

Financial Results for Fiscal 2014

May 14 , 2015
KYORIN Holdings, Inc.
President Masahiro Yamashita



- Outline of Consolidated Financial Results
- Trends of mainstay products
- Status of development pipeline
- Consolidated Financial Results Forecast and Dividends

Outline of Consolidated Financial Results

Outline of Consolidated Financial Results for Fiscal 2014 *Kyorin*

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(unit : ¥billion)

	FY2013	FY2014	Change	Change(%)	Change (forecast)
Net Sales	111.4	113.1	+1.7	+1.5	+1.4
Operating Income	17.6	14.7	-2.9	-16.3	+0.9
Ordinary Income	18.3	15.5	-2.8	-15.3	+1.2
Net Income	12.0	12.1	+0.1	+0.3	+0.5

Segment Sales

(unit : ¥billion)

			FY2013	FY2014	Change	Change(%)	Change (forecast)
Net Sales			111.4	113.1	+1.7	+1.5	+1.4
			109.7	111.8	+2.1	+1.9	+1.8
Ethical drugs business	Sales of new ethical drugs		93.5	92.1	-1.4	-1.5	+1.3
		Japan	91.7	91.1	-0.6	-0.6	+1.4
		Overseas	1.8	1.0	-0.8	-44.2	0.0
	Generic drugs		12.0	15.5	+3.5	+29.1	+0.5
	Over-the-counter drugs		4.2	4.2	0.0	+0.3	0.0
Healthcare Business			1.7	1.3	-0.4	-21.6	-0.3

	change (y/y)	change (forecast)	Explanation of Variances
new ethical drugs	-1.4	+1.3	<p>【Japan】</p> <ul style="list-style-type: none"> ➢ Increase of new product Fultiform, Kipres ➢ Decrease of Mucodyne, Pentasa (Drug price revisions, increase of generic drugs sales) <p>【Overseas】</p> <ul style="list-style-type: none"> ➢ sales of Gatifloxacin decreased effect of generic product was launched in USA (sales of USA: FY13 \$61MM→FY14 \$32MM)
Generic drugs	+3.5	+0.5	<ul style="list-style-type: none"> ➢ Health insurance pharmacy market's sales and Contract manufacturing's sales increased

Breakdown of Gain and Loss

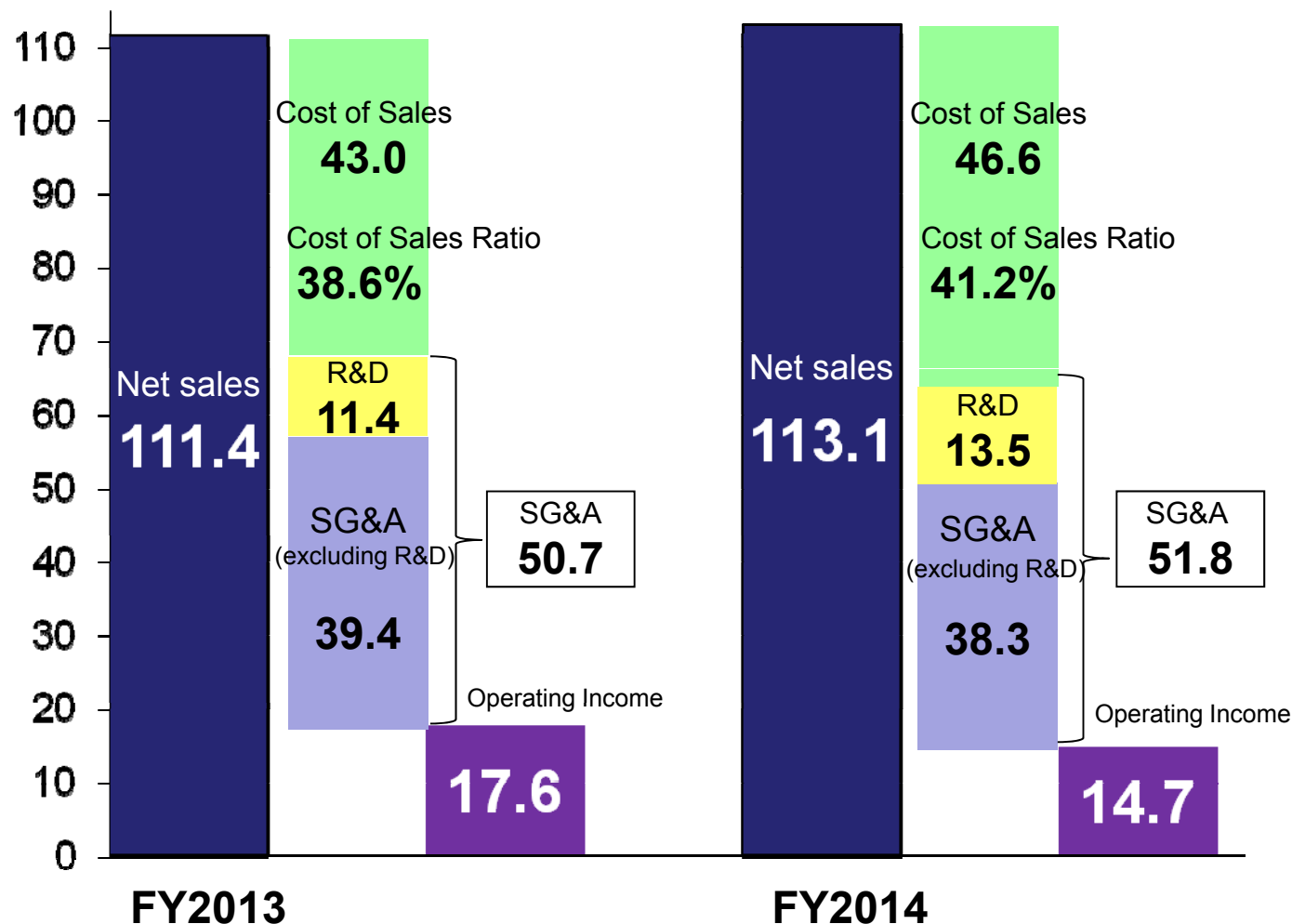
(unit : ¥billion)

	FY2013	FY2014	Change	Change(%)	Change (forecast)
Net Sales	111.4	113.1	+1.7	+1.5	+1.4
Cost of Sales	43.0	46.6	+3.6	+8.2	—
SG&A	50.7	51.8	+1.1	+2.1	—
R&D expenses	11.4	13.5	+2.1	+19.0	−0.1
SG&A expenses	39.4	38.3	−1.1	−2.8	—
Operating Income	17.6	14.7	−2.9	−16.3	+0.9
Ordinary Income	18.3	15.5	−2.8	−15.3	+1.2
Net Income	12.0	12.1	+0.1	+0.3	+0.5

	change (y/y)	change (forecast)	Explanation of Variances
Operating Income	−29	+9	<ul style="list-style-type: none"> ➢ gross profit : decreased ¥1.9bn (cost of sales ratio increased 2.6% , cost of sales increased ¥3.6bn) <ul style="list-style-type: none"> · Drug price revisions ,Product sales mix(increase of generic drugs sales) ➢ R&D expense increased ¥2.1bn (up front payment of KRP-114V, progress of pipeline) ➢ SG&A (exclude R&D) expense decreased ¥1.1bn (decrease of sales costs)
Net Income	+1	+5	<ul style="list-style-type: none"> ➢ extraordinary income : <ul style="list-style-type: none"> 4.5 billion yen for the transfer of the land and building of the former head office building ➢ extraordinary losses : <ul style="list-style-type: none"> 2.4 billion yen for the use of the vacant lot of the Pharmaceutical Discovery Research Laboratories

Highlights of Business Performance

(Units: ¥ billion)



➤ **Net Sales increased ¥1.7billion year on year.**

- increase of Flutiform, Kipres sales
- decrease of long listed drugs sales
- increase of generic drugs sales

➤ **Cost of Sales increased ¥3.6 billion.**

(Cost of sales ratio increased 2.6%)

- Drug price revisions
- Product sales mix (increase of generic drugs sales)

■ **Gross Profit decreased ¥1.9billion year on year**

➤ **SG&A expenses increased ¥1.1billion year on year**

- R&D expenses increased ¥2.1billion
- SG&A (excluding R&D) decreased ¥1.1billion

■ **Operating Income decreased ¥2.9billion year on year**

Mainstay Product Sales

(unit : ¥billion)

