

Second Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2016

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November 5, 2015
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 Consolidated Financial Results for the Second Quarter Ended September 30, 2015



(¥ million)	Sep/2012	Sep/2013	Sep/2014	Sep/2015	% Y/Y	Mar/2015 (forecast)	% Y/Y
Net Sales	47,954	50,851	51,112	52,386	+2.5%	120,200	+6.3%
Operating Income	6,269	6,213	4,587	4,099	-10.6%	16,000	+8.6%
Ordinary Income	6,609	6,531	4,898	4,266	-12.9%	16,300	+5.2%
Net Income	4,295	4,397	3,495	2,967	-15.1%	11,500	-4.7%

Second Quarter Consolidated Financial Ended September 30, 2015

【 Net sales 】 Overall net sales increased 2.5% year on year to ¥52.3bln. Sales growth was driven by year on year increased of main products such as Flutiform .

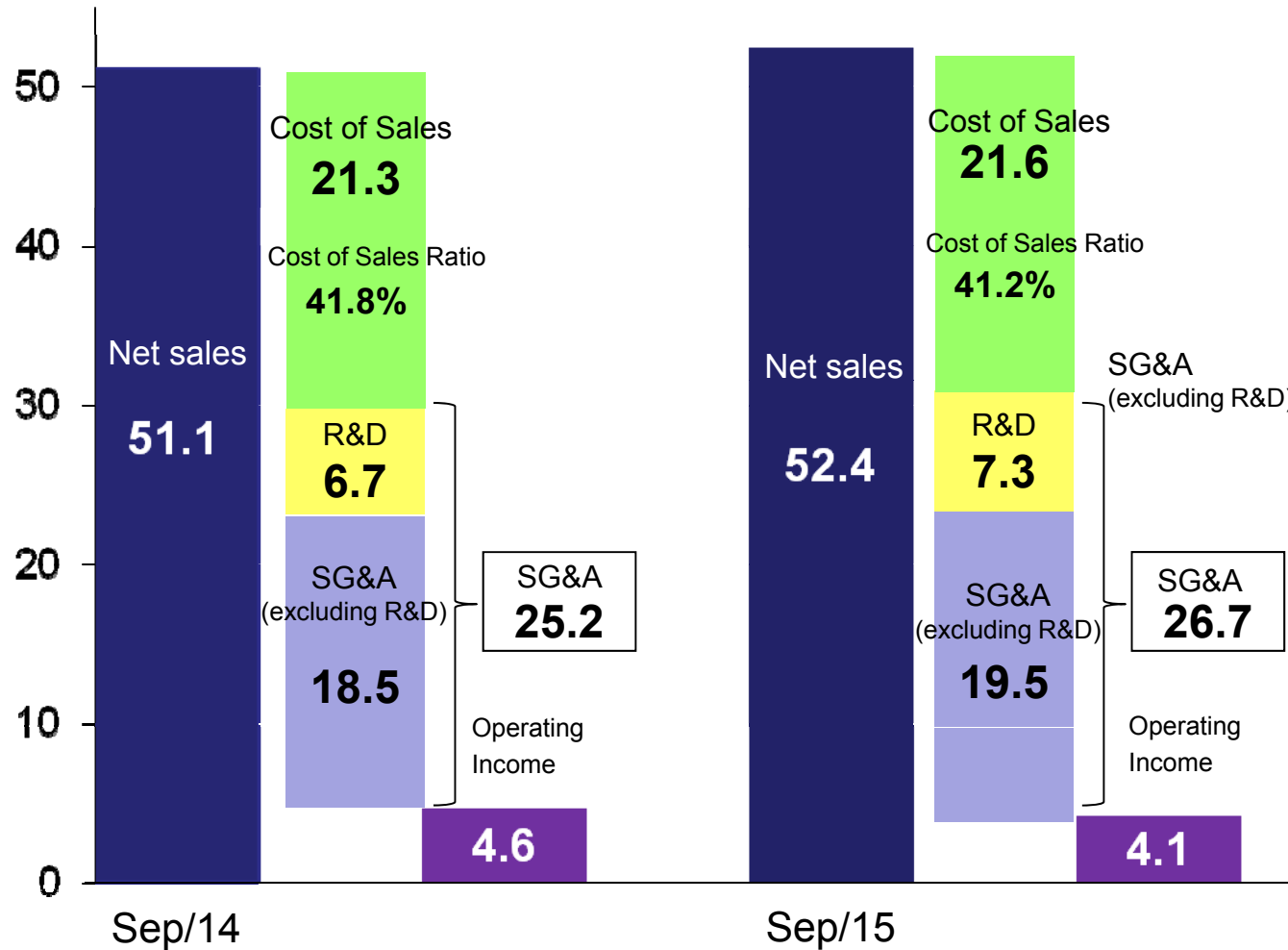
【 Net income 】 Gross profit rose 1,053 million yen year on year due to increase of sales and decrease in the cost ratio. At the other side, SG & A expenses increased 1,542 million yen year on year , consequently, operating income decreased 10.6% to ¥4,099 million yen, net income decreased 15.1% to ¥2,967 million yen year on year.

