

Interim Term Financial Results Ended September 2016

**November 8 , 2016
KYORIN Holdings, Inc.
President Minoru Hogawa**



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

Outline of Consolidated Financial Results

Outline of Consolidated Financial Results for the Interim Term Ended September 2016

(unit : ¥billion)

	Sep/15	Sep/16	Change	Change(%)	Change (forecast)	Mar/16	Mar/17 (forecast)
Net Sales	52.4	54.6	+2.2	+4.3	+0.7	119.5	120.0
Operating Income	4.1	3.7	-0.4	-10.6	-0.2	19.6	14.5
Ordinary Income	4.3	3.9	-0.4	-8.1	-0.3	20.0	14.9
Net Income	3.0	2.7	-0.3	-9.5	-0.3	13.6	10.7

※The results forecasts for the full year announced on May 12, 2016 remain unchanged

Segment Sales

(unit : ¥billion)

			Sep/15	Sep/16	Change	Change(%)	Change (forecast)
Net Sales			52.4	54.6	+2.2	+4.3	+0.7
Ethical drugs business			49.7	51.9	+2.2	+4.4	+0.7
	Sales of new ethical drugs		42.4	41.6	-0.8	-1.8	-0.2
		Japan	41.8	41.3	-0.5	-1.2	-0.2
		Overseas	0.6	0.3	-0.3	-42.3	0
	Generic drugs		7.4	10.3	+2.9	+39.8	+1.0
Healthcare Business			2.6	2.7	+0.1	+1.7	0

(Note) The details of the Sales Segment have been changed from the first quarter ending March 31, 2017. Following the change, the Pharmaceutical Business comprises New Drugs and Generic Drugs, while the Health Care Business comprises Skincare, Environmental Hygiene and Over the Counter Drugs and Others.

	change (y/y)	Explanation of Variances	change (forecast)	Explanation of Variances
New ethical drugs (Japan)	-0.5	<ul style="list-style-type: none"> • Increase of Fultiform • Decrease of Kipres, Mucodyne 	-0.2	• Flutiform, Mucodyne decreased compared to forecast
Generic drugs	+2.9	<ul style="list-style-type: none"> • Launch of an authorized generic drug (AG) for KIPRES • Sales of the other generic drugs increased 	+1.0	• authorized generic drug (AG) for KIPRES increased compared to forecast.

Breakdown of Gain and Loss

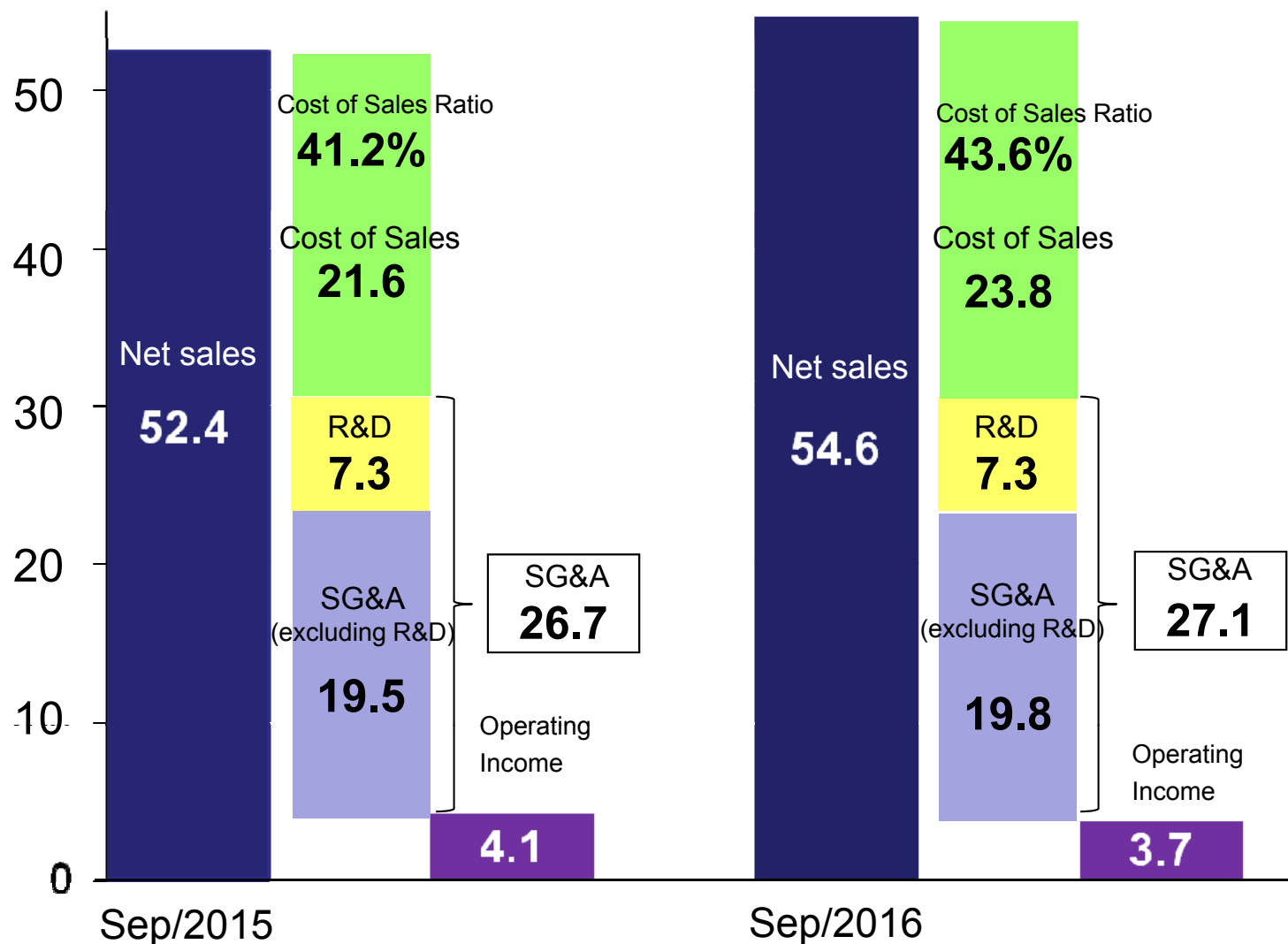
(unit : ¥billion)