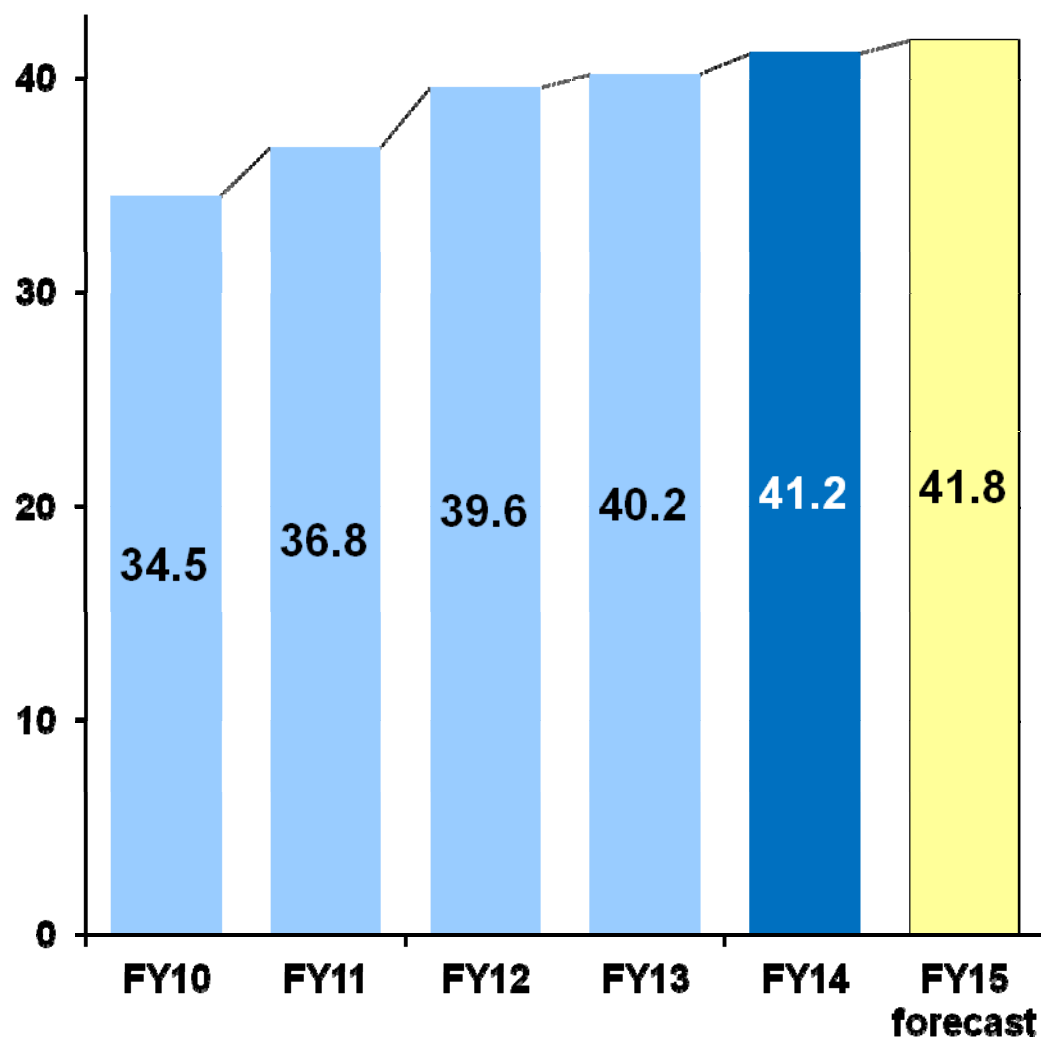
	FY2013	FY2014	Change	Change(%)	Change (forecast)
Kipres	40.2	41.2	+1.0	+2.7	+1.0
Flutiform	0.6	3.6	+3.0	+518.9	-0.3
Uritos	8.1	7.3	-0.8	-9.5	-0.2
Mucodyne	18.4	14.0	-4.4	-23.7	+0.2
Pentasa	18.6	17.2	-1.4	-7.4	+0.5

Trends of mainstay products

■ New drugs group

Kipres 【Bronchial asthma and allergic rhinitis treatment】

(unit : ¥billion)



■ status of FY2014

- **LT antagonists market : shrink 1%**

¥127.4bln(FY2013) ⇒ ¥126.2(FY2014) ※1

- **share of Kipres sales**

36.0%(FY2013) ⇒ 37.6%(FY2014) ※2

■ effort for FY2015

- **Establish position as base drug for treatment of allergic rhinitis(perennial and seasonal) and growth in new prescriptions**

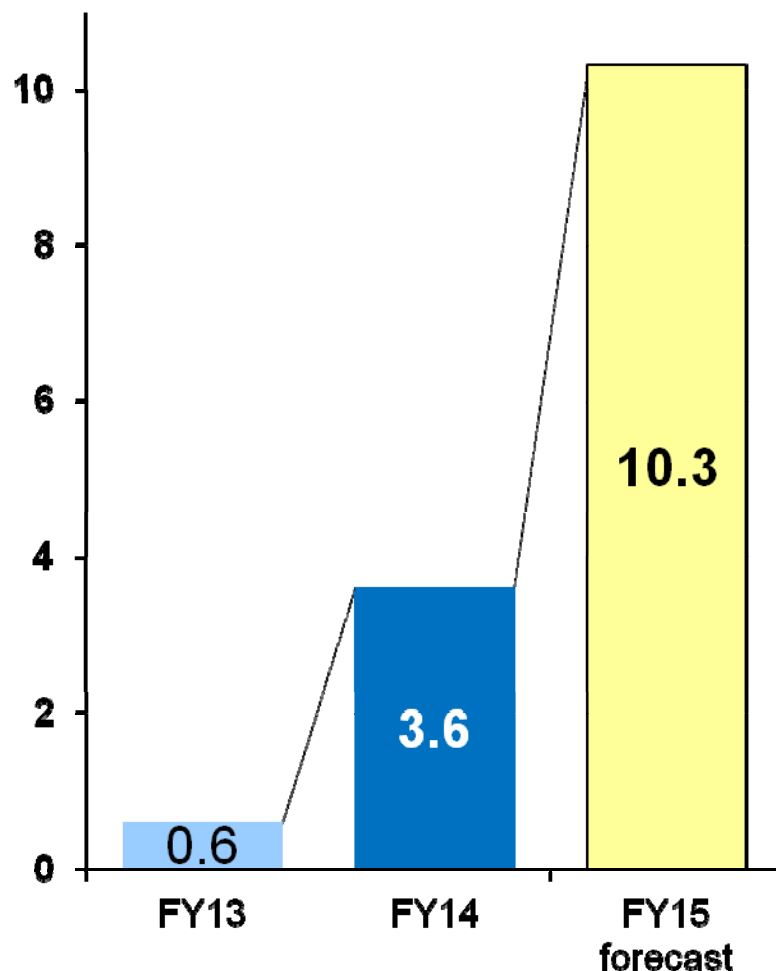
- **Further promote prescription to asthma patient**

- **Consideration of life cycle management**

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■ New drugs group Flutiform 【Anti-asthmatic】

(unit : ¥billion)



■ status of FY2014

● ICS/LABA market : expand 3.3%

¥94.1bIn(FY2013) ⇒ ¥97.1(FY2014) ※1

■ effort for FY2015

● Further promote prescription to partly controlled asthma patients

※Even if it has taken controller, 60 to 80% of the patients (treatment steps2~4) are Partly Controlled

● Promote understanding of the advanced pMDI device

(The device makes it easy to inhale the drug and allows the drug to reach the central airway and the distal airways.)

