



Amid the continuous advance of measures to restrain ethical drug costs, changes in the pharmaceutical industry's operating environment accelerated during the fiscal year ended March 31, 2010 with the decision to introduce a new National Health Insurance (NHI) drug pricing system on a trial basis. Meanwhile, business conditions remained harsh with intensified competition among domestic and overseas companies.

To achieve steady growth while responding to such changes in the operating environment, the Mochida Pharmaceutical Group placed priority on establishing competitive businesses and business fields, emphasizing partnerships, and thoroughly reviewing its resources, developing each business under the basic policy of emphasizing profit and continued investment for the future.

As a result, for the fiscal year ended March 31, 2010, we succeeded in boosting net sales to ¥78,549 million, up 4.5% in comparison with the previous year. We were also able to raise operating income 7.4%, to ¥13,949 million, and to expand recurring income 10.0%, to ¥14,921 million. Net income increased 12.7%, to ¥9,869 million.

### Business Overview for the Fiscal Year under Review

Pharmaceutical business segment sales grew steadily, with strong performance at parent company Mochida Pharmaceutical Co., Ltd. The recognition of our leading drug *Epadel*, a treatment for hyperlipidemia and arteriosclerosis obliterans, is rising more and more following its inclusion in treatment guidelines based on the analytical results of the Japan EPA Lipid Intervention Study (JELIS) large-scale clinical trial. We are now moving forward with continued efforts to further increase the product value of *Epadel*. These include the launch of clinical trials to gain an additional indication, and the submission of applications to make an *Epadel*-based formulation available as a switch-OTC (over-the-counter) drug to meet self-medication demand. The increase in pharmaceutical business segment sales was also supported by continuous double-digit growth in the sales of long-acting calcium channel antagonist antihypertensive agent *Atelec*<sup>®</sup> and expanded sales of *Dinigest*, an oral progestin for the treatment of endometriosis, which is in its third year.

In research and development, Phase III clinical trials were completed for the antidepressant *Escitalopram*, which is expected to make large sales contributions as a major new drug, and preparations are now proceeding toward application for manufacturing and sales approval. Other drugs are also steadily advancing through the development pipeline. We are taking on the challenge of developing drugs in new fields, such as cellular-based drugs and therapeutic agents for intractable diseases, while responding to biosimilars (follow-on biologics) and expanding our own generic drugs business.

Our subsidiary Mochida Pharmaceutical Plant Co., Ltd. is advancing highly reliable and efficient contract manufacturing of drugs using cutting-edge technologies and state-of-the-art manufacturing facilities that comply with global standards to meet diverse customer needs.

Our subsidiary Mochida Healthcare Co., Ltd. (MHC) posted solid sales with contributions from new products, despite the stagnant skin care market. MHC will continue to strengthen its ties with dermatologists, provide high-function skin care products based on dermatology, establish brands, and further develop the skin care market.

### Medium-Term Management Plan for the Next Three Fiscal Years

The Mochida Pharmaceutical Group has drawn up a medium-term management plan covering the period from the fiscal years 2010 through 2012.

Targets for FY2012 are net sales of ¥89,000 million, operating income of ¥13,500 million, and R&D expenditures of ¥11,500 million. In order to respond to more difficult changes in the business environment and to ensure continued profitable growth during the coming three years, starting in FY2010, we will continue to work hard to promote further structural reform in areas including the improvement of head office functions and the efficient management of the organization under the fundamental policy and aim to further boost productivity through stronger cooperation and bonds among group departments. Targeting, in the long term, specialty pharmaceuticals that will be recognized for the value of their existence on a global scale, we are pursuing investment in business activities that will lead to future competitiveness.

Furthermore, our core pharmaceutical business will focus its resources on the four major areas of cardiovascular, obstetrics and gynecology, dermatology, and emergency medicine so as to further promote strategic alliances which stress the importance of lifecycle management and partnerships. Furthermore, we will develop high-value-added products which meet the needs of medical professionals as well as our customers by introducing and utilizing external technologies and technological seeds from outside sources. We will also challenge new medical fields such as the development of therapeutic drugs for intractable diseases and cellular pharmaceuticals and will embrace a commitment to biosimilars as well as generic drugs. As a leader in the manufacture of ethyl icosapentate (EPA-E) preparations, we will work toward having an *Epadel*-based drug offered as an OTC drug.

### To Our Shareholders and Investors

The Mochida Pharmaceutical Group fulfills its social mission as a pharmaceutical company by creating and supplying high-value-added products that meet customer needs based on its corporate philosophy “Throughout the Company’s history, it has stressed the importance of foresighted creativity to develop unique products and technologies for the medical and pharmaceutical world, thereby contributing to the improvement of human health” and we conduct our corporate activities with high ethical standards. We are working to become a specialty pharmaceutical company whose presence is recognized worldwide, and to boost corporate value over the long term.

We thank our shareholders and other stakeholders for your continuing support.



**Naoyuki Mochida**  
President