	Sep/15	Sep/16	Change	Change (%)	Change (forecast)
Net Sales	52.4	54.6	+2.2	+4.3	+0.7
Cost of Sales	21.6	23.8	+2.2	+10.5	—
SG&A	26.7	27.1	+0.4	+1.5	—
R&D expenses	7.3	7.3	0	+0.8	+1.0
SG&A expenses	19.5	19.8	+0.3	+1.8	—
Operating Income	4.1	3.7	−0.4	−10.6	−0.2
Ordinary Income	4.3	3.9	−0.4	−8.1	−0.3
Net Income	3.0	2.7	−0.3	−9.5	−0.3

	change (forecast)	Explanation of Variances
Operating Income	−0.2	<ul style="list-style-type: none"> ➤ Gross Profit increased : Gross profit exceeded forecast, due to increase of sales ➤ R&D expenses (Increased ¥1.0billion) : progress of development project (KRP-AM1977X, etc.)

Highlights of Business Performance

(Units: ¥billion)



➤ **Net Sales increased ¥2.2billion year on year.**

- increase of main products (Flutiform ,etc.)
- **Launch of an authorized generic drug for KIPRES**

➤ **Cost of sales ratio increased 2.4%.**

- Drug price revisions
- Sales of generic drugs increased “authorized generic drug for KIPRES and the other generic drugs”

■ **Gross Profit is flat year on year**

➤ **SG&A expenses increased ¥0.4billion year on year.**

- SG&A(excluding R&D) increased ¥0.3billion (increase of Labor costs)

■ **Operating Income decreased ¥0.4billion year on year.**

Mainstay Product Sales

(unit : ¥billion)

	Sep/15	Sep/16	Change	Change(%)	Change (forecast)
Kipres	18.8	17.8	-1.0	-5.2	+0.2
Flutiform	3.0	4.5	+1.5	+51.1	-0.9
Uritos	3.7	3.8	+0.1	+2.0	+0.2
Pentasa	8.1	7.9	-0.2	-3.0	+0.5
Mucodyne	5.9	4.4	-1.5	-26.6	-0.4