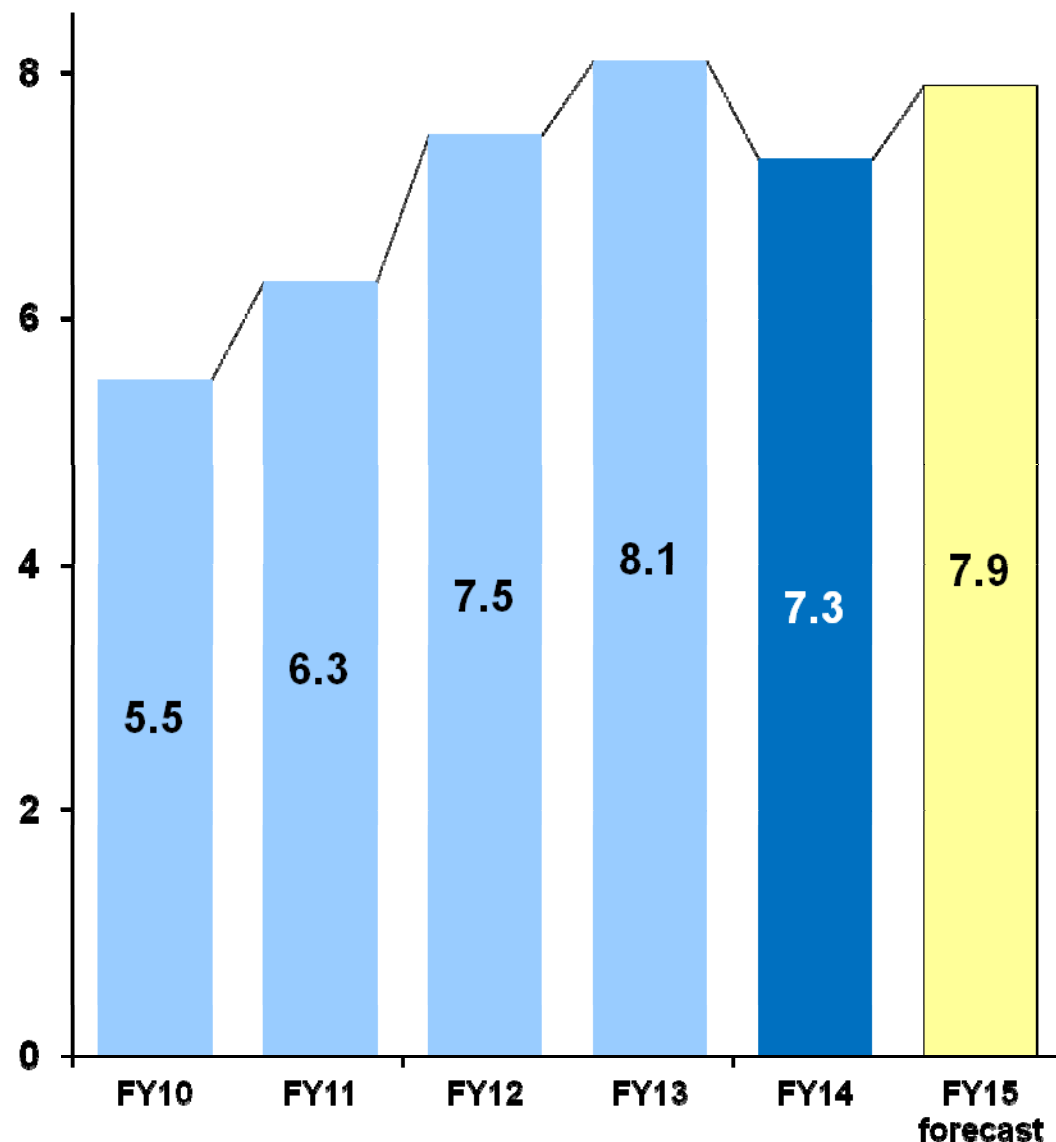
● Further promote prescription of a longer-term prescription formulation(30days,120 inhalations)

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■ New drugs group

Uritos 【Overactive bladder】

(unit : ¥billion)



■ status of FY2014

- **OAB market : expand 3.6%**

¥77.9bln (FY2013) ⇒ ¥80.6bln (FY2014) ※1

- **share of Uritos sales**

10.2% (FY2013) ⇒ 10.2% (FY2014) ※2

■ effort for FY2015

- **Uncovering potential markets**

FY14 : consultation rate 30%

- **Further promote prescription to anocturia patient**

- **Pervading usability**

prescriptions based on EBM (OAB patient with BPH ※3)

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※3 benign prostatic hypertrophy

■ New drugs group
Eklira Genuair 【 COPD 】

▪ Approved on March 2015

【About 「Eklira[®] Genuair[®]」】

1. Brand name :Eklira[®] 400μg Genuair[®] 30 inhalations
2. Active ingredient :Acidinium Bromide
3. Indication :Relief from symptoms arising from respiratory tract *obstruction* in COPD patients (*chronic* bronchitis, pulmonary emphysema)
4. Dosage and administration :Adults should use Eklira[®] Genuair[®] (400μg Acidinium Bromide) 2 times per day (1 inhalation per application).
5. Feature: ①Genuair[®] (inhaler) is easy to operate and allows a user to confirm that inhalation has been properly completed.
②Twice-daily administration of Genuair[®] improves day-long respiratory function. It also helps to alleviate clinical symptoms and improve QOL, inhibiting aggravation.
③Genuair[®] rapidly decomposes into an inactive metabolite in the blood.



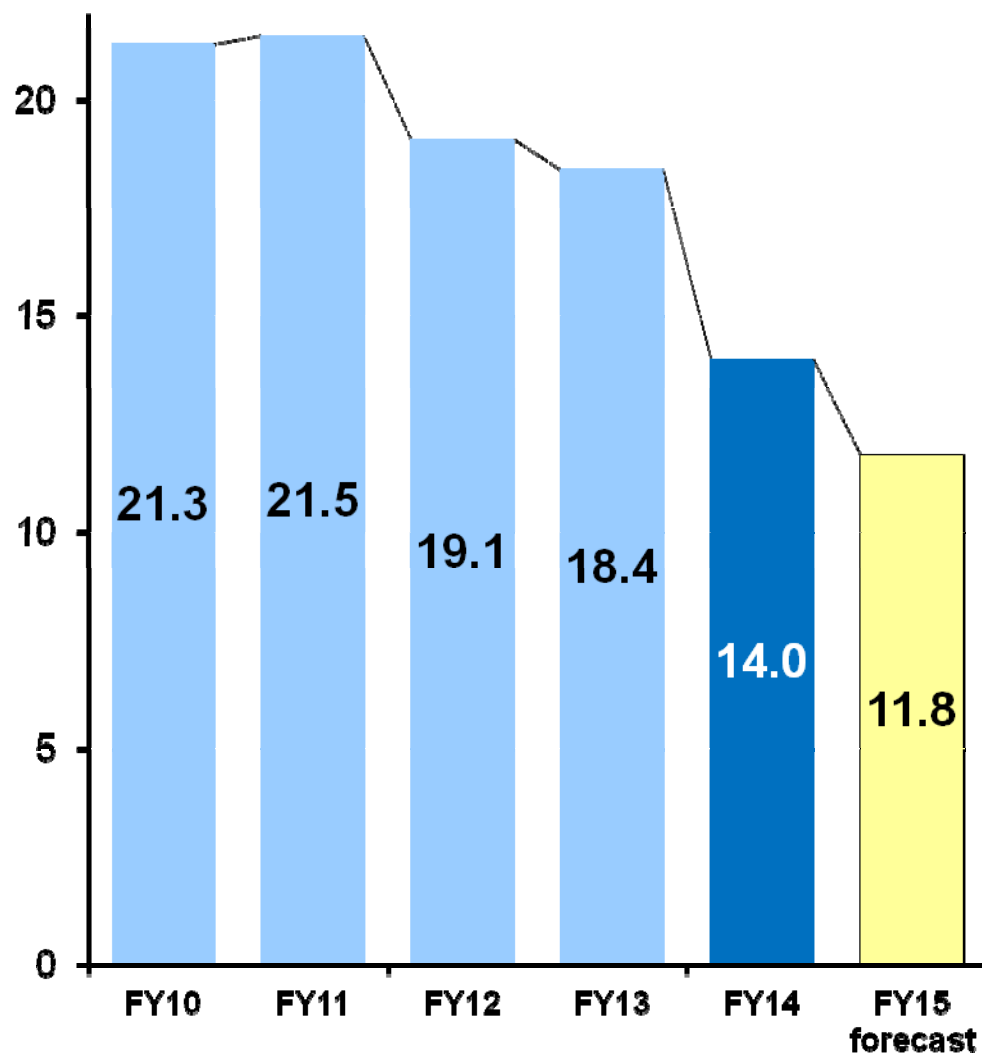
【Future Plans】

Expected to launch after the drug price listed on May

Original products group

Mucodyne 【 Mucoregulating drug 】

(unit : ¥billion)



status of FY2014

- expectorant market : shrink 11%

¥43.5bln (FY2013) ⇒ ¥38.8bln (FY2014) ※1

- share of Mucodyne sales

46.2% (FY2013) ⇒ 41.4% (FY2014) ※2

share of generic (Carbocisteine)

