

### Overview of Performance

The Mochida Pharmaceutical Group (Mochida Pharmaceutical Co., Ltd. and its consolidated subsidiaries) has been directing its efforts toward business reforms across all areas of management. This entails improving the Group's management system, achieving an appropriate level of staffing, and increasing productivity throughout the Company.

In the pharmaceutical business, the Group has focused its resources on four major areas: cardiovascular medicine, obstetrics and gynecology, dermatology, and emergency medicine. With the aim of establishing itself as a specialty pharmaceutical company, the Group undertook an aggressive campaign to disseminate academic information concerning mainstay and other products.

The Great East Japan Earthquake of March 11, 2011, struck the Head Office Plant of our consolidated subsidiary Mochida Pharmaceutical Plant Co., Ltd. (Otawara, Tochigi Prefecture) and caused major damages to production machinery and drug manufacturing building facilities. Subsequent recovery works proceeded smoothly, though, and operations have resumed.

In the skin care business, the Group conducted business activities as an expert in basic skin care products for sensitive skin, and worked to further cultivate the market by stepping up its marketing activities.

As a result of these efforts, in the fiscal year ended March 31, 2011, the Mochida Pharmaceutical Group realized consolidated net sales of ¥79,340 million, an increase of 1.0% from the previous year.

### Individual Business Segments

In the pharmaceutical business segment, sales increased 0.8% year on year, to ¥75,642 million. While sales of our major products *Epadel*, a treatment for hyperlipidemia and arteriosclerosis obliterans, and *Atelec*<sup>®</sup>, a long-acting calcium channel blocker antihypertensive agent, declined as a result of NHI drug price revisions, sales of *Dinagest*, an oral progestin for the treatment of endometriosis, steadily increased, and sales of generics also rose.

In the skin care business segment, sales rose 4.9%, to ¥3,697 million, despite the sluggish market, with increased sales of the *Collage Furfur* series of antifungal hair care and body care products.



## Profit and Loss

Operating income dropped 17.5%, to ¥11,509 million, mostly because gross profits on sales declined from NHI drug price revisions while R&D expenses increased. Recurring income fell 19.5%, to ¥12,017 million. Net income dropped 46.0%, to ¥5,333 million, mostly because of the extraordinary losses posted from damages as a result of the Great East Japan Earthquake.

## Research & Development

The Pharmaceutical Research Center continued to focus its efforts on two fields—chronic pain, and diabetes and obesity—as it pursued the discovery and development of new and original therapeutic drugs for the global market. The center works to improve the efficiency of research by conducting joint research with Japanese and foreign organizations. The center is also actively working toward the introduction of an antibody drug for the treatment of sepsis, a pain medication, and an antidiabetic drug.

In clinical development, applications were filed for approval to use the condyloma acuminatum therapeutic agent *Beselna* for the additional indication of actinic keratosis. We also initiated early Phase II trials to confirm the effectiveness of *Dinagest* for the additional indication of uterine adenomyosis.

Activities for other drugs advancing steadily through the development pipeline included Phase III clinical trials for MD-0901, an agent to treat ulcerative colitis; Phase II/III clinical trials for MD-0701, a treatment for pulmonary arterial hypertension; Phase II/III clinical trials on the biosimilar Granulocyte Colony Stimulating Factor (G-CSF) FSK0808; Phase II clinical trials (in the United States) on *Epadel* as a treatment for non-alcoholic steatohepatitis; and Phase I/II clinical trials for JR-031, a cellular-based drug using human mesenchymal stem cells to treat graft versus host disease (GVHD).

Applications were also filed for the manufacture and sale of an *Epadel*-based formulation as a switch-OTC drug.

We received manufacturing and sales approval for the antidepressant *Lexapro*<sup>®</sup> (escitalopram) in April 2011.

We initiated joint Phase III clinical trials for the hypertension medication AJH801 (a combination of cilnidipine and valsartan) together with Ajinomoto Pharmaceuticals Co., Ltd. in May 2011.

During the fiscal year under review, consolidated R&D expenditures totaled ¥11,642 million.



Pharmaceutical Research Center