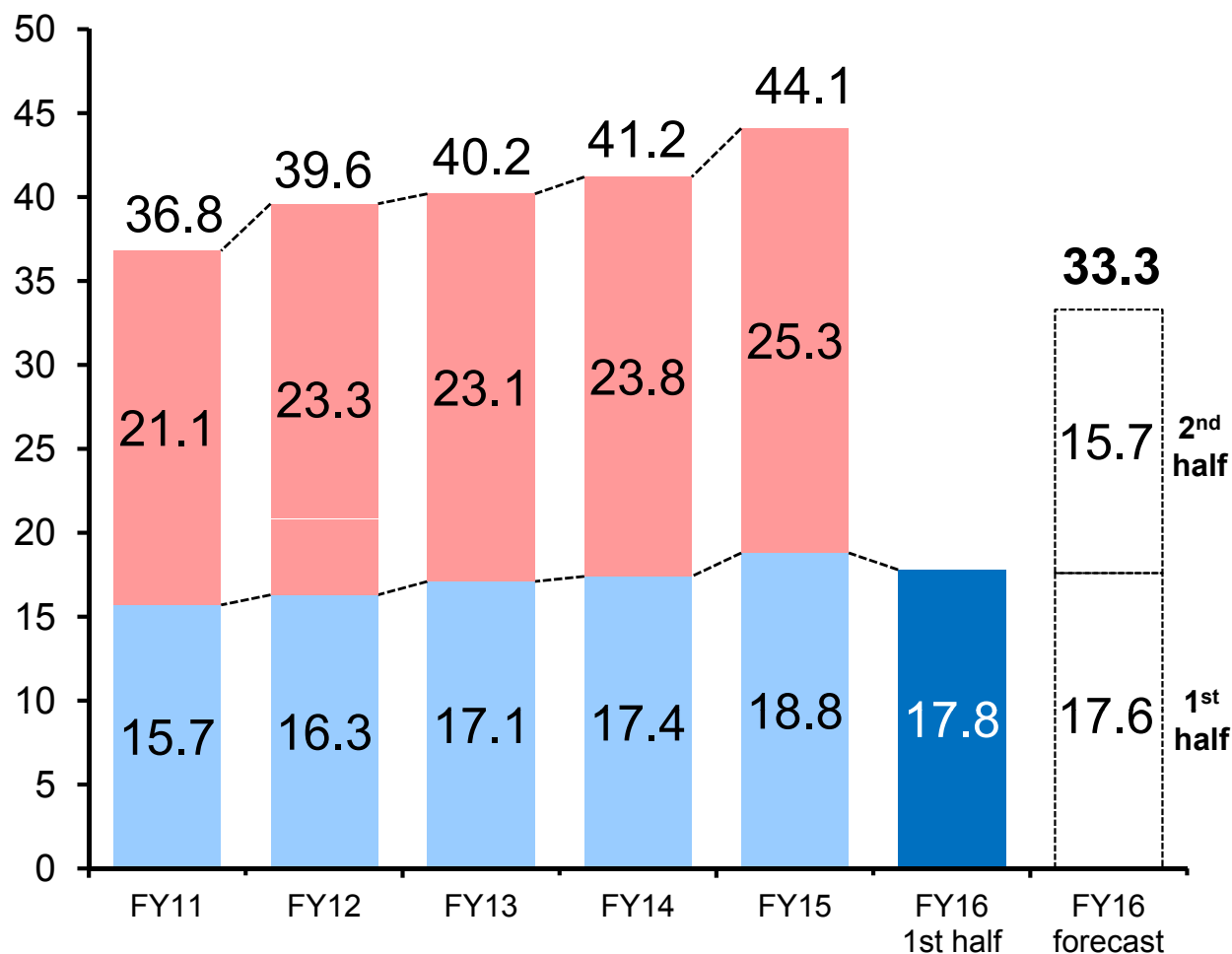
Generic drugs	7.4	10.3	+2.9	+39.8	+1.0
----------------------	-----	-------------	------	-------	------

Trends of mainstay products and Generic drugs

■ New drugs group

Kipres 【Bronchial asthma and allergic rhinitis treatment】

Sales (unit : ¥billion)



■ status in first half 2016

●LT antagonists market : shrink 5%
¥58.8bln(FY15 first half) ⇒ ¥56.1bln(FY16 first half) ※1