7.4% (FY2013) ⇒ 11.7% (FY2014) ※3

effort for FY2015

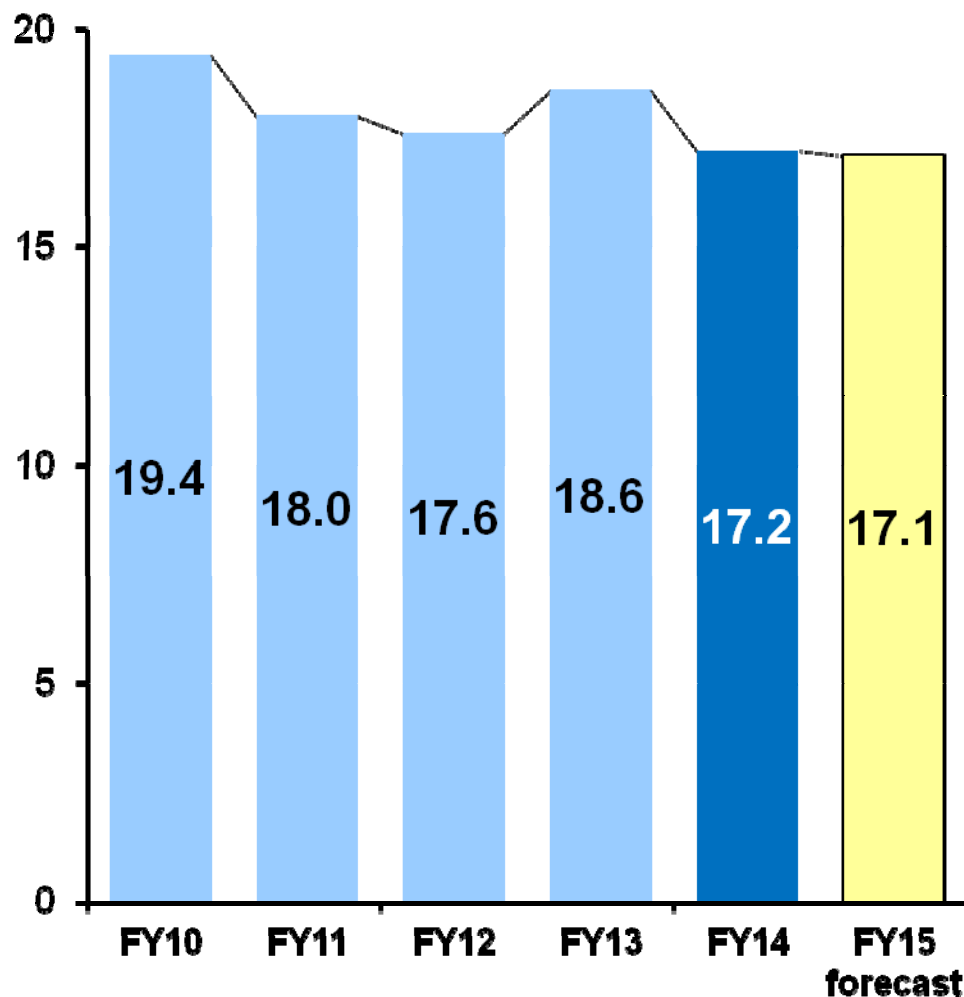
- Maximize uptake and prescriptions of 「DS50%」

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Original products group

Pentasa 【Ulcerative colitis and Crohn's disease treatment】

(unit : ¥billion)



status of FY2014

- market (Mesalazine etc.) : expand 2%

¥37.9bIn (FY2013) ⇒ ¥38.6bIn (FY2014) ※1

- share of Pentasa sales

52.7% (FY2013) ⇒ 50.1% (FY2014) ※2

share of generic

2.0% (FY2013) ⇒ 3.1% (FY2014) ※3

effort for FY2015

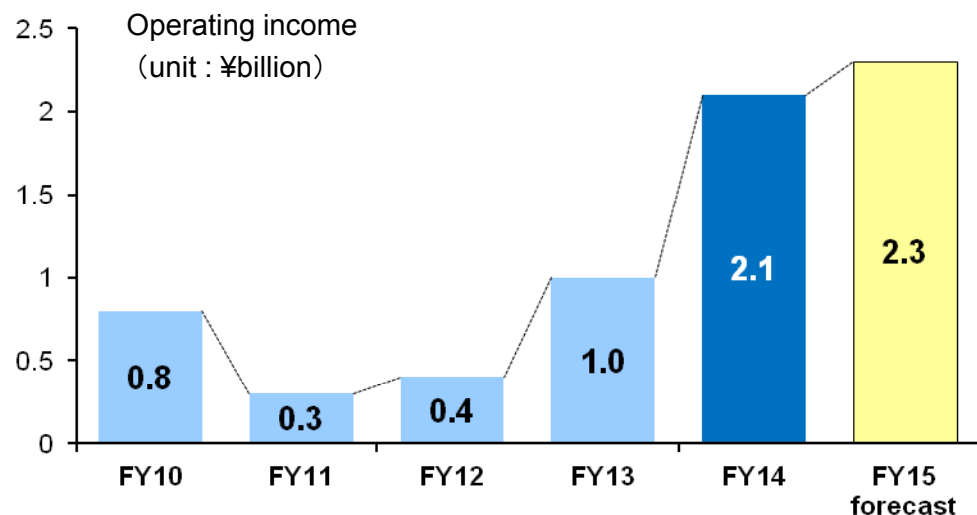
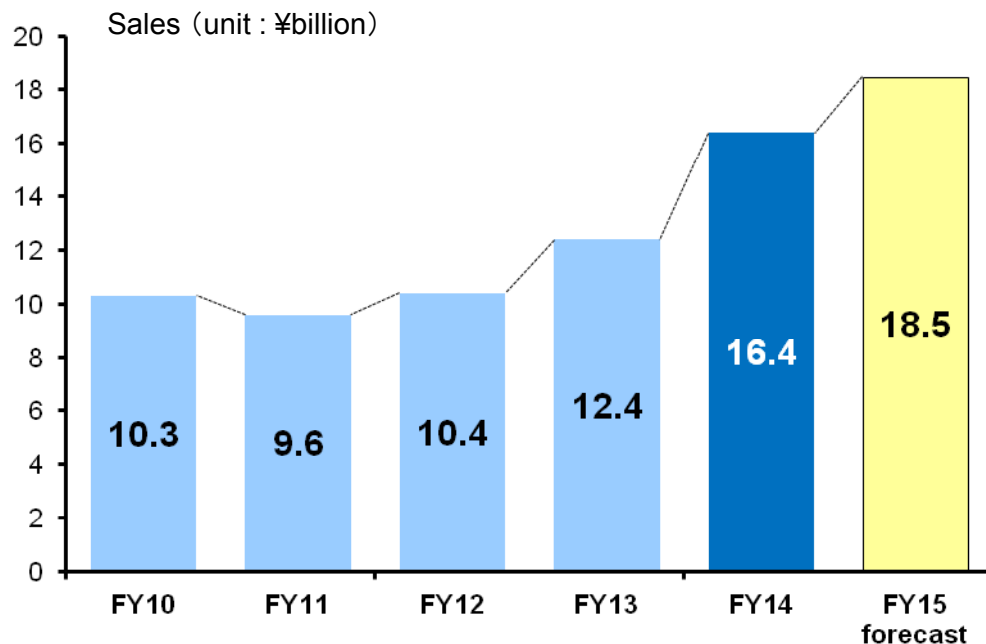
- market penetration of suppositories

- Consideration of life cycle management

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■ Generic drugs group

Status of Generic Drugs



■ status of FY2014

- sales : +¥0.4bln (+32.8%) year on year
- operating income :
+ ¥1.1bln (+115.5%) year on year
- expand of supplementary Item
- increase of contract manufacturing sales
- improve of cost of sales ratio

■ effort for FY2015

➤ Promotion of alliances

- Promote in-house development and contracting work

➤ Strengthen alliances with sales initiatives of KYORIN Pharmaceutical and KYORIN Rimedio

- Sales : +¥2.1bln (+12.9%) year on year
- operating income :
+ ¥0.2bln (+11.0%) year on year
- increase of strategic products and Supplementary Item
【supplementary Item】 Clopidogrel, Naftopidil
- reducing cost of sales