Consolidated Financial Results for the Fiscal Year Ending March 31, 2016(forecast)

The results forecasts for the full year announced on May 13, 2015 remain unchanged.
(Progress compared with the forecast for the full year : net sales: 43.6% : operating income : 25.6%)

Highlights of Business Performance

(Units: ¥billion)



➤ **Net Sales increased ¥1.3billion year on year.**

- increase of main products (Flutiform, Mucodyne, Uritos)

➤ **Cost of sales ratio decreased 0.6%.**

- Sales of main product increased
- Sales of generic drugs decreased

■ **Gross Profit increased ¥1.0billion year on year**

➤ **SG&A expenses increased ¥1.5billion year on year.**

- R&D expenses increased ¥0.6billion (cost of new WATARASE research center, progress of project)
- SG&A(excluding R&D) increased ¥1.0billion (increase of patent royalty, sales costs)

■ **Operating Income decreased ¥0.5billion year on year.**

Consolidated Financial Results

for the Second Quarter Ended September 30, 2015



(unit : ¥billion)

	Sep/2014	Sep/2015	change
Net Sales (total)	51.1	52.4	+1.3
Ethical drugs Business	50.5	51.8	+1.3
◆Sales of new ethical drugs	40.8	42.2	+1.4
○Japan	40.4	41.6	+1.2
○Overseas	0.3	0.6	+0.3
◆Generic drugs	7.8	7.4	-0.4
◆Over-the-counter drugs	2.0	2.2	+0.2
Healthcare (Skin care) Business	0.6	0.6	0.0
Operating Income	4.6	4.1	-0.5
Ordinary Income	4.9	4.3	-0.6
Net Income	3.5	3.0	-0.5