●share of Kipres sales
38.5%(FY15 first half) ⇒ 38.2%(FY16 first half) ※2

【price revision rate -8.3%】

■ effort for FY2016

●Further promote prescription to childhood asthma patient

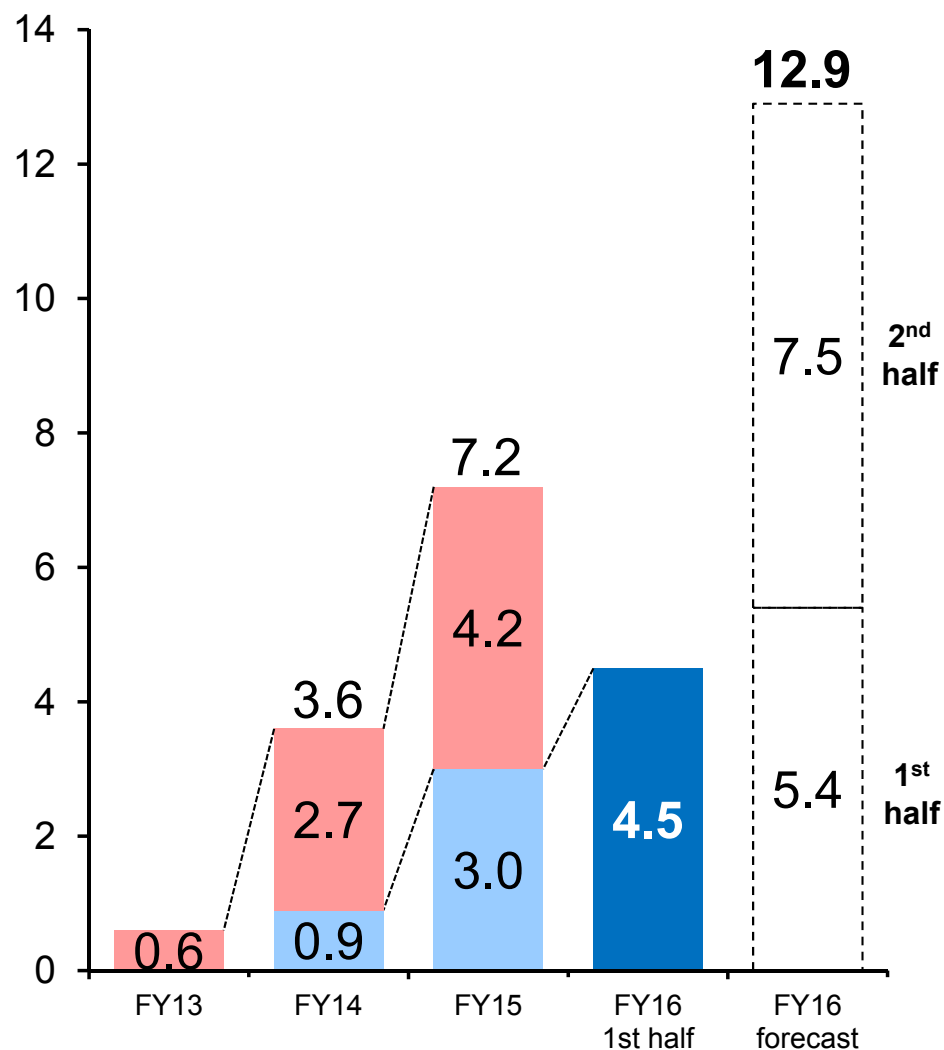
・Sales (FY16 forecast) : ¥14.0billion (FY15: ¥15.0billion)

※1,2 (Copyright © 2016 QuintilesIMS. IMS-JPM. Unauthorized copying prohibited)

■ New drugs group

Flutiform 【Anti-asthmatic】

Sales (unit : ¥billion)



■ status in first half 2016

- ICS/LABA market : expand 6%

¥51.4bln (FY15 first half) ⇒ ¥54.3bln (FY16 first half) ※1

- share of Flutiform sales

6.6% (FY15 first half) ⇒ 9.3% (FY16 first half) ※2

【price revision rate -0.2%】

■ effort for FY2016

- Expand the share in new clients and clients with high demand

- Promote prescription to asthma patient with inadequate control

- Promotion of the advanced convenient pMDI device
- Proposed new formulation for exacerbation of asthma

pMDI: pressurized metered-dose inhaler

※1,2 (Copyright © 2016 QuintilesIMS. IMS-JPM. Unauthorized copying prohibited)

■ New drugs group

DESALEX【Antiallergic Agent】

- Approval received (MSD K.K., Sep. 2016)
 - Launch scheduled for Nov. 2016
 - Sales forecast: ¥1.9 billion (FY2016 sales)
 - Exclusive rights to market obtained from MSD K.K. (May 2016)
 - Kyorin and Kaken Pharmaceutical signed a Contract for the co-promotion (July 2016)
- The dermatology area accounts for 23% of the 146.5 billion yen market for antihistamines (for ages 12 and older).※1



【Product features】

Brand name : DESALEX Tablets 5mg

Efficacy : 2nd-generation histamine H1 receptor antagonist

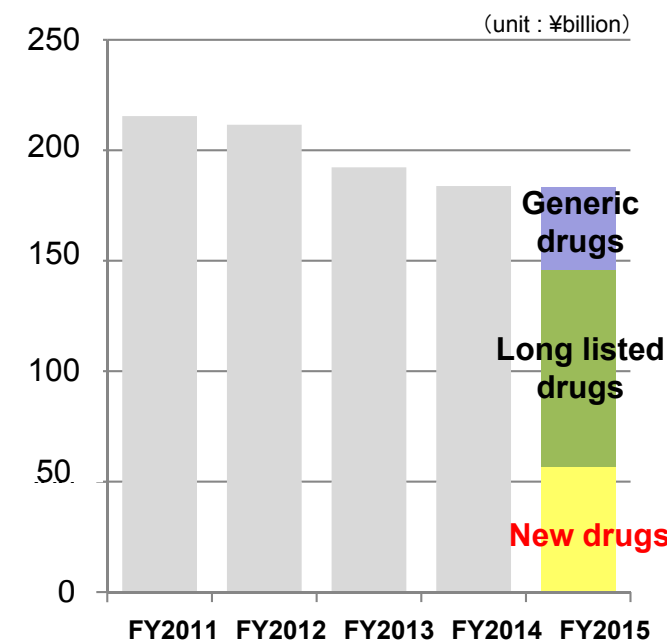
INDICATIONS : Allergic rhinitis, urticaria, itching resulting from skin diseases (eczema/dermatitis, prurigo, pruritus cutaneous, psoriasis vulgaris, multiform exudative erythema)

