhead other than R&D expenses increased due to the merger with Nisshin Kyorin Pharmaceutical Co., Ltd.
- The ratio of sales costs and general administrative overhead other than R&D expenses was almost level due to the sales increase.

※Forecast of business performance (Operating income exceeding the forecast amount for the interim term ending September 30, 2009 was recorded.)

A gap of less than ¥2 billion was incurred between the projection and the actual amount of sales costs for the first quarter, which was, however, mostly due to the difference of accounting term of R&D expenses.

Consolidated Financial Results for the First Quarter (Ended June 30, 2009)



Units: Billions of yen

	First Quarter June 30, 2008	First Quarter June 30, 2009	Change
Net sales (total)	20.8	23.3	+2.5
◆ Sales of new ethical drugs	17.3	19.5	+2.2
Japan	16.5	18.9	+2.4
Overseas	0.9	0.6	▲0.3
◆ Generic drugs	1.4	1.8	+0.4
◆ Consumer healthcare business	1.7	1.7	± 0
◆ Other businesses	0.3	0.2	▲0.1
Operating income	1.0	3.2	+2.2
Ordinary income	1.2	3.4	+2.2
Net income	2.6	2.0	+1.5

■ Net sales	¥23.3billion	Change (+2.5)
● Sales of new ethical drugs in Japan	¥18.9billion	(+2.4)
	09.3(1Q)(results) 10.3(1Q)(results)	
▪ Kipres	5.7 ⇒ 6.6	(+0.9)
▪ Mucodyne	5.0 ⇒ 5.1	(+0.1)
▪ Pentasa	3.1 ⇒ 4.8	(+1.7)
▪ Uritos	0.2 ⇒ 0.8	(+0.6)
▪ Gatiflo	0.5 ⇒ 0	(▲0.5)
* Sales of Gatiflo discontinued as of September 30, 2008.		
● Sales of new ethical drug overseas	¥0.6 billion	
▪ Gatifloxacin	0.7 ⇒ 0.6	(▲0.1)
▪ Norfloxacin	0.1 ⇒ 0	(▲0.1)
● Generic drugs	¥1.8 billion	(+0.4)
* Sales increased on products acquired from Nisshin Kyorin Pharmaceutical Co., Ltd. and main products.		
● Consumer healthcare business	¥1.7 billion	(±0)
● Other businesses	¥0.2billion	(▲0.1)
◆ Cost of sales ratio : down 6.1 points	(43.3%⇒37.2%)	
Factors for decrease: Cost of sales ratio declined due to in-house production of Pentasa.		
◆ R&D ratio : down 3.3 points	(12.7%⇒9.4%)	
* R&D expenses down from ¥2.6 billion to ¥2.2 billion. Difference in accounting terms of R&D expenses		
◆ SG&A expenses ratio (excluding R&D expenses): up 0.6 points	(39.2%⇒39.8%)	
Factors for increase: Effect of the merger with Nisshin Kyorin Pharmaceutical Co., Ltd., etc.		
■ Operating income	¥3.2 billion	(+2.2)
◆ The operating income margin increased 8.8 percentage points , to 13.6%		
■ Net income	¥2.0 billion	(+1.5)

Main Product Sales Update

(Units: ¥ billion)

Product name		Interim term		Full term		First quarter (April 1,2008 to June 30,2010)				
		FY08 (results)	FY09 (forecast)	FY08 (results)	FY09 (forecast)	FY08 (results)	FY09 (results)	YoY change (%)	Progress to Interim term forecast(%)	Progress to Full term forecast(%)
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	10.4	11.8	25.2	27.4	5.7	6.6	16.9%	56.4%	24.2%
	Mucodyne (Mucoregulant)	8.7	9.1	20.6	21.5	5.0	5.1	1.5%	55.7%	23.6%
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	7.1	8.9	15.7	18.6	3.1	4.8	57.2%	54.2%	25.9%
	Ketas (For bronchial asthma and cerebrovasculas disorders)	2.6	2.6	5.0	5.0	1.3	1.1	▲10.2%	44.7%	23.2%
	Uritos (Kyorin) (Overactive bladder)	0.6	1.5	2.0	3.7	0.2	0.8	235.0%	51.6%	21.5%
	Aplace (Anti-ulcer agent)	0.8	0.8	1.5	1.5	0.4	0.4	▲0.8%	50.7%	26.2%
	Rocaltrol (Osteoporosis remedy)	0.8	0.7	1.5	1.4	0.4	0.4	▲9.8%	51.2%	26.4%
Sales of new ethical drugs (over seas)	Gatifloxacin (Bulk・Royalty)	1.4	1.3	2.5	2.3	0.7	0.6	▲14.1%	43.8%	25.2%
Consumer Healthcare business	Milton (Disinfectant)	0.9	0.9	1.8	2.0	0.5	0.5	3.1%	50.7%	23.3%