			year on year	vs forecast
■ Net Sales	¥52.4bln		(+1.3)	(-2.0)
◆ Ethical drug business	¥51.8bln		(+1.3)	(-1.9)
● new ethical drugs	¥41.6bln		(+1.2)	(-0.9)
		Sep/2014 ⇒ Sep/2015		
· Kipres	17.4	⇒ 18.8	(+1.4)	(+0.7)
· Mucodyne	6.2	⇒ 5.9	(-0.3)	(+0.7)
· Pentasa	8.6	⇒ 8.1	(-0.5)	(-0.3)
· Uritos	3.4	⇒ 3.7	(+0.3)	(-0.1)
· Flutifom	0.9	⇒ 3.0	(+2.1)	(-1.1)
● new ethical drugs in Overseas	¥0.6bln		(+0.3)	(+0.2)
· Gatifloxacin	0.1	⇒ 0.4	(+0.3)	(+0.3)
● Generic drugs	¥7.4bln		(-0.4)	(-1.3)
· increase of Health insurance pharmacy market's sales				
· decrease of Contract manufacturing's sales				
● Over-the-counter drugs	¥2.2bln		(+0.2)	(+0.2)
◆ Healthcare (Skin care) Business	¥0.6bln		(0)	(-0.1)
■ Operating Income	¥4.1bln		(-0.5)	(+0.3)
◆ Operating Income margin decreased 1.2 percentage points to 7.8%				
● Cost of Sales Ratio : decreased 0.6 percentage points (41.8%⇒41.2%)				
· Sales of main product increased				
· Sales of generic drugs decreased				
● R&D Ratio : increased 0.8 percentage points (13.1%⇒13.9%) (+0.6)				(-0.1)
* ¥6.7bln⇒¥7.3bln(+¥0.6bln) cost of new WATARASE research center , progress of project				
● SG&A Ratio(excluding R&D expenses) : increased 0.9 percentage points 36.2%⇒37.1%				
* ¥18.5bln⇒¥19.5bln(+¥1.0bln) increase of patent royalty ,sales costs,				
■ Net Income	¥3.0bln		(-0.5)	(+0.4)
◆ Dividend per share(interim dividend)	¥20.0			

Main Product Sales Update

(unit : ¥billion)

Product name		Sep/2012	Sep/2013	Sep/2014	Sep/2015		Mar/2015	Mar/2016 (forecast)
					Actual	% change		
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	16.3	17.1	17.4	188	+7.9%	41.2	41.8
	Mucodyne (Mucoregulant)	8.3	8.2	6.2	59	-3.6%	14.0	11.8
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.0	9.4	8.6	81	-5.9%	17.2	17.1
	Uritos (Kyorin) (Therapeutic agent for overactive bladder)	3.6	3.7	3.4	37	+9.3%	7.3	7.9
	Flutiform (Combination drug for asthma treatment)	—	—	0.9	30	+216.2%	3.6	10.3
Sales of new ethical drugs (over seas)	Gatifloxacin (Bulk · Royalty)	0.9	1.0	0.1	0.4	+178.7%	0.6	0.4
Over-the-counter drugs	Milton (Disinfectant)	1.0	1.0	1.0	1.0	+8.5%	2.0	2.0

Actual and Forecast of Main Subsidiary Companies *Kyorin*

健康はキョーリンの願いです。

(unit : ¥billion)

KYORIN pharmaceutical	Sep/2014	Sep/2015
Sales	43.9	46.2
Operating Income	3.5	3.2
Net Income	2.9	2.5

Mar/2015	Mar/2016 (forecast)
98.5	105.3
12.2	13.3
10.4	10.0

KYORIN Rimedio	Sep/2014	Sep/2015
Sales	8.0	7.4
Operating Income	0.9	0.6
Net Income	0.6	0.4

Mar/2015	Mar/2015 (forecast)
16.4	18.5
2.1	2.3
1.5	1.6

Dr. Program	Sep/2014	Sep/2015
Sales	0.6	0.6
Operating Income	0	0
Net Income	0	0

Mar/2015	Mar/2015 (forecast)
1.4	1.6
0	0
0	0

Consolidated Financial Results for the Second Quarter and full year forecast



(unit : ¥million)

	Sep/2014	Sep/2015	Change	% Y/Y
Sales	51,112	52,386	+1,274	+2.5%
■ Ethical Drugs business	50,518	51,783	+1,264	+2.5%
◆ Sales of new Ethical Drugs	40,755	42,229	+1,473	+3.6%
○ Japan	40,422	41,634	+1,211	+3.0%
○ Overseas	332	594	+261	+78.7%
◆ Generic Drugs	7,790	7,393	-397	-5.1%
◆ Over-the-counter Drugs and Others	1,972	2,160	+188	+9.5%
■ Consumer Healthcare Business	593	603	+10	+1.7%
Operating Income	4,587	4,099	-488	-10.6%
Ordinary Income	4,898	4,266	-631	-12.9%
Net Income	3,495	2,967	-528	-15.1%