DOSAGE AND ADMINISTRATION : Usually, for adults and childrens over 12 years of age, administer 5 mg as desloratadine hydrochloride once a day orally

【Feature】

- Has a high affinity for histamine H1 receptors and reliably exhibits an effect
- Half-life is long, and a single daily dose suppresses symptoms for a long time
- Fit patients' lifestyles because it is non-drowsy and unaffected by food

【 Antihistamine market ※2】



Aim to promote understanding of product characteristics and penetrate market soon after launch

NASONEX Nasal (Allergic rhinitis therapeutics)

- Concluded co-promotion contract with MSD (Sep. 2016)
 - ・ Detailing activities targeting departments of internal medicine, otorhinology, and pediatrics
- Start promotion (November 2016)



【 Product features】

Efficacy : Steroid nasal spray
Indication : Allergic rhinitis
Feature : Single daily dose of steroid nasal spray is exceptionally effective against symptoms of allergic rhinitis (sneezing, runny nose, nasal congestion, nasal pruritus)

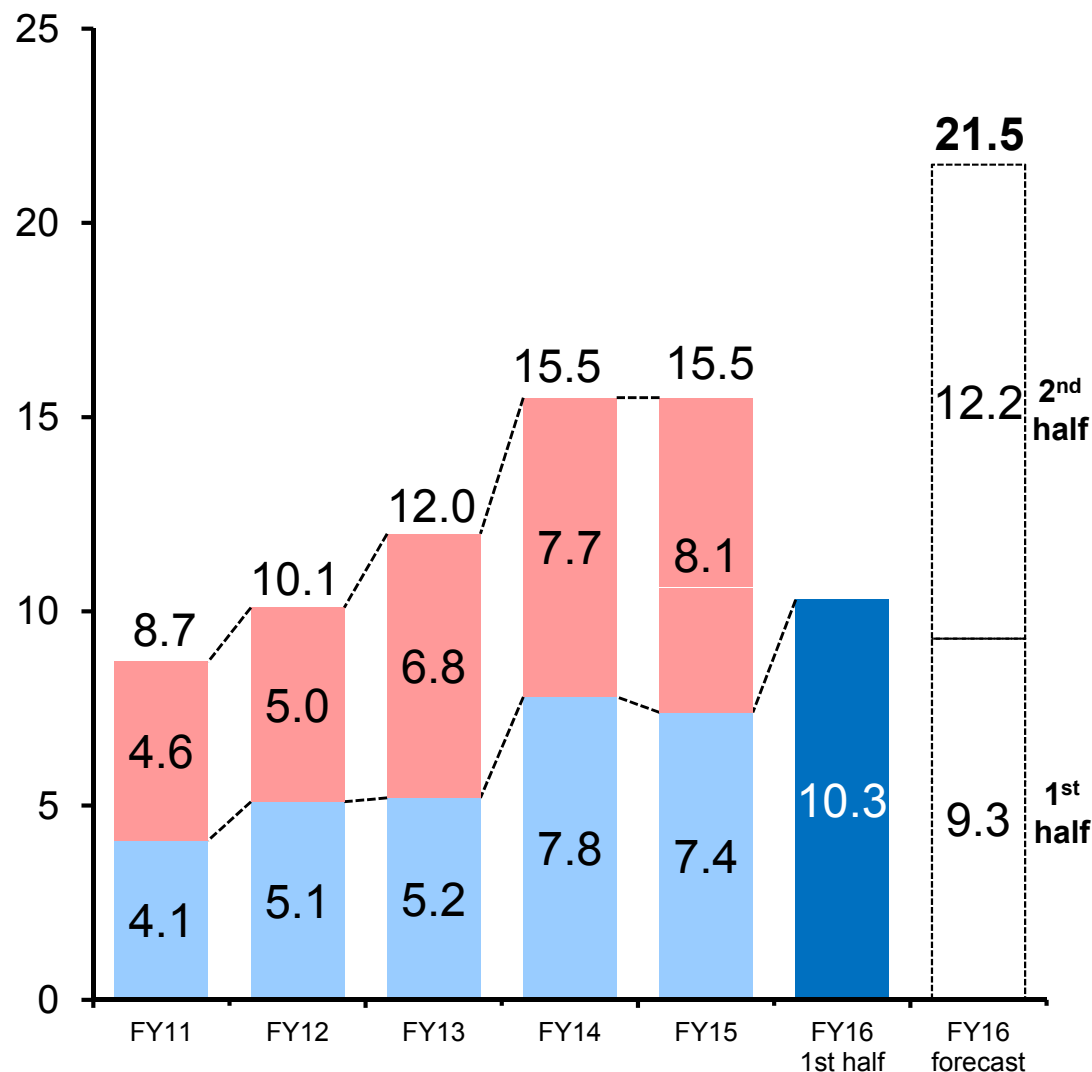
【About the market】

Market scale : 35 billion yen※
Main products :
NASONEX 【Top market share】
Allermist,
Erizas,
Flunase, etc

