

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2015

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July 29, 2014

KYORIN Holdings, Inc.

These forecast performance figures are based on information currently available to the Company and may include uncertain factors or risk that affect our future performance. Accordingly, actual business results may materially differ from the forecasted figures due to various factors in the future.



Outline of First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2015



Units: millions of yen	First quarter Jun / 2011	First quarter Jun / 2012	First quarter Jun / 2013	First quarter Jun / 2014	YoY change (%)	Interim term Sep / 2014 (forecast)	YoY change (%)	Year ending Mar / 2015 (forecast)	YoY change (%)
Net sales	24,809	25,422	26,239	26,397	+0.6%	51,300	+0.9%	112,200	+0.7%
Operating income	4,100	4,080	4,465	3,575	-19.9%	5,500	-11.5%	15,800	-10.3%
Ordinary income	4,300	4,351	4,681	3,847	-17.8%	5,700	-12.7%	16,300	-10.8%
Net income	2,697	2,838	2,996	2,681	-10.5%	3,900	-11.3%	11,300	-6.0%

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2015

[Net Sales]

Overall net sales increased 0.6% year on year to ¥26.4bln. Sales growth was driven by year on year increased in generic drug sales, despite lower sales in the ethical drug.

[Income]

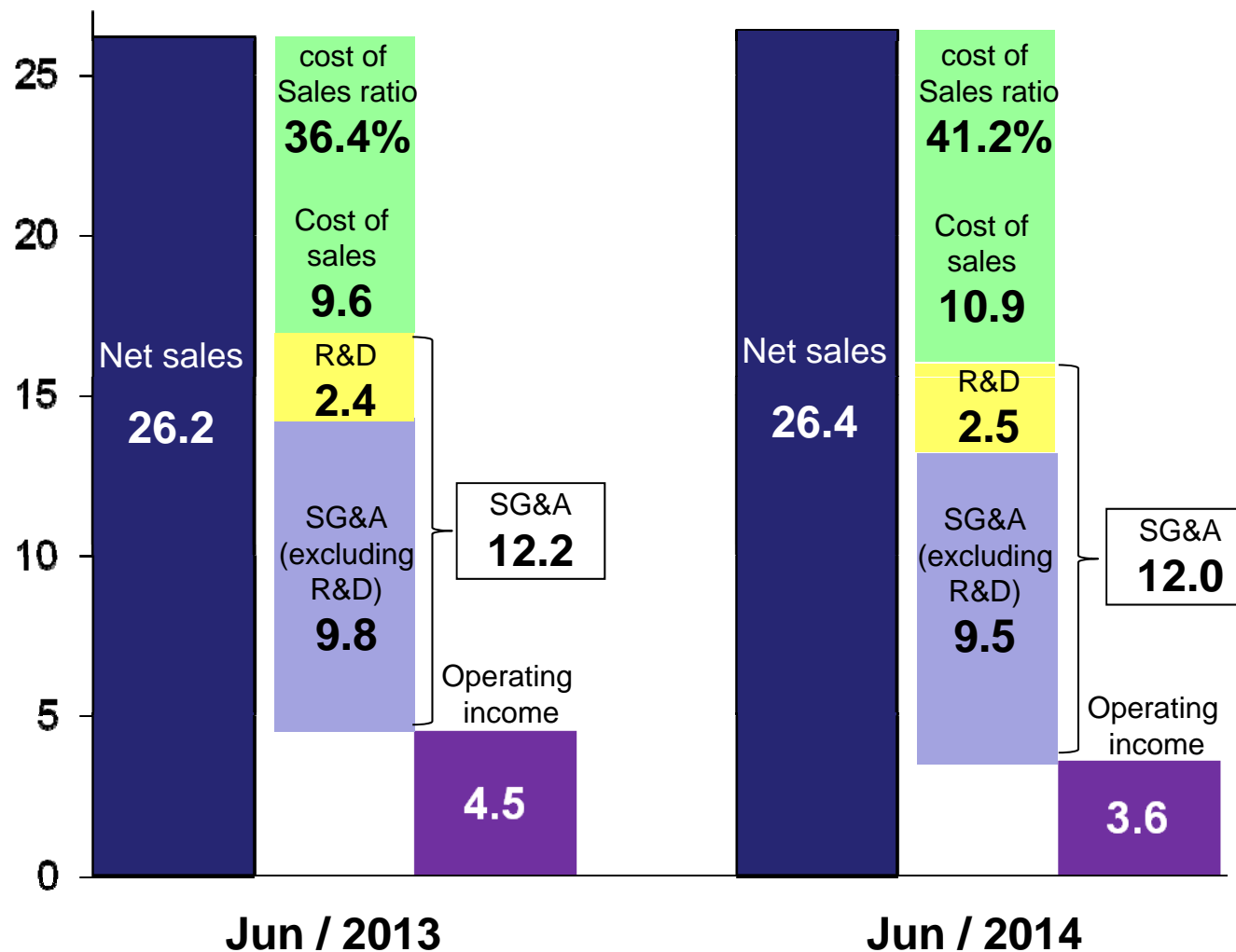
Cost of sales ratio increased due to the drug price revision, increase of generic drugs, decrease of overseas ethical drug, gross profit decreased ¥1.1bln year on year. SG & A expenses fell given a decrease in general expenses. Consequently, operating income decreased 19.9% to ¥3.6bln, net income decreased 10.5% to ¥2.7bln year on year.