	Mar/2015	Mar/2016 (forecast)
	113,121	120,200
	111,771	118,600
	92,111	95,700
	91,079	94,700
	1,032	1,000
	15,477	18,200
	4,183	4,500
	1,349	1,600
	14,737	16,000
	15,490	16,300
	12,064	11,500

R&D Expenses, Capex & Depreciation

(unit : ¥million)

	Sep/2012	Sep/2013	Sep/2014	Sep/2015	change	Mar/2015	Mar/2016 (forecast)
R&D expenses	4,892	6,119	6,674	7,270	+8.9%	13,514	13,400
Capital expenditure	1,181	1,618	1,557	5,637	+262.1%	2,655	8,700
Depreciation expense	1,119	1,460	1,462	1,658	+13.4%	3,053	3,800

<Capital expenditure (Actual/Forecast)>

(unit : ¥billion)

	Sep/2014	Sep/2015	Mar/2015	Mar/2016 (forecast)
Plant facilities	0.9	1.3	1.5	2.9
Equipment for control, sales activities	0.2	0.1	0.3	0.8
Equipment for research	0.4	4.2	0.8	5.0

Main R&D Activities -1 (as of Nov 5 2015)

Ph III ~ Application submitted

※Changes from the previous announcement(July 30 2015)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
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 acclidinium 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	

for reference

Stage	Compound/ Code	Therapy area/Action	Features	Comments
※Application submitted by MSD K.K.	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)

Main R&D Activities -2 (as of Nov 5 2015)

POC Project (Ph I ~ Ph II)

※Changes from the previous announcement(July 30 2015)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
※Ph II (8/2015)	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) ※discontinued	License out : Novartis POC (12/2010)	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) ※Discontinued development of IBD for KRP-203 in Japan. Novartis has decided to proceed with development of KRP-203 for GvHD.
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	
Ph I , II (7/2015)	(US) Momotaro-Gene prostate cancer (5/2014)	Ad-SGE-REIC	malignant pleural mesothelioma	Okayama University	A gene-therapy product using a novel tumor suppressor gene of reduced expression in immortalized cells/ Dickkopf-3 (REIC/Dkk-3), which was discovered by researchers from Okayama University, as a therapeutic gene. It is expected to have direct effect on primary tumor lesions and indirect effect on metastatic tumor lesions as a gene-therapy product that simultaneously induces tumor cell-selective apoptosis and the activation of antitumor immunity respectively.	Adopted to Next generation Technology Transfer Program (NexTEP) (6/2014)

Reference

Segment information for the Second Quarter Ended Sep 30, 2015

Sales, Profit or Loss of each report segment

	Sales	change Y/Y	Profit	change Y/Y
Net Sales (total)	52.4	+1.3	4.1	-0.5
Ethical drugs business	51.8	+1.3	4.0	-0.5
◆Sales of new ethical drugs	42.2	+1.4		
○Japan	41.6	+1.2		
○Overseas	0.6	+0.3		
◆Generic drugs	7.4	-0.4		
◆Over-the-counter drugs	2.2	+0.2		
Healthcare(Skincare) business	0.6	0	0	0
Amount of adjustment	—	—	0.1	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.