※2015(Jan-Dec) : (Copyright © 2016 QuintilesIMS. IMS-JPM. Unauthorized copying prohibited

■ Status of Generic Drugs

Sales (unit : ¥billion)



■ Status in first half 2016

- Launch of an authorized generic drug for KIPRES (Sep. 2016)
MONTELUKAST Tablets 5mg"KM", 10mg"KM"
- Turnover increase rate, excluding AG : +15.4%
Increase of Health insurance pharmacy market's sales

■ effort for FY2016

- Aim to acquire a large share of the GE market for Montelukast AG
- Consider acquiring new AGs as a follow-up to Montelukast AG
- Promotion of initiated joint development

【 Construction of new laboratory】

- Construction site : 11 Office Park, Takaoka-shi, Toyama Prefecture
- Construction started : July 2016
- Completion : Scheduled for March 2017
- Start of operations : Scheduled for July of 2017
- Construction cost : Estimated at approx. 2 billion yen



- Aim to strengthen product development capabilities and increase the number of product items developed by our company
- Target : 20 or more development products per year

Consolidated Financial Results Forecast and Dividends

Consolidated Financial Results Forecast for the Year Ending March 31, 2017

(unit : ¥billion)

			FY2015	FY2016 forecast	Y/Y	
					Change	Change(%)
Net sales			119.5	120.0	+0.5	+0.4
			114.0	114.0	0	+0.0
Ethical drugs business ※	Sales of new ethical drugs		98.5	92.4	-6.1	-6.2
		Japan	92.9	88.5	-4.4	-4.8
		Overseas	5.6	3.8	-1.8	-32.0
	Generic drugs		15.5	21.5	+6.0	+39.0
Healthcare Business			5.5	6.0	+0.5	+8.9
Operating Income			19.6	14.5	-5.1	-26.2
Ordinary Income			20.0	14.9	-5.1	-25.5
Net Income			13.6	10.7	-2.9	-21.5

【for reference: year on year】

①Cost of sales ratio : increase 3% points , SG&A ratio(include R&D expense): increased 1% points

②forecast for R&D expense in FY2107 : ¥13.5bln

※The results forecasts for the full year announced on May 12, 2016 remain unchanged.

Forecast of Mainstay Product Sales

(unit : ¥billion)

	FY2015	FY2016 Forecast	Change	Change(%)
Kipres	44.1	33.3	−10.8	−24.3
Flutiform	7.2	12.9	+5.7	+78.4
Uritos	7.5	7.8	+0.3	+5.0
Desalex	—	1.9	+1.9	—
Pentasa	16.1	15.8	−0.3	−1.7
Mucodyne	13.0	10.8	−2.2	−16.7
Generic drugs	15.5	21.5	+6.0	+39.0

Shareholder Returns

Basic Policy

-While maintaining the sound financial base, adopt the capital policy ensuring both growth investment and stable return to shareholders.

- In shareholders return, aim for stable dividends.

Dividend per share for fiscal 2016 (estimate): ¥58 (including interim dividend of ¥20)

Dividends

	FY14	FY15	FY16 (forecast)
Dividend per share (Yen)	¥52.00 (interim¥20.00)	¥58.00 (interim¥20.00)	¥58.00 (interim¥20.00)
Consolidated payout ratio(%)	32.2%	31.8%	40.5%

Status of development pipeline

Drug Development Pipeline : schedule of FY2015

schedule of FY2015

	Product & development code	Ph I	Ph II	Ph III	application	Approval/ Launch
Respiratory	Ad-SGE-REIC	15/7 Ph I / Ph II				
Infections	KRP-AM1977X			End of the Ph III		FY18 Expected Release
	KRP-AM1977Y			16/3 Ph III		FY18 Expected Release
Otolaryngological	KRP-209		15/8 Ph II			
	Desalex					16/9 Approval 16/11 Launch (forecast)
Urological	KRP-114V			15/1 Ph III		FY18 Expected Release

【 Licensing development】

< FPR2 (Formyl peptide receptor) agonist program >

- **Mode of action** : G protein-coupled receptor. FPR-2 agonists mainly inhibit the migration of neutrophils and exhibit anti-inflammatory action.
- **Business partner** : BMS (License agreement executed on Dec. 2015)

Kyorin Pharmaceutical grants Bristol-Myers Squibb exclusive worldwide license to develop, manufacture and commercialize products within the program. Bristol-Myers Squibb is committed to the development of Kyorin's promising novel therapeutics against this target for undisclosed indications so as to rapidly introduce the same to the global markets.