Consolidated Financial Results for the Fiscal Year Ending March 31, 2015(forecast)

The results forecasts for the first half and the full year announced on May 9, 2014 remain unchanged. (Progress compared with the forecast for the first half: net sales: 51.5%; operating income: 65.0%)

Highlights of Business Performance

(Units: ¥ billion)



Highlight ①

➤ Net Sales increased ¥0.2bn year on year.

Highlight ②

➤ Cost of Sales Ratio increased 4.8 points.
 ➤ Cost of Sales increased ¥1.3bn.
 • Drug price revisions
 • Sales of generic drugs increased
 • Sales of ethical drug overseas decreased

➤ Gross Profit decreased ¥1.2bn year on year.

Highlight ③

◇ SG&A expenses decreased ¥0.2bn year on year.
 • decrease of general expenses
 • increase of R&D expense (¥0.1bn)

◆ Operating Income decreased ¥0.9bn year on year.

Consolidated Financial Results

for the first Quarter ending March 31, 2015



Year on Year

(¥ billion)	Jun/2013	Jun/2014	change
Net Sales	26.2	26.4	+0.2
Ethical drugs Business	25.8	26.1	+0.3
◆Sales of new ethical drugs	22.2	21.2	-1.0
●Japan	21.6	21.0	-0.6
●Overseas	0.6	0.2	-0.4
◆Generic drugs	2.7	4.0	+1.3
◆Over-the-counter drugs	0.9	0.9	0.0
Healthcare (Skin care) Business	0.4	0.3	-0.1
Operating Income	4.5	3.6	-0.9
Ordinary Income	4.7	3.8	-0.9
Net Income	3.0	2.7	-0.3

■Net Sales	¥26.4bln	(+ 0.2)
◆Ethical drugs business	¥26.1bln	(+ 0.3)
●Sales of new ethical drugs	¥21.0bln	(-0.6)
<small>Jun/2013⇒Jun/2014</small>		
· Kipres	8.7 ⇒ 9.1 (+0.4)	
· Mucodyne	4.5 ⇒ 3.4 (-1.1)	
· Pentasa	4.7 ⇒ 4.3 (-0.4)	
· Uritos	1.9 ⇒ 1.6 (-0.3)	
· Flutiform	0 ⇒ 0.4 (+0.4)	
●Sales of new ethical drugs in Overseas	¥0.2bln	(-0.4)
· Gatifloxacin	0.5 ⇒ 0.1 (-0.4)	
●Sales of Generic drugs	¥4.0bln	(+ 1.3)
· Health insurance pharmacy market's sales and Contract manufacturing's sales increased		
●Sales of Over-the-counter drugs	¥0.9bln	(0.0)
◆Healthcare (Skin care) Business	¥0.3bln	(-0.1)
■Operating Income	¥3.6bln	(-0.9)
◆Operating Income margin decreased 3.5 percentage points to 13.5%		
●Cost of Sales Ratio : increased 4.8 percentage points (36.4%⇒41.2%)		
· Drug price revisions (in the 3%range for KYORIN Pharmaceutical).		
· Sales of generic drugs increased.		
· Sales of Gatifloxacin decreased.		
●R&D Ratio : increased 0.2 percentage points (9.1%⇒9.3%)		
· ¥2.4bln⇒¥2.5bln +¥1bln		
●SG&A Ratio (excluding R&D expenses) : decreased 1.4 percentage points (37.4%⇒36.0%)		
· ¥9.8bln⇒¥9.5bln -¥0.3bln		
decrease of head office relocation expenses etc.		
■Net Income	¥2.7bln	(-0.3)