P&L Summary: Consolidated Results – (1)

(unit : ¥million)

	Sep/2014		Sep/2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	51,112	100.0%	52,386	100.0%	+2.5%	+1,274
■ Ethical Drugs business	50,518	98.8%	51,783	98.8%	+2.5%	+1,264
◆ Sales of new Ethical Drugs	40,755	79.7%	42,229	80.6%	+3.6%	+1,473
○ Japan	40,422	79.1%	41,634	79.5%	+3.0%	+1,211
○ Overseas	332	0.6%	594	1.1%	+78.7%	+261
◆ Generic Drugs	7,790	15.2%	7,393	14.1%	-5.1%	-397
◆ Over-the-counter Drugs and Others	1,972	3.9%	2,160	4.1%	+9.5%	+188
■ Consumer Healthcare Business	593	1.2%	603	1.2%	+1.7%	+10

<Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (8) :

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

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

< Breakdown >

Year on Year

- Sales ¥52,386mil (+¥1,274mil)
- Ethical drug sales in Japan ¥41,634mil (+¥1,211mil)

Sep/20134⇒Sep/2015(¥ billion)

- Kipres 17.4 ⇒ 18.8 (+1.4)
- Mucodyne 6.2 ⇒ 5.9 (-0.3)
- Pentasa 8.6 ⇒ 8.1 (-0.5)
- Uritos 3.4 ⇒ 3.7 (+3.0)
- Flutifom 0.9 ⇒ 3.0 (+2.1)

- Ethical drug sales overseas ¥594mil (+ ¥261mil)
 - Gatifloxacin ¥0.1bln → 0.4bln (+ ¥0.3bln)
- Generic Drugs ¥7,393mil (- ¥397mil)
 - increase of Health insurance pharmacy market's sales
 - decrease of Contract manufacturing's sales
- Over-the-counter Drugs and Others ¥2,160mil (+ ¥188mil)
- Consumer Healthcare (skincare) Business ¥603mil (+ ¥10mil)

P&L Summary: Consolidated Results – (2)

(unit : ¥million)

	Sep/2014		Sep/2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	51,112	100.0%	52,386	100.0%	+2.5%	+1,274
Cost of Sales	21,340	41.8%	21,561	41.2%	+1.0%	+220
Gross Profit	29,771	58.2%	30,825	58.8%	+3.5%	+1,053
SG&A (Incl. R&D expenses)	25,183 (6,674)	49.3% (13.1%)	26,726 (7,270)	51.0% (13.9%)	+6.1% (+8.9%)	+1,542 (+595)
Operating Income	4,587	9.0%	4,099	7.8%	-10.6%	-488
Non-Operating Income	315	0.6%	206	0.4%	-34.7%	-109
Non-Operating Expenses	5	0.0%	39	0.1%	+591.7%	+33
Ordinary Income	4,898	9.6%	4,266	8.1%	-12.9%	-631
Extraordinary Profits	29	0.1%	0	0.0%	-98.4%	-28
Extraordinary Losses	32	0.1%	107	0.2%	+232.0%	+74
Income before income taxes	4,894	9.6%	4,159	7.9%	-15.0%	-735
Corporate, inhabitants and enterprise taxes	1,692	3.3%	936	1.8%	-44.6%	-755
Tax adjustments	-292	-0.6%	255	0.5%	—	+548
Net Income	3,495	6.8%	2,967	5.7%	-15.1%	-528

< Breakdown >

◆ Cost of Sales Ratio :

down 0.6 percentage points Y/Y (41.8%→41.2%)

- Sales of main product increased
- Sales of generic drugs decreased

◆ R&D Ratio :

up 0.8 percentage points Y/Y (13.1%→13.9%)

- * ¥6.7bln→¥7.3bln (+0.6bln)
- cost of new WATARASE research center , progress of project

◆ SG&A (exclude R&D) Expenses :

up 0.9 percentage Points Y/Y(36.2%→37.1%)

- * ¥18.5bln→¥19.5bln (-¥1.0bln)
- increase of patent royalty, sales costs,

■ Operating Income ¥4,099mil (- ¥488mil)

- * Operating Income margin decreased 1.2percentage points to 7.8%

■ Net Income ¥2,697mil (- ¥528mil)