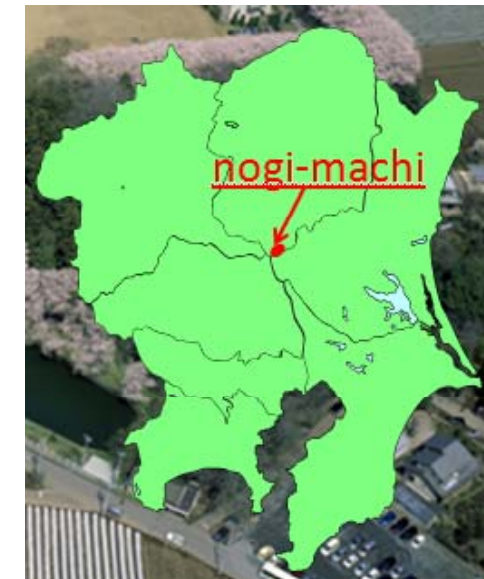
Status of development pipeline

establish of a new Pharmaceutical Discovery Research Laboratories

a new organization
「 WATARASE Research Center 」

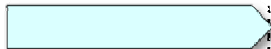
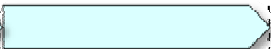
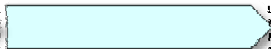


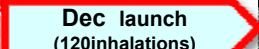





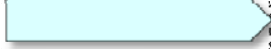





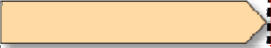










- location : 1848, Nogi, Nogi-machi, Shimotsuga-gun, Tochigi
- commencement of construction : Jan / 2014
- completion of construction : May / 2015
- commence operations : Jul / 2015



reform a research system and develop a new drug for specific disease

Drug Development Pipeline: Progress in FY2014, schedule of FY2015

	Product & development code	Ph I	Ph II	Ph III	application	Approval/ Launch
Respiratory	Fultiform					 
	Eklira Genuair					 
	KRP-AB1102F					
	Ad-SGE-REIC					
Infections	KRP-AM1977X					
	KRP-AM1977Y					
Otolaryngological	KRP-209		 			
	(Desloratadine Co-Marketing Agreement for Japan with MSD K.K. affiliate.)					
Urological	KRP-114V					
IBD	KRP-203					

 progress in FY14

 schedule of FY15

Antibacterial agent : KRP-AM1977X , KRP-AM1977Y *Kyorin*

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Features: (1) Superior ability to overcome drug-resistant gram-positive bacteria, (2) Migration to a target organ, (3) Expect a high level of safety

Status of development : KRP-AM1977X

●Clinical trials: Ph2 (completed)

Study design: Evaluation of efficacy, safety and pharmacokinetics in patients with community acquired pneumonia
target disease: Mild to moderate community acquired pneumonia
Dosage regimen: Once-daily oral administration in a dose of 75mg/day or 150mg/day

Study result

- ✓ Safety and early evaluation of drug efficacy were as expected
- ✓ Higher safety was also verified

●Clinical trials: Ph3 (started in April 2015)

◆Respiratory field

Study design: Double-blind comparative study in patients with community acquired pneumonia

◆Otorhinolaryngology field

Study design: Double-blind comparative study in patients with sinusitis

Status of development : KRP-AM1977Y

●Clinical trials: Ph2 (started in June 2015)

Study design: Evaluation of efficacy, safety and pharmacokinetics in patients with community acquired pneumonia

target disease: Mild to moderate community acquired pneumonia
(including mycoplasma pneumonia, chlamydial pneumonia, and Legionella pneumonia)

Dosage regimen: Once-daily intravenous infusion in a dose of 150 mg or 300 on Day 1, and 75 mg or 150 mg on Day 2 and after

Aim for early application/launch

Gene-Therapy Product「Ad-SGE-REIC」

Features : It is expected to have direct effect on primary tumor lesions and indirect effect on metastatic tumor lesions as a gene-therapy drug that simultaneously induces tumor cell-selective apoptosis and the activation of antitumor immunity. Ad-SGE-REIC used in this project uses an adenovirus as a vector.

Development environment :

- Gene-Therapy Product adopted as Next Generation Technology Transfer Program (NexTEP) by JST. ※1
- Creation of the conditional/time limited approval system (Nov/2014)※2

Status of development : Provide pharmacological effect and safety in preclinical trial

Aim to start clinical trial (Ph1 / Ph2) In this fiscal year

Target disease : Malignant Pleural Mesothelioma

※1 A system through which the Japan Science and Technology Agency (JST) supports large-scale development that enterprises undertake using the seeds based on research results from academia and that may involve development risks to facilitate practical application.

※2 A system under which products for regenerative medicine, including gene-therapy drugs, are specially approved with conditions and for a limited period of time if they are presumed to be effective and their safety is confirmed, even if the number of cases is small.

Consolidated Financial Results Forecast and Dividends

Consolidated Financial Results Forecast for the Year Ending March 31, 2016

(unit : ¥billion)

		FY2014	FY2015 forecast	Change	Change(%)
Net Sales		113.1	120.2	+7.1	+6.3
	Ethical drugs business	111.8	118.6	+6.8	+6.1
	Healthcare(skincare) Business	1.3	1.6	+0.3	+25.5
Operating Income		14.7	16.0	+1.3	+8.6
Ordinary Income		15.5	16.3	+0.8	+5.2
Net Income		12.1	11.5	-0.6	-4.7

		FY2015 Forecast	change	Explanation of Variances
Net sales	new ethical drugs (Japan)	94.7	+3.6	•increase of new ethical drugs , such asFlutiform
	new ethical drugs (Overseas)	1.0	0.0	(sales of Allergan : FY14 \$32MM→FY15 \$23MM)
	Generic drugs	18.2	+2.7	•increase of Health insurance pharmacy market's sales
Operating Income		16.0	+1.3	>gross profit •We expect gross profit rise due to the increase of net sales. >R&D expense : ¥13.4bln (−¥0.1bln year on year) >SG&A Expenses (excluding R&D Expenses) : increase of sales and labor costs

【for reference: year on year】

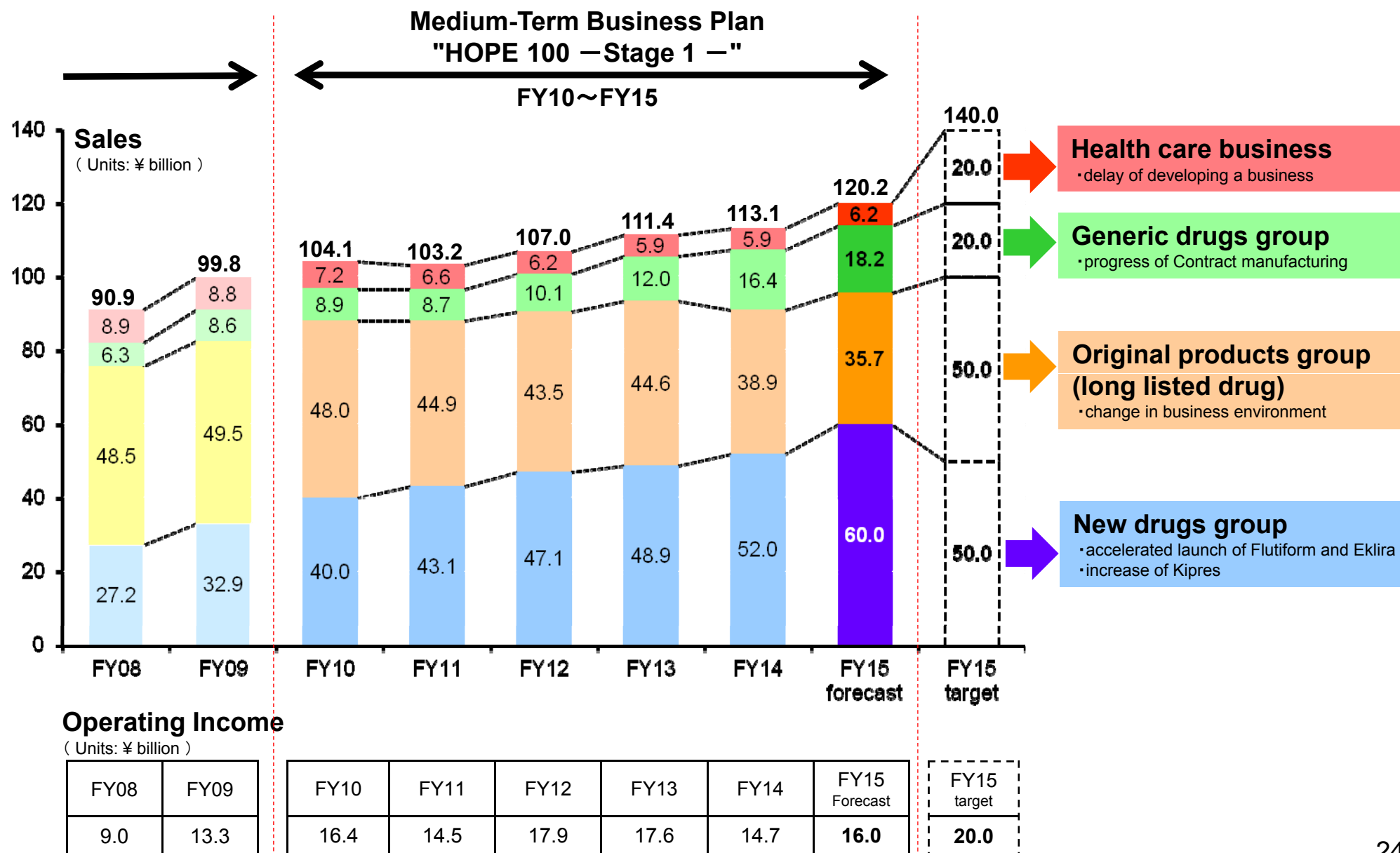
①Cost of sales ratio : increased 1% points ② SG&A ratio(include R&D expense): decreased 1% points