Actual and Forecast of Main Subsidiary Companies



(Units: ¥ billion)

KYORIN pharmaceutical	First quarter Jun/2013 (results)	First quarter Jun/2014 (results)	FY 2013 (results)	FY2014 (forecast)
Sales	23.3	22.7	97.7	98.5
Operating profit	4.1	2.9	15.4	14.3
Net profit	3.0	2.4	10.8	10.4

KYORIN Rimedio	First quarter Jun/2013 (results)	First quarter Jun/2014 (results)	FY 2013 (results)	FY2014 (forecast)
Sales	2.9	4.1	12.4	13.2
Operating profit	0.2	0.6	1.0	0.7
Net profit	0.1	0.4	0.6	0.5

Dr. Program	First quarter Jun/2013 (results)	First quarter Jun/2014 (results)	FY 2013 (results)	FY2014 (forecast)
Sales	0.4	0.3	1.8	1.7
Operating profit	0.1	0.0	0.2	0.0
Net profit	0.1	0.0	0.2	0.0

Main Product Sales Update

(Units: ¥ billion)

Product name		Interim term		Full term		First quarter (April 1 to June 30)				
		FY2013 (results)	FY2014 (forecast)	FY2013 (results)	FY2014 (forecast)	FY2013 (results)	FY2014 (results)	YoY change (%)	Progress to Interim term forecast(%)	Progress to Full term forecast(%)
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	17.1	17.3	40.2	40.3	8.7	9.1	+4.5%	52.1%	22.5%
	Mucodyne (Mucoregulant)	8.2	7.2	18.4	16.0	4.5	3.4	-25.3%	46.7%	21.0%
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.4	8.9	18.6	17.5	4.7	4.3	-7.5%	48.0%	24.6%
	Uritos (Kyorin) (Overactive bladder)	3.7	3.7	8.1	8.2	1.9	1.6	-17.8%	42.1%	19.4%
	Ketas (For bronchial asthma and cerebrovasculas disorders)	1.5	1.2	2.8	2.5	0.8	0.6	-27.6%	42.8%	21.9%
	Flutiform (Anti-asthmatic)	—	0.8	0.6	2.8	—	0.4	—	55.5%	15.3%
Sales of new ethical drugs (over seas)	Gatifloxacin (Bulk · Royalty)	1.0	0.1	1.5	0.5	0.5	0.1	-75.6%	80.9%	22.5%
Over-the- counter drugs	Milton (Disinfectant)	1.0	1.0	2.1	2.0	0.5	0.4	-4.9%	44.3%	21.9%

Main R&D Activities -1 (July 29, 2014 Release)

Ph III ~ Application submitted

※Changes from the previous announcement (May 9 2014)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Application submitted (3/2014)	(Europe) Almirall : Launched(9/2012) (US) Forest Pharmaceuticals : Launched (12/2012)	KRP-AB1102 (Inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	- New Chemical Entity: Acclidinium Bromide - Long Acting Muscarinic Agonist (LAMA) - Twice Daily administration -Onset of Action on the first day Genuair® 1) Designed with a feedback system, which through a 'colored control window' and an audible click helps confirm that the patient has inhaled correctly 2) Counter for remaining doses 3) Safety features such as an anti-double-dosing mechanism and an end-of-dose lock-out system to prevent use of an empty inhaler	License agreement with Almirall (2/2011)
PhIII (8/2013)	(Europe) Almirall : Application submitted (10/2013) (US) Forest Laboratories : PhIII	KRP-AB1102F (Fixed dose combination inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	Combination of aclidinium bromide with the long acting beta agonist formoterol : This combination is aimed at providing higher efficacy than each component alone,as well as the improved convenience of having the two products in the same easy to use inhalation device.This is currently in phase III clinical development.	
※PhIII Clinical trial to be prepared	Ph II clinical trial end Merck & Co.,	KRP-114V	Overactive bladder	Merck & Co.,	KRP-114V is expected to improve urinary frequency through stimulation of the beta 3 receptor in bladder which improves bladder muscle relaxation.	License agreement with Merck & Co., Inc.,(7/2014)

※ Discontinued development of KIPRES (Chewable, Oral Granules's additional indication for pediatric patient) deleted it from the list of R&D activities.