■ Dividend per share(interim dividend) ¥20.0

BS Summary: Consolidated Results

(Units: ¥ million)	Mar/2015		Sep/2015		
	Actual	%total	Actual	% total	change
Current Assets	129,064	70.4%	124,080	66.1%	-4,984
Cash, deposits	30,652		45,043		
Notes and accounts receivable	47,007		38,609		
Mk securities	17,867	—	6,286	—	—
Inventory	25,929		27,101		
Other	7,607		7,039		
Fixed Assets	54,318	29.6%	63,649	33.9%	+9,330
Tangible assets	19,374		23,535		
Intangible assets	1,184	—	1,060	—	—
Investments	33,760		39,053		
Total Assets	183,383	100.0%	187,729	100.0%	+4,346
Current Liabilities	27,773	15.1%	27,591	14.7%	-181
Notes payable	11,259	—	10,980	—	—
Other	16,513		16,611		
Non-Current Liabilities	7,009	3.8%	8,491	4.5%	+1,482
Total Liabilities	34,782	19.0%	36,083	19.2%	+1,301
Owner's Equity	140,518	76.6%	141,375	75.3%	+856
Other Comprehensive Income	8,082	4.4%	10,271	5.5%	+2,188
Unrealized holding gain (loss) on securities	7,798		9,989		
Foreign currency translation adjustments	168	—	183	—	—
	115		98		
Total Equity	148,600	81.0%	151,646	80.8%	+3,045
Total Liabilities and Equity	183,383	100.0%	187,729	100.0%	+4,346

< Breakdown >

■ Current Asset : -4,984

- Cash, deposits (+14,390)
- Notes and accounts receivable (-8,398)
- Mk securities (-11,580)
- Inventory (+1,171)

■ Fixed Assets : +9,330

- Tangible Assets (+4,161)
- Intangible Assets (-124)
- Investments (+5293)

■ Current Liabilities : -181

- Notes Payable (-278)
- Other (+97)

■ Non-Current Liabilities : +1,482

Financial summary (Consolidated)

(unit : ¥million)

	Sep/2013	Sep/2014	Sep/2015
Sales (Exports)	50,851 (1,160)	51,112 (332)	52,386 (594)
Cost of Sales (cost of Sales Ratio)(%)	19,097 (37.6%)	21,340 (41.8%)	21,561 (41.2%)
SG&A Ratio to Sales (%)	25,541 (50.2%)	25,183 (49.3%)	26,726 (51.0%)
R&D Expenses Ratio to Sales (%)	6,119 (12.0%)	6,674 (13.1%)	7,270 (13.9%)
Operating Income Ratio to Sales (%)	6,213 (12.2%)	4,587 (9.0%)	4,099 (7.8%)
Ordinary Income Ratio to Sales (%)	6,531 (12.8%)	4,898 (9.6%)	4,266 (8.1%)
Net Income Ratio to Sales (%)	4,397 (8.6%)	3,495 (6.8%)	2,967 (5.7%)
EPS (¥)	¥58.85	¥46.78	¥40.10
Capital	700	700	700
Assets	155,840	164,354	187,729
Total Equity	130,098	139,037	151,646
BPS (¥)	¥1,741.24	¥1,860.90	¥2,047.91
ROE (%)	3.4%	2.5%	2.0%
Equity Ratio (%)	83.5%	84.6%	80.8%
Employees	2,481	2,482	2,448
Capital Expenditure	1,618	1,557	5,637
Depreciation Expense	1,460	1,462	1,658

Mar/2015	Mar/2016 (forecast)
113,121 (1,032)	120,200 (1,000)
46,598 (41.2%)	—
51,785 (45.8%)	—
13,514 (11.9%)	13,400 (11.1%)
14,737 (13.0%)	16,000 (13.3%)
15,490 (13.7%)	16,300 (13.6%)
12,064 (10.7%)	11,500 (9.6%)
¥161.63	¥155.51
700	—
183,383	—
148,600	—
¥2,009.45	—
8.4%	—
81.0%	—
2,445	—
2,655	8,700
3,053	3,800

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



(unit : ¥million)