< KRP-203 >

- **Mode of action** : Sphingosine-1-Phosphate Receptor Agonist
- **Business partner** : Novartis (License agreement executed on Feb. 2006)
- **State of clinical trials**: Currently Phase I trial is under way directed at patients undergoing stem cell transplant for hematological malignancies. Based on the assumption that the number of participants is thirty in total, safety, efficacy and pharmacokinetics of KRP-203 are evaluated.

Our priority aim is to develop KRP-203 as a treatment for GvHD, which constitutes an area of high unmet medical needs worldwide.

■generic name : Lascufloxacin (LSFX)

【 Features 】

- Have a broad antibacterial spectrum from Gram-positive bacteria to Gram-negative bacteria and atypical bacteria. Also have stronger antibacterial activity to anaerobic bacteria than similar agents.
- showed a penetration into the excellent lung
- High safety (abnormal blood glucose level, photosensitivity, digestive symptom, etc.) is expected.

Status of development : KRP-AM1977X (Oral agent)

●Clinical trials: Ph3 Results (announced in November 2016)

- ◆ Confirmed to be highly safe and effective against community-acquired respiratory and otorhinological infections

●application

To be prepared

Status of development : KRP-AM1977Y (Injection)

●Clinical trials: Ph2 : Results

- ◆ Evaluated efficacy and safety for patients with mild to severe community acquired pneumonia
 - High efficacy including early therapeutic effect is confirmed
 - High safety is suggested

●Clinical trials: Ph3: 2016/3 Start

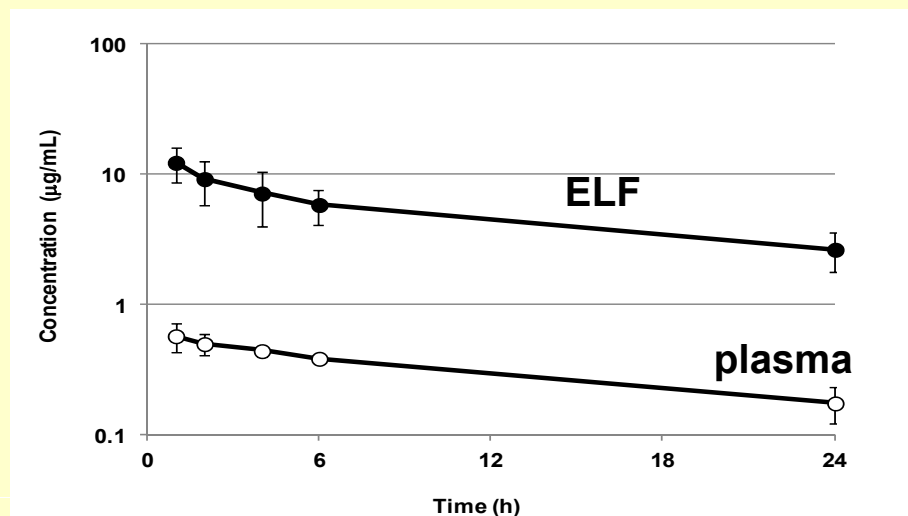
Study design : Double-blind comparative study in patients with community acquired pneumonia

Aim for early application and commercialization

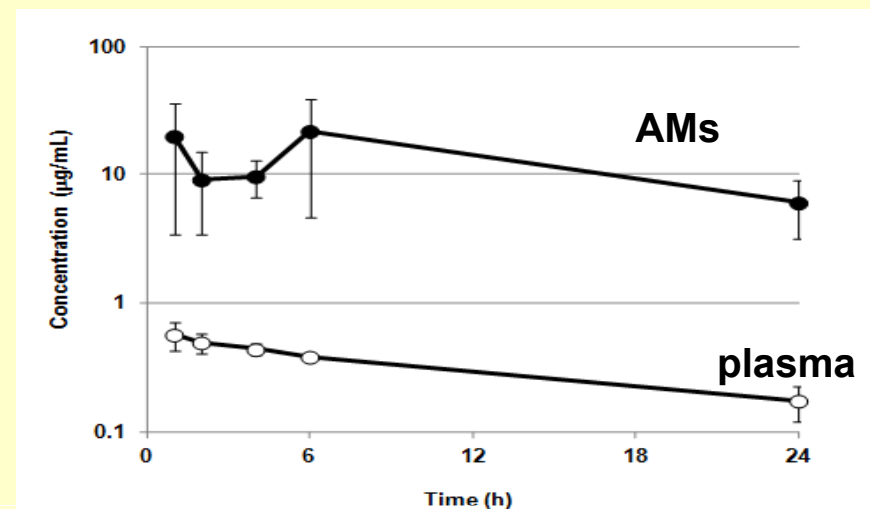
Intrapulmonary Pharmacokinetics of Lascufloxacin (AM-1977)