Forecast of Mainstay Product Sales

(unit : ¥billion)

	FY2014	FY2015 Forecast	Change	Change(%)
Kipres	41.2	41.8	+0.6	+1.5
Flutiform	3.6	10.3	+6.7	+185.4
Uritos	7.3	7.9	+0.6	+9.4
Mucodyne	14.0	11.8	-2.2	-15.6
Pentasa	17.2	17.1	-0.1	-0.3

progress of Medium-Term Business Plan "HOPE 100 – Stage 1 –"



Shareholder Returns

Basic Policy

The Company seeks to enhance its management base by balancing investments for growth and business continuity with shareholder returns. To this end, the Company aims for a consolidated payout ratio to shareholders of 30%.

Net Income

	FY2014 (forecast)	FY2014
Net Income	¥11.6bln	¥12.1bln

FY2015 (forecast)
¥11.5bln

Dividends

	FY2014 (forecast)	FY2014
Dividend per share (Yen)	¥52.00 (interim ¥20.00)	¥52.00 (interim ¥20.00)
Consolidated payout ratio(%)	33.5%	32.2%

FY2015 (forecast)
¥52.00 (interim ¥20.00)
33.8%

Reference

P&L Summary: Consolidated Results – (1)

(Units: ¥ million)

	FY2013		FY2014			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	111,400	100.0%	113,121	100.0%	+1.5	+1,721
■ Ethical Drugs business	109,678	98.5%	111,771	98.8%	+1.9	+2,093
◆ Sales of new Ethical Drugs	93,518	83.9%	92,111	81.4%	-1.5	-1,407
○ Japan	91,668	82.3%	91,079	80.5%	-0.6	-589
○ Overseas	1,849	1.7%	1,032	0.9%	-44.2	-817
◆ Generic Drugs	11,987	10.8%	15,477	13.7%	+29.1	+3,490
◆ Over-the-counter Drugs and Others	4,172	3.7%	4,183	3.7%	+0.3	+11
■ Consumer Healthcare Business	1,721	1.5%	1,349	1.2%	-21.6	-372

<Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (8) :

KYORIN Pharmaceutical Co., Ltd.
Kyorin USA, Inc.
Kyorin Europe GmbH
ActivX Biosciences, Inc.
KYORIN Rimedio Co., Ltd.
Dr. Program Co., Ltd.
KYORIN Medical Supply Co., Ltd.
KYORIN Pharmaceutical Facilities Co., Ltd

Equity-Method Affiliates: Nippon Rika Co., Ltd.

< Breakdown >

			change
■ Sales	¥ 113,121		(+¥1,721)
● Ethical drug sales in Japan	¥91,079		(- ¥589)
	FY13	FY14	(¥:billion)
• Kipres	40.2	⇒ 41.2	(+1.0)
• Mucodine	18.4	⇒ 14.0	(-4.4)
• Pentasa	18.6	⇒ 17.2	(-1.4)
• Uritos	8.1	⇒ 7.3	(-0.8)
• Flutiform	0.6	⇒ 3.6	(+3.0)
● Ethical drug sales overseas	¥1,032		(- ¥817)
• Gatifloxacin	1.5	⇒ 0.6	(-0.9)
● Generic Drugs	¥ 15,477		(+¥3,490)
	* Health insurance pharmacy market's sales and contract manufacturing's sales increased.		
● Over-the-counter Drugs and Others	¥4,183		(+ ¥11)
● Consumer Healthcare Business	¥1,349		(- ¥372)
	* decrease of Dr.Program's sales		

P&L Summary: Consolidated Results – (2)

(Units: ¥ million)

	FY2013		FY2014			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	111,400	100.0%	113,121	100.0%	+1.5%	+1,721
Cost of Sales	43,047	38.6%	46,598	41.2%	+8.2%	+3,551
Gross Profit	68,352	61.4%	66,522	58.8%	-2.7%	-1,830
SG&A (Incl. R&D expenses)	50,744 (11,359)	45.6% 10.2%	51,785 (13,514)	45.8% 11.9%	+2.1% +19.0%	+1,041 +2,155
Operating Income	17,607	15.8%	14,737	13.0%	-16.3%	-2,870
Non-Operating Income	732	0.7%	768	0.7%	+4.9%	+36
Non-Operating Expenses	59	0.1%	16	0.0%	-73.1%	-43
Ordinary Income	18,281	16.4%	15,490	13.7%	-15.3%	-2,791
Extraordinary Profits	237	0.2%	4,505	4.0%	+1799.4%	+4,268
Extraordinary Losses	205	0.2%	2,434	2.2%	+1085.8%	+2,229
Income before income taxes	18,312	16.4%	17,561	15.5%	-4.1%	-751
Corporate, inhabitants and enterprise taxes	5,095	4.6%	4,712	4.2%	-7.5%	-383
Tax adjustments	1,191	1.1%	785	0.7%	-34.1%	-406
Net Income	12,025	10.8%	12,064	10.7%	+0.3%	+39

< Breakdown >

- ◆ Cost of Sales Ratio : +2.6 percentage points
(38.6% → 41.2%)
 - Drug price revisions (in the 6% range for KYORIN Pharmaceutical).
 - Product sales mix (increase of generic drugs sales)
- ◆ R&D Ratio : +1.7 percentage points
(10.2% → 11.9%)
 - * ¥11.4bln → ¥13.5bln (increase ¥2.1bln)
 - upfront payment of KRP-114V, progress of pipeline
- ◆ SG&A (exclude R&D) Expenses : -1.6 percentage points
(35.4% → 33.8%)
 - * ¥39.4bln → ¥38.3bln (-¥1.1bln)
 - decrease of sales expenses
- Operating Income ¥14,737 (-¥2,870)
 - * Operating Income margin decreased 2.8 percentage points to 13.0%
- Net Income ¥12,064 (+¥39)
- Dividend per share ¥52.00
 - * Consolidated payout ratio 32.2%

BS Summary: Consolidated Results

(Units: ¥ million)	FY2013	
	Actual	%total
Current Assets	121,638	71.8%
Cash, deposits	31,017	
Notes and accounts receivable	44,123	
Mk securities	17,965	—
Inventory	21,699	
Other	6,833	
Fixed Assets	47,740	28.2%
Tangible assets	20,841	
Intangible assets	1,198	—
Investments	25,700	
Total Assets	169,378	100.0%

Current Liabilities	28,401	16.8%
Notes payable	11,056	—
Other	17,344	
Non-Current Liabilities	3,155	1.9%
Total Liabilities	31,557	18.6%
Owner's Equity	135,273	79.9%
Other Comprehensive Income	2,548	1.5%
Unrealized holding gain (loss) on securities	3,434	
Foreign currency translation adjustments	12	—
	-898	
Total Equity	137,821	81.4%
Total Liabilities and Equity	169,378	100.0%