Main R&D Activities ① (August 5, 2009 Release)

Ph II ~ Application

Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
Approval (12/08)		PENTASA Tablets 250 500	Ulcerative colitis/ Crohn's disease remedy	Ferring Pharma- ceuticals	New remission therapy of Pentasa for the treatment of ulcerative colitis in its active phase. (4,000 mg divided into two doses per day)	Additional dosage and administration
	(Galderma, Launched)	PEKIRON Nail lacquer	Anti-mycotic agent	In-house	First nail varnish formulation for nail mycosis in Japan	
	Ph II (10/04)	KRP-204 (Tablets)	Anti-obesity	Nisshin Flour Milling	A highly selective beta3-agonist that may improve obesity and have less cardiac effect in comparison to previous compounds.	Co-development with Nisshin Flour Milling
Ph II (3/07)		KRP-204 (Tablets)	Overactive bladder	Nisshin Flour Milling	A highly selective beta3-agonist that may relax bladder smooth muscle and improve urine storage dysfunction by activating beta3 receptor on bladder.	Co-development with Nisshin Flour Milling Ph II a ended
Ph II (3/05)	(Eisai PhIII)	AS-3201 (Tablets)	Diabetic neuropathy	Dainippon Sumitomo	Aldose reductase inhibitor to reduce the sorbitol accumulation in the cell, and improve diabetic neulopathy	Co-development with Dainippon Sumitomo •Ph II b(9/07)
	Ph II (6/04)	KRP-101 (Tablets)	Anti- dyslipidemia with anti- diabetes	In-house	A PPAR-alpha agonist. It may have an effect on diabetes in addition to lipid metabolism improvement including reduction of neutral fat.	Ph II a ended
Ph II (2/08)	Ph II (9/07)	KRP-104	Anti-diabetes agent	In-house	A DPPIV inhibitor to reduce blood glucose through suppression of the degradation of insulin-releasing hormone. Diabetic therapy with fewer side effects is expected than existing treatments.	•Ph II a ended (8/08) •Ph II b in domestic (3/ 09)
Ph II (8/08)	(Application : Abbott in the US PhIII: Mundipharma in the rest of the world excluding the Americas.)	KRP-108	anti-asthmatic treatment	Skye Pharma PLC	An ICS/LABA combination product, which offers better compliance and convenience to the patients.	Licensing agreement with SkyePharma (4/08)

Main R&D Activities ② (August 5 , 2009 Release)

POC Project (Pre-clinical~Ph I)						
Stage		Compound/ Code	Therapy area/ Action	Origin	Features	Comments
Domestic	Overseas					
	Ph I (7/07)	KRP-203	Transplantation and autoimmune diseases treatment	In-house	An immunosuppressant with novel mechanism called S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunosuppressants.	Licensing agreement with Novartis (2/06)
	Ph I (10/07)	KRP-105	Anti-dyslipidemia	In-house	A highly selective PPARα agonist. In addition to lipid metabolism improvement, KRP-105 increased adiponectin, reduced leptin, and suppressed weight gain in animal models, suggesting potential to be a unique and anti-dyslipidemia agent.	
Pre-clinical		KRP - 107	Transplantation and autoimmune diseases treatment	In-house	Selective S1P1 receptor agonist.	
Pre-clinical		KRP - 109	Acute lung injury (ALI)	In-house	Neutrophil elastase inhibitor with high distribution into lungs	