KRP-AM1977X showed a penetration into the excellent lung

Lascufloxacin concentration-time profiles in plasma and ELF. *1



Lascufloxacin concentration-time profiles in plasma and AMs *1



Lascufloxacin concentration in plasma, ELF, AMs and the ratio of concentration in ELF and AMs to plasma

fold	AM-1977X 75mg
ELF	15.0–22.5
AMs	18.5–56.4

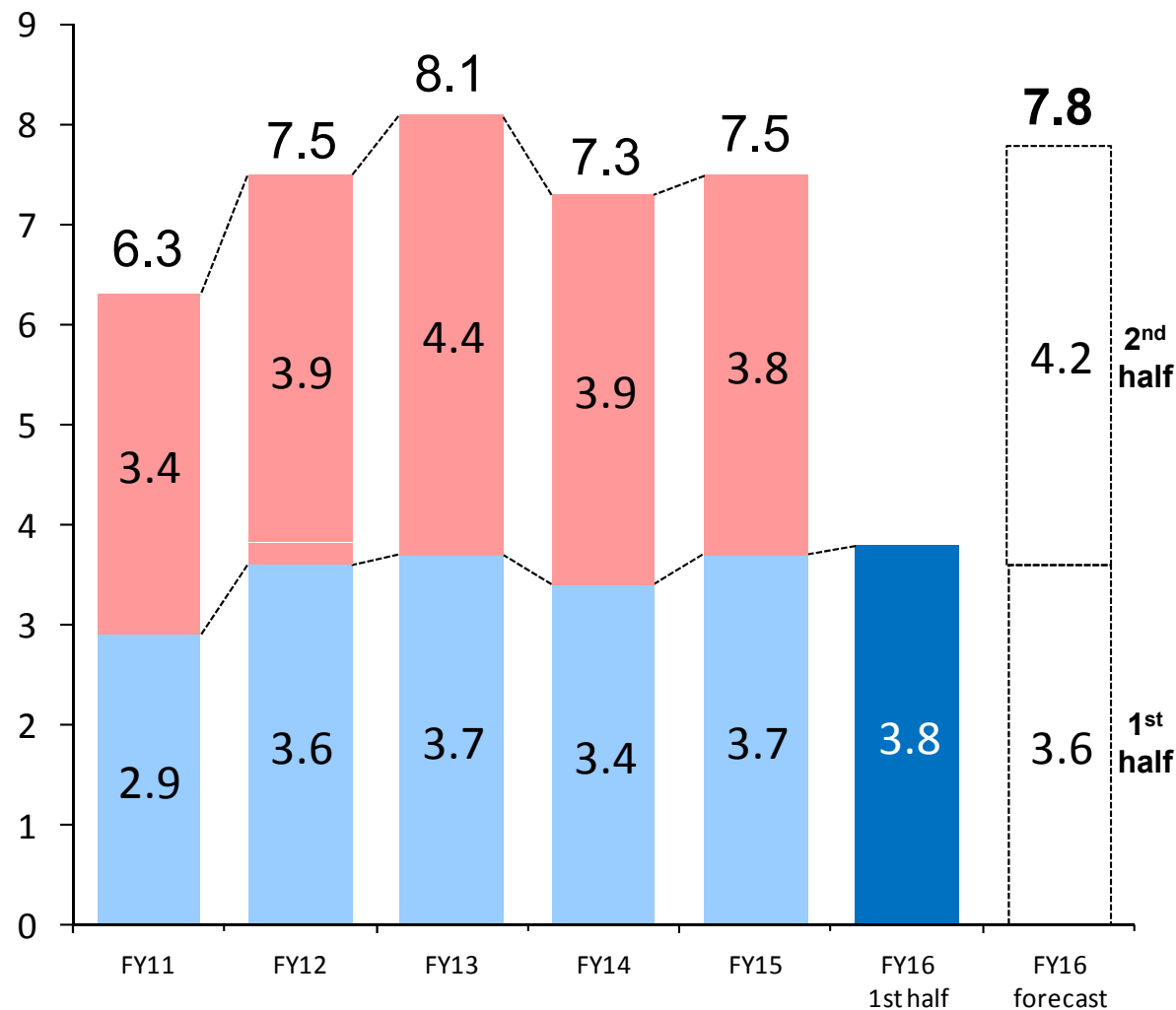
*1: Furuie Hidetoshi, et al., Intrapulmonary Pharmacokinetics of Lascufloxacin (AM-1977), A New Generation Fluoroquinolone, in Healthy Japanese Subjects, ASM microbe 2016, SUNDAY-469

reference

■ New drugs group

Uritos 【 Overactive bladder 】

Sales (unit : ¥billion)



■ status in first half 2016

- OAB market : expand 5%
¥42.6bln (FY15 first half) ⇒ ¥44.7bln (FY16 first half) ※1
 - share of Uritos sales
9.6% (FY15 first half) ⇒ 9.3% (FY16 first half) ※2
- 【price revision rate -7.0%】

■ effort for FY2016