FY2014		
Actual	% total	change
129,064	70.4%	+7,426
30,652		
47,007		
17,867	—	—
25,929		
7,607		
54,318	29.6%	+6,578
19,374		
1,184	—	—
33,760		
183,383	100.0%	+14,005

27,773	15.1%	-628
11,259		
16,513	—	—
7,009	3.8%	+3,854
34,782	19.0%	+3,225
140,518	76.6%	+5,245
8,082	4.4%	+5,534
7,798		
168	—	—
115		
148,600	81.0%	+10,779
183,383	100.0%	+14,005

< Breakdown >

■ Current Asset : +7,426

- Cash, deposits (-365)
- Notes and accounts receivable (+2,884)
- Mk securities (-98)
- Inventory (+4,230)

■ Fixed Assets : +6,578

- Tangible Assets (-1,467)
- Intangible Assets (-14)
- Investments (+8,060)

■ Current Liabi: -628

- Notes Payable (+203)
- Other (-831)

■ Non-Current Liabilities : +3,854

Financial summary (Consolidated)

(¥ million)	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Sales (Exports)	104,069 (2,784)	103,232 (2,015)	107,031 (2,400)	111,400 (1,849)	113,121 (1,032)	120,200 (1,000)
Cost of Sales (cost of Sales Ratio) (%)	37,554 (36.1%)	36,926 (35.8%)	40,133 (37.5%)	43,047 (38.6%)	46,598 (41.2%)	—
SG&A Ratio to Sales (%)	50,071 (48.1%)	51,842 (50.2%)	48,949 (45.7%)	50,744 (45.6%)	51,785 (45.8%)	—
R&D Expenses Ratio to Sales (%)	12,495 (12.0%)	13,964 (13.5%)	11,059 (10.3%)	11,359 (10.2%)	13,514 (11.9%)	13,400 (11.1%)
Operating Income Ratio to Sales (%)	16,443 (15.8%)	14,464 (14.0%)	17,948 (16.8%)	17,607 (15.8%)	14,737 (13.0%)	16,000 (13.3%)
Ordinary Income Ratio to Sales (%)	17,110 (16.4%)	15,275 (14.8%)	18,676 (17.4%)	18,281 (16.4%)	15,490 (13.7%)	16,300 (13.6%)
Net Income Ratio to Sales (%)	10,927 (10.5%)	9,231 (8.9%)	12,422 (11.6%)	12,025 (10.8%)	12,064 (10.7%)	11,500 (9.6%)
EPS (¥)	146.21	123.54	166.25	160.95	161.63	155.51
Capital	700	700	700	700	700	—
Assets	147,234	145,673	154,968	169,378	183,383	—
shareholder's equity	112,076	117,931	126,985	135,273	140,518	—
Total Equity	111,706	118,201	129,099	137,821	148,600	—
BPS (¥)	1,494.83	1,581.94	1,727.86	1,844.61	2,009.45	—
ROE (%)	10.1%	8.0%	10.0%	9.0%	8.4%	—
Equity Ratio (%)	75.9%	81.1%	83.3%	81.4%	81.0%	—
Employees	2,294	2,297	2,444	2,452	2,445	—
Capital Expenditure	1,668	1,952	6,576	6,500	2,655	8,700
Depreciation Expense	2,458	2,363	2,738	3,153	3,053	3,800

Segment information

Sales, Profit or Loss of each report segment

(Units: ¥ billion)

	Sales	change	Profit	Change
Net Sales (total)	113.1	+1.7	14.7	-2.9
Ethical drugs business	111.8	+2.1	14.6	-2.4
◆Sales of new ethical drugs	92.1	-1.4		
○Japan	91.1	-0.6		
○Overseas	1.0	-0.8		
◆Generic drugs	15.5	+3.5		
◆Over-the-counter drugs	4.2	0.0		
Healthcare(Skincare) business	1.3	-0.4	0.0	-0.2
Amount of adjustment	-	-	0.2	-0.3

(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.

P&L summary : KYORIN pharmaceutical (Non-consolidated)-(1)



(Units: ¥ million)

	FY2013		FY2014			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	97,662	100.0%	98,452	100.0%	+0.8%	+790
■ Ethical Drugs business	97,662	100.0%	98,452	100.0%	+0.8%	+790
◆ Sales of new Ethical Drugs	89,846	92.0%	88,852	90.2%	-1.1%	-994
○ Japan	88,196	90.3%	88,012	89.4%	-0.2%	-184
○ Overseas	1,650	1.7%	840	0.9%	-49.1%	-810
◆ Generic Drugs	4,821	4.9%	6,404	6.5%	+32.8%	+1,583
◆ Over-the-counter Drugs and Others	2,994	3.1%	3,195	3.2%	+6.7%	+201

< Breakdown >

■ Sales	¥ 98,452		change	(+¥790)
● Ethical drug sales in Japan	¥88,012		(- ¥184)	
	FY13	FY14	(¥:billion)	
• Kipres	40.2	⇒ 41.2	(+1.0)	
• Mucodine	18.4	⇒ 14.0	(-4.4)	
• Pentasa	18.6	⇒ 17.2	(-1.4)	
• Uritos	8.1	⇒ 7.3	(-0.8)	
• Flutiform	0.6	⇒ 3.6	(+3.0)	
● Ethical drug sales overseas	¥840		(- ¥810)	
• Gatifloxacin	1.5	⇒ 0.6	(-0.9)	
● Generic Drugs	¥ 6,404		(+¥1,583)	
	* increase of Kyorin Rimedio product sales			
● Over-the-counter Drugs and Others	¥3,195		(+ ¥201)	
• Milton	2.1	⇒ 2.0	(-0.1)	
• Rubysta	0.2	⇒ 0.5	(+0.3)	

P&L summary : KYORIN pharmaceutical (Non-consolidated)-(2)



(Units: ¥ million)

< Breakdown >

	FY2013		FY2014			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	97,662	100.0%	98,452	100.0%	+0.8%	+790
Cost of Sales	35,119	36.0%	38,951	39.6%	+10.9%	+3,832
Gross Profit	62,543	64.0%	59,501	60.4%	-4.9%	-3,042
SG&A (R&D Expenses)	47,175 (11,064)	48.3% (11.3%)	47,349 (12,843)	48.1% (13.0%)	+0.4% +16.1%	+174 +1,779
Operating Income	15,368	15.7%	12,151	12.3%	-20.9%	-3,217
Non-Operating Income	909	0.9%	964	1.0%	+6.1%	+55
Non-operating Expenses	46	0.0%	0	0.0%	-99.2%	-46
Ordinary Income	16,230	16.6%	13,115	13.3%	-19.2%	-3,115
Extraordinary Profits	235	0.2%	4,505	4.6%	+1810.4%	+4,270
Extraordinary Losses	52	0.1%	2,405	2.4%	+4521.7%	+2,353
Income before Income taxes	16,414	16.8%	15,215	15.5%	-7.3%	-1,199
Corporate, inhabitants and enterprise taxes	4,496	4.6%	3,998	4.1%	-11.1%	-498
Tax adjustments	1,094	1.1%	804	0.8%	-26.5%	-290
Net Income	10,823	11.1%	10,412	10.6%	-3.8%	-411

- ◆ Cost of Sales Ratio : +3.6percentage points
(36.0%→39.6%)
 - Drug price revisions (in the 6%range for KYORIN Pharmaceutical).
 - Product sales mix (increase of generic drugs sales)
- ◆ R&D Ratio : : +1.7 percentage points
(11.3%→13.0%)
 - * ¥11.1bln→¥12.8bln (+¥1.7bln)
 - upfront payment of KRP-114V, progress of pipeline
- ◆ SG&A (exclude R&D) Expenses :
-2.0 percentage Points (37.0%→35.0%)
- Operating Income **12,151 (-3,217)**
 - * Operating Income margin decreased 3.4percentage points to 12.3%
- Net Income **10,412 (-411)**

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(Units: ¥ million)

	FY2013	
	Actual	% total
Current Assets	92,209	70.4%
Cash, deposits	15,098	
Accounts receivable	40,133	
Mk securities	14,302	—
Inventory	17,969	
Other	4,705	
Fixed Assets	38,788	29.6%
Tangible assets	13,992	
Intangible assets	385	—
Investments	24,410	
Total Assets	130,997	100.0%