Main R&D Activities ③ (August 5, 2009 Release)

Licensing development (preclinical)

Product name・Code	Stage	Licensee ・ Collaborative research	Therapy area/ Action	Origin	Comments
Alphagan/ Alphagan P	Domestic Ph III (7/07)	Senju Seiyaku	Glaucoma	Allergan (US)	<ul style="list-style-type: none"> • Licensed from Allergan (Cross license of gatifloxacin ophthalmic solution) • License-out to Senju (5/04)
Ketas	Overseas Ph II (8/05)	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. (10/04) Result of Ph II was reported in April 2008.
KCA-757	Overseas Ph III (Anti-bronchial Asthma: 11/06) Ph II / III (Interstitial cystitis: 5/05)	MediciNova (US)	Anti-bronchial asthma and Interstitial cystitis agent	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 • Interstitial cystitis: Results of Ph II / III was reported in January 2007 and ceased development • Bronchial asthma: Clinical trial oversea was discontinued.
KRP-203	Overseas Ph I (7/07)	Novartis (Switzerland)	Transplantation and autoimmune diseases treatment	In-house	An immunosuppressant with novel mechanism called S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunosuppressants.

Reference

Consolidated Financial Results for the First Quarter (Ended June 30, 2009)



(Units: ¥ million)

	Interim term		Full term		First quarter (April 1, 2009 to June 30, 2009)					
	FY08 (results)	FY09 (forecast)	FY08 (results)	FY09 (forecast)	FY08 (results)	FY09 (results)	Change	YoY change (%)	Progress to interim term forecast (%)	Progress to full term forecast (%)
Sales	40,261	43,100	90,889	96,400	20,756	23,289	+2,533	12.2%	54.0%	24.2%
Sales of new ethical drugs	33,046	35,600	75,690	78,800	17,348	19,503	+2,155	12.4%	54.8%	24.8%
Japan	31,239	34,000	71,935	76,100	16,487	18,910	+2,423	14.7%	55.6%	24.8%
Overseas	1,806	1,500	3,755	2,700	860	592	▲268	▲31.2%	39.5%	21.9%
Generic drugs	2,929	3,700	6,264	8,700	1,438	1,829	+391	27.1%	49.4%	21.0%
Consumer healthcare business	3,684	3,600	7,725	7,800	1,654	1,719	+65	3.9%	47.8%	22.0%
Other businesses	600	400	1,208	1,100	314	237	▲77	▲24.5%	59.3%	21.5%
Operating income	1,243	2,500	8,952	11,500	995	3,156	2,161	217.0%	126.2%	27.4%
Ordinary income	1,175	2,900	9,208	12,300	1,228	3,417	2,189	178.2%	117.8%	27.8%
Net income	▲1,606	1,500	2,037	7,300	540	1,976	1,436	265.8%	131.7%	27.1%

Actual and Forecast of Main Subsidiary Companies

(Units: ¥ billion)

KYORIN pharmaceutical	3 / 09(results)	3 / 10(forecast)	First quarter 3 / 09(results)	First quarter 3 / 10(results)
Sales	78.0	81.7	18.0	20.2
Operating profit	8.5	11.4	1.4	3.4
Net profit	4.0	7.7	1.0	2.5
KYORIN Rimedio	1 / 09(results)	3 / 10(forecast) ※2	First quarter 1 / 09(results)	First quarter 3 / 10(results)
Sales	7.4	10.3	1.7	2.1
Operating profit	▲0.4	0.1	▲0.2	0
Net profit	▲0.6	0.1	▲0.2	0.1
Dr.Program	3 / 09(results) ※1	3 / 10 (forecast)	First quarter 3 / 09(results)	First quarter 3 / 10(results)
Sales	4.1	3.8	0.8	0.8
Operating profit	0.1	0.1	▲0.2	▲0.2
Net profit	0.1	0.1	▲0.2	▲0.2

*1. Due to the change of the closing date of Dr. Program Co., Ltd., the business results for the fiscal year ended March 2009 covered 14 months.

*2. Because the closing date of KYORIN Rimedio is planned to be changed, the projections of business performance for the fiscal year ending March 31, 2010, will cover 14 months.