

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 Companywide.

In the pharmaceutical business, the Group has focused its resources on four major areas: cardiovascular, 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.

In the healthcare 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, 2010 the Mochida Pharmaceutical Group realized consolidated net sales of ¥78,549 million, an increase of 4.5% from the previous year.

Individual Business Segments

In the pharmaceutical business segment, sales increased 4.6% year on year, to ¥75,023 million, on the steady sales growth of our major products *Epadel*, a treatment for hyperlipidemia and arteriosclerosis obliterans, and *Atelec*[®], a long-acting calcium channel antagonist antihypertensive agent, and the strong sales of *Dinagest*, an oral progestin for the treatment of endometriosis. Sales of the hemostatic agent *Thrombin* and other drugs declined.

In the healthcare business segment, sales rose 1.6%, to ¥3,526 million, despite the sluggish market. Sales of the *Collage Furfur* series remained favorable with contributions from new products.

Profit and Loss

Operating income grew 7.4%, to ¥13,949 million on higher revenues from increased pharmaceutical product sales, despite an increase in sales, general and administrative expenses, including R&D expenses. Combined with royalties and other income streams, recurring income increased 10.0%,



to ¥14,921 million. Net income rose 12.7%, to ¥9,869 million. This included proceeds from the September 30, 2009 sale of some of the Group's shareholdings in Mochida Siemens Medical Systems Co., Ltd.

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 actively working toward the introduction of an antibody drug for the treatment of sepsis. Mochida Pharmaceutical terminated a licensing agreement with Wyeth Pharmaceuticals, of the United States, regarding pain treatment drugs, and the Company will now advance the development of these drugs under a new framework.

In clinical development, Phase III clinical trials were completed for the antidepressant *Escitalopram*, and preparations are now proceeding toward application for manufacturing and sales approval. Other activities presently being implemented for drugs advancing through the development pipeline include Phase II/III clinical trials for MD-0701, a treatment for pulmonary arterial hypertension, Phase II clinical trials to evaluate the effectiveness of *Beselna Cream* for actinic keratosis, Phase I/II clinical trials for JR-031, a cellular-based drug using human mesenchymal stem cells to treat graft-versus host disease (GVHD), and Phase I clinical trials for MD-0901, an agent to treat ulcerative colitis. Preparations are also under way to conduct Phase II/III clinical trials on the recombinant Granulocyte Colony Stimulating Factor (G-CSF) FSK0808. Mochida Pharmaceutical signed a contract for the joint development of FSK0808 with Fuji Pharma Co., Ltd. in February 2010. We have also initiated clinical trials overseas to gain an additional indication for *Epadel* as a treatment for non-alcoholic steatohepatitis, and we have submitted applications for the manufacture and sale of an *Epadel*-based formulation as an OTC drug.

During the fiscal year under review, consolidated R&D expenditures totaled ¥9,589 million.



Pharmaceutical Research Center