< Breakdown >

	Sep/2014		Sep/2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	43,922	100.0%	46,157	100.0%	+5.1%	+2,234
■ Ethical Drugs business	43,922	100.0%	46,157	100.0%	+5.1%	+2,234
◆ Sales of new Ethical Drugs	39,353	89.6%	41,108	89.1%	+4.5%	+1,754
○ Japan	39,107	89.0%	40,604	88.0%	+3.8%	+1,496
○ Overseas	246	0.6%	504	1.1%	+104.9%	+258
◆ Generic Drugs	3,120	7.1%	3,283	7.1%	+5.2%	+162
◆ Over-the-counter Drugs and Others	1,448	3.3%	1,765	3.8%	+21.9%	+317

Year on Year

■ Sales ¥46,157mil (+¥2,234mil)

● Ethical drug sales in Japan
¥40,604mil (+¥1,496mil)

Sep/2014⇒Sep/2015(¥ billion)

・ Kipres 17.4 ⇒ 18.8 (+1.4)
 ・ Mucodyne 6.2 ⇒ 5.9 (-0.3)
 ・ Pentasa 8.6 ⇒ 8.1 (-0.5)
 ・ Uritos 3.4 ⇒ 3.7 (+0.3)
 ・ Flutiform 0.9 ⇒ 3.0 (+2.1)

● Ethical drug sales overseas
¥504mil (+ ¥258mil)

・ Gatifloxacin ¥0.1bln → ¥0.4bln (+ ¥0.3bln)

● Generic Drugs ¥3,283mil (+ ¥162mil)

● Over-the-counter Drugs and Others
¥1,765mil (+ ¥317mil)

・ milton ¥1.0bln → ¥1.0bln (0)

・ Rubysta ¥0.2bln → ¥0.3bln (+ ¥0.1bln)

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



(unit : ¥million)

< Breakdown >

	Sep/2014		Sep/2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	43,922	100.0%	46,157	100.0%	+5.1%	+2,234
Cost of Sales	17,354	39.5%	18,358	39.8%	+5.8%	+1,003
Gross Profit	26,567	60.5%	27,799	60.2%	+4.6%	+1,231
SG&A (R&D Expenses)	23,069 (6,334)	52.5% (14.4%)	24,637 (6,903)	53.4% (15.0%)	+6.8% (+9.0%)	+1,567 (+569)
Operating Income	3,498	8.0%	3,161	6.8%	-9.6%	-336
Non-Operating Income	459	1.0%	306	0.7%	-33.3%	-153
Non-operating Expenses	0	0.0%	0	0.0%	+348.2%	0
Ordinary Income	3,957	9.0%	3,468	7.5%	-12.4%	-489
Extraordinary Profits	29	0.1%	-	-%	-%	-29
Extraordinary Losses	7	0.0%	45	0.1%	+538.5%	+38
Income before income taxes	3,979	9.1%	3,422	7.4%	-14.0%	-557
Corporate, inhabitants and enterprise taxes	1,361	3.1%	701	1.5%	-48.5%	-659
Tax adjustments	-321	-0.7%	239	0.5%	-174.5%	+561
Net Income	2,940	6.7%	2,481	5.4%	-15.6%	-459

- ◆ **Cost of Sales Ratio :**
up 0.3 percentage points Y/Y (39.5%→39.8%)
- ◆ **R&D Ratio : up 0.6percentage points Y/Y(14.4%→15.0%)**
* ¥6.3bln→¥6.9bln(+¥0.6 bln)
· cost of new WATARASE research center , progress of project
- ◆ **SG&A (exclude R&D) expenses :**
UP 0.3 percentage points Y/Y (38.1%→38.4%)
- **Operating Income ¥3,161mil (-¥336mil)**
* Operating Income margin decreased 1.2 percentage points to 6.8%
- **Net Income ¥2,481mil (- ¥459mil)**

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)