FY2013		
Actual	% total	change
97,822	68.4%	+5,613
14,587		
43,220		
12,804	—	—
21,763		
5,447		
45,145	31.6%	+6,357
12,324		
376	—	—
32,444		
142,967	100.0%	+11,970

Current Liabilities	20,446	15.6%
Notes Payable	7,473	—
Other	12,973	
Non-Current Liabilities	944	0.7%
Total Liabilities	21,391	16.3%
Owner's Equity	106,211	81.1%
Valuation and translation adjustments	3,394	2.6%
Total Equity	109,606	83.7%
Total Liabilities and Equity	130,997	100.0%

20,958	14.7%	+512
8,323	—	—
12,635		
3,762	2.6%	+2,818
24,720	17.3%	+3,329
110,534	77.3%	+4,323
7,712	5.4%	+4,318
118,246	82.7%	+8,640
142,967	100.0%	+11,970

< Breakdown >

■ Current Assets : +5,613

- Cash, deposits (-511)
- Accounts receivable (+3,087)
- Mk securities (-1,498)
- Inventory (+3,794)

■ Fixed Assets +6,357

- Tangible Assets (-1,668)
- Intangible Assets (-9)
- Investments (+8,034)

■ ■ Current Liabilities : +512

- Notes Payable (+850)
- Other (-338)

■ Non-Current Liabilities : +2,818

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(¥ million)	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (forecast)
Sales (Exports)	92,531 (2,642)	93,697 (1,904)	95,894 (2,277)	97,662 (1,650)	98,452 (840)	105,300 (700)
Cost of Sales (cost of sales ratio) %	31,227 (33.7%)	32,046 (34.2%)	33,868 (35.3%)	35,119 (36.0%)	38,951 (39.6%)	—
SG&A Ratio to Sales (%)	45,658 (49.3%)	47,679 (50.9%)	44,898 (46.8%)	47,175 (48.3%)	47,349 (48.1%)	—
R&D Expenses Ratio to Sales (%)	11,867 (12.8%)	13,472 (14.4%)	10,733 (11.2%)	11,064 (11.3%)	12,843 (13.0%)	12,700 (12.1%)
Operating Income Ratio to Sales (%)	15,645 (16.9%)	13,971 (14.9%)	17,127 (17.9%)	15,368 (15.7%)	12,151 (12.3%)	13,300 (12.6%)
Ordinary Income Ratio to Sales (%)	16,729 (18.1%)	15,126 (16.1%)	18,209 (19.0%)	16,230 (16.6%)	13,115 (13.3%)	13,800 (13.1%)
Net Income Ratio to Sales (%)	10,732 (11.6%)	9,274 (9.9%)	11,931 (12.4%)	10,823 (11.1%)	10,412 (10.6%)	10,000 (9.5%)
EPS (¥)	144.51	124.88	160.66	145.74	140.20	—
Capital	4,317	4,317	4,317	4,317	4,317	—
Assets	122,661	121,985	121,881	130,997	142,967	—
shareholder's equity	95,719	101,652	100,586	106,211	110,534	—
Total Equity	95,573	102,177	102,844	109,606	118,246	—
BPS (¥)	1,286.87	1,375.79	1,384.77	1,475.82	1,592.16	—
ROE (%)	11.2%	9.4%	11.6%	10.2%	9.1%	—
Equity Ratio (%)	77.9%	83.8%	84.4%	83.7%	82.7%	—
Employees	1,804	1,798	1,797	1,780	1,771	—
Capital Expenditure	1,019	1,425	1,507	4,763	1,125	6,100
Depreciation Expense	1,968	1,790	1,743	1,743	1,667	2,200

Consolidated Financial Results and full year forecast



(Units: ¥ million)

	FY2013	FY2014	FY2015 (forecast)	Year on year	
				change	change (%)
Sales	111,400	113,121	120,200	+7,079	+6.3
■ Ethical Drugs business	109,678	111,771	118,600	+6,829	+6.1
◆ Sales of new Ethical Drugs	93,518	92,111	95,700	+3,589	+3.9
○ Japan	91,668	91,079	94,700	+3,621	+4.0
○ Overseas	1,849	1,032	1,000	-32	-3.1
◆ Generic Drugs	11,987	15,477	18,200	+2,723	+17.6
◆ Over-the-counter Drugs and Others	4,172	4,183	4,500	+317	+7.6
■ Consumer Healthcare Business	1,721	1,349	1,600	+251	+18.5
Operating Income	17,607	14,737	16,000	+1,263	+8.6
Ordinary Income	18,281	15,490	16,300	+810	+5.2
Net Income	12,025	12,064	11,500	-564	-4.7

Main Subsidiary Companies

(Units: ¥ billion)

KYORIN pharmaceutical	FY2013	FY2014
Sales	97.7	98.5
Operating Income	15.4	12.2
Net Income	10.8	10.4

FY2015(forecast)
105.3
13.3
10.0

KYORIN Rimedio	FY2013	FY2014
Sales	12.4	16.4
Operating Income	1.0	2.1
Net Income	0.6	1.5

FY2015(forecast)
18.5
2.3
1.6

Dr. Program	FY2013	FY2014
Sales	1.8	1.4
Operating Income	0.2	0.0
Net Income	0.2	0.0

FY2015(forecast)
1.6
0.0
0.0

Main Product Sales Update

(Units: ¥ billion)

		FY2010	FY2011	FY2012	FY2013	FY2014		FY2015 (forecast)
						actual	Change(%)	
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	34.5	36.8	39.6	40.2	41.2	+2.7	41.8
	Mucodyne (Mucoregulant)	21.3	21.5	19.1	18.4	14.0	-23.7	11.8
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	19.4	18.0	17.6	18.6	17.2	-7.4	17.1
	Uritos (Kyorin) (Overactive bladder)	5.5	6.3	7.5	8.1	7.3	-9.5	7.9
	Ketas (For bronchial asthma and cerebrovasculas disorders)	4.0	3.4	3.0	2.8	2.1	-25.5	1.7
	Flutiform (Anti-asthmatic)	—	—	—	0.6	3.6	+518.9	10.3

Sales of new ethical drugs (over seas)	Gatifloxacin (Bulk · Royalty)	2.2	1.7	1.6	1.5	0.6	-57.8	0.4
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Over-the-counter drugs	Milton (Disinfectant)	1.9	1.9	2.0	2.1	2.0	-3.2	2.0
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R&D Expenses, Capex & Depreciation

(Units: ¥ million)

	FY2010	FY2011	FY2012	FY2013	FY2014		FY2015 (forecast)
					actual	change	
R&D expenses	12,495	13,964	11,059	11,359	13,514	+19.0%	13,400
Capital expenditure	1,668	1,952	6,576	6,500	2,655	-59.2%	8,700
Depreciation expense	2,458	2,363	2,738	3,153	3,053	-3.2%	3,800

<Capital expenditure (Actual/Forecast)>

(Units: ¥ billion)

	FY2013	FY2014	FY2015 (forecast)
Plant facilities	1.9	1.5	2.9
Equipment for control, sales activities	0.7	0.3	0.8
Equipment for research	3.9	0.8	5.0

Main R&D Activities -1 (May 13, 2015 Release)

Ph III ~ Application submitted

※Changes from the previous announcement(Feb 2 2015)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
※Approval (3/2015)	(Europe) AstraZeneca : Launched(9/2012) (US) AstraZeneca : Launched (12/2012)	KRP-AB1102 (Inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	- New Chemical Entity: Acridinium 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 (13年8月)	(Europe) AstraZeneca : Launched (1/2015) (US) AstraZeneca : PhIII	KRP-AB1102F (Fixed dose combination inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	Combination of acridinium 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 (1/2015)	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)
※PhIII (4/2015)		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	

Main R&D Activities -2 (May 13, 2015 Release)

POC Project (Ph I ~ Ph II)

※Changes from the previous announcement(Feb 2 2015)

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 (6/2014)		KRP-AM1977Y (Injection)	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	

for reference

Stage	Compound/ Code	Therapy area/Action	Features	Comments
under development by MSD K.K. (Ph III)	Desloratadine	allergic rhinitis, hives, itching resulting from skin diseases (eczema/dermatitis, pruritus cutaneous)	second generation histamine H1-receptor antagonist	Co-Marketing Agreement for Japan with MSD K.K. affiliate (11/2014)

- 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.