Main R&D Activities -2 (July 29, 2014 Release)

POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement (May 9 2014)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph II (8/2011)	Ph III Merz	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	License agreement with Merz (11/2009) Merz:Ph I clinical trial of Japanese patients in US completed (3/2010)
Ph II (3/2013)	Ph II (POC) (12/2010) (Novartis)	KRP-203	Transplantation, autoimmune diseases, and IBD	In-house	An immunosuppressant with a novel mechanism called an 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 immunomodulator.	License agreement with Novartis (2/2006) New license agreement IBD (11/2010)
Ph II (9/2013)		KRP-AM1977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	①Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA) ②Outstanding ADME (oral absorption, tissue migration) ③High degree of safety expected since safety hurdles cleared prior to clinical trials	
※Ph II (6/2014)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house		
Ph I (10/2013)		KRP-EPA605	Overactive bladder	In-house	KRP-EPA605 is a novel selective prostaglandin EP1 receptor, and expected to improve urinary frequency by suppressing detrusor overactivity of the bladder	•Co-development with KISSEI PHARMACEUTICAL CO., LTD.

※ planning to develop gene-therapy product 「Ad-SGE-REIC」 for the treatment of Malignant Pleural Mesothelioma

Reference

Segment information for the first Quarter Ending March 31, 2015

Sales, Profit or Loss of each report segment

(Units:¥ billion)	Sales	Year on Year	Profit	Year on Year
total	26.4	+0.2	3.6	-0.9
Ethical drugs business	26.1	+0.3	3.5	-0.8
◆Sales of new ethical drugs	21.2	-1.0		
●Japan	21.0	-0.6		
●Overseas	0.2	-0.4		
◆Generic drugs	4.0	+1.3		
◆Over-the-counter drugs	0.9	0.0		
Healthcare(Skincare) business	0.3	-0.1	0.0	-0.1
Amount of adjustment	-	-	0.1	0.0

(Note) The Company is applying the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information. As a result, the reported segments are the Ethical Drugs Business and the Consumer Healthcare Business.

Consolidated Financial Results for the first Quarter ending March 31, 2015

(Units: ¥million)	Interim term		Full term		First quarter (April 1 to June 30)					
	FY2013 (results)	FY2014 (forecast)	FY2013 (results)	FY2014 (forecast)	FY2013 (results)	FY2014 (results)	Change	YoY change (%)	Progress to interim term forecast (%)	Progress to full term forecast (%)
Sales	50,851	51,300	111,400	112,200	26,239	26,397	+157	+0.6%	51.5%	23.5%
Ethical drugs business	50,040	50,600	109,678	110,500	25,801	26,093	+292	+1.1%	51.6%	23.6%
◆Sales of new ethical drugs	42,858	42,100	93,518	93,100	22,215	21,206	-1,008	-4.5%	50.4%	22.8%
●Japan	41,697	41,700	91,668	92,100	21,582	20,981	-600	-2.8%	50.3%	22.8%
●Overseas	1,160	400	1,849	1,000	633	224	-408	-64.5%	56.2%	22.5%
◆Generic drugs	5,184	6,400	11,987	12,700	2,686	3,973	+1,286	+47.9%	62.1%	31.3%
◆OTC drugs and others	1,997	2,100	4,172	4,600	899	913	+14	+1.6%	43.5%	19.9%
Consumer healthcare business	810	700	1,721	1,700	438	303	-134	-30.8%	43.3%	17.8%
Operating income	6,213	5,500	17,607	15,800	4,465	3,575	-889	-19.9%	65.0%	22.6%
Ordinary income	6,531	5,700	18,281	16,300	4,681	3,847	-834	-17.8%	67.5%	23.6%
Net income	4,397	3,900	12,025	11,300	2,996	2,681	-315	-10.5%	68.7%	23.7%