	Mar/2015	
	Actual	% total
Current Assets	97,822	68.4%
Cash, deposits	14,587	
Accounts receivable	43,220	
Mk securities	12,804	—
Inventory	21,763	
Other	5,447	
Fixed Assets	45,145	31.6%
Tangible assets	12,324	
Intangible assets	376	—
Investments	32,444	
Total Assets	142,967	100.0%

Sep/2015		
Actual	% total	change
92,433	63.1%	−5,389
22,937		
35,381		
6,003	—	—
22,443		
5,667		
54,025	36.9%	+8,880
15,881		
331	—	—
37,812		
146,458	100.0%	+3,491

Current Liabilities	20,958	14.7%
Notes Payable	8,323	—
Other	12,635	—
Non-Current Liabilities	3,762	2.6%
Total Liabilities	24,720	17.3%
Owner's Equity	110,534	77.3%
Valuation and translation adjustments	7,712	5.4%
Total Equity	118,246	82.7%
Total Liabilities and Equity	142,967	100.0%

20,899	14.3%	−58
7,893	—	—
13,005	—	—
5,003	3.4%	+1,240
25,902	17.7%	+1,182
110,639	75.5%	+104
9,916	6.8%	+2,203
120,555	82.3%	+2,308
146,458	100.0%	+3,491

< Breakdown >

- Current Assets : −5,389mil
 - Cash, deposits (+¥8,350mil)
 - Accounts receivable (−¥7,838mil)
 - Mk securities (−¥6,801mil)
 - Inventory (+¥679mil)
- Fixed Assets : + ¥8,880mil
 - Tangible Assets (+¥3,557mil)
 - Intangible Assets (−¥45mil)
 - Investments (+¥5,367mil)
- Current Liabilities : − ¥58mil
 - Notes Payable (−¥429mil)
 - Other (+¥370mil)
- Non-Current Liabilities : +¥1,240mil

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)



(unit : ¥million)

	Sep/2013	Sep/2014	Sep/2015	Mar/2015	Mar/2016 (forecast)
Sales (Exports)	44,933 (1,097)	43,922 (246)	46,157 (504)	98,452 (840)	105,300 (700)
Cost of Sales (cost of sales ratio) %	15,609 (34.7%)	17,354 (39.5%)	18,358 (39.8%)	38,951 (39.6%)	—
SG&A Ratio to Sales (%)	23,748 (52.9%)	23,069 (52.5%)	24,637 (53.4%)	47,349 (48.1%)	—
R&D Expenses Ratio to Sales (%)	5,848 (13.0%)	6,334 (14.4%)	6,903 (15.0%)	12,843 (13.0%)	12,700 (12.1%)
Operating Income Ratio to Sales (%)	5,575 (12.4%)	3,498 (8.0%)	3,161 (6.8%)	12,151 (12.3%)	13,300 (12.6%)
Ordinary Income Ratio to Sales (%)	6,087 (13.5%)	3,957 (9.0%)	3,468 (7.5%)	13,115 (13.3%)	13,800 (13.1%)
Net Income Ratio to Sales (%)	4,261 (9.5%)	2,940 (6.7%)	2,481 (5.4%)	10,412 (10.6%)	10,000 (9.5%)
EPS (¥)	¥57.38	¥39.60	¥33.41	¥140.20	—
Capital	4,317	4,317	4,317	4,317	—
Assets	122,396	126,945	146,458	142,967	—
Total Equity	103,608	110,288	120,555	118,246	—
BPS (¥)	¥1,395.06	¥1,485.00	¥1,623.24	¥1,592.16	—
ROE (%)	4.1%	2.7%	2.1%	9.1%	—
Equity Ratio (%)	84.7%	86.9%	82.3%	82.7%	—
Employees	1,797	1,801	1,762	1,771	—
Capital Expenditure	929	635	4,435	1,125	6,100
Depreciation Expense	807	814	961	1,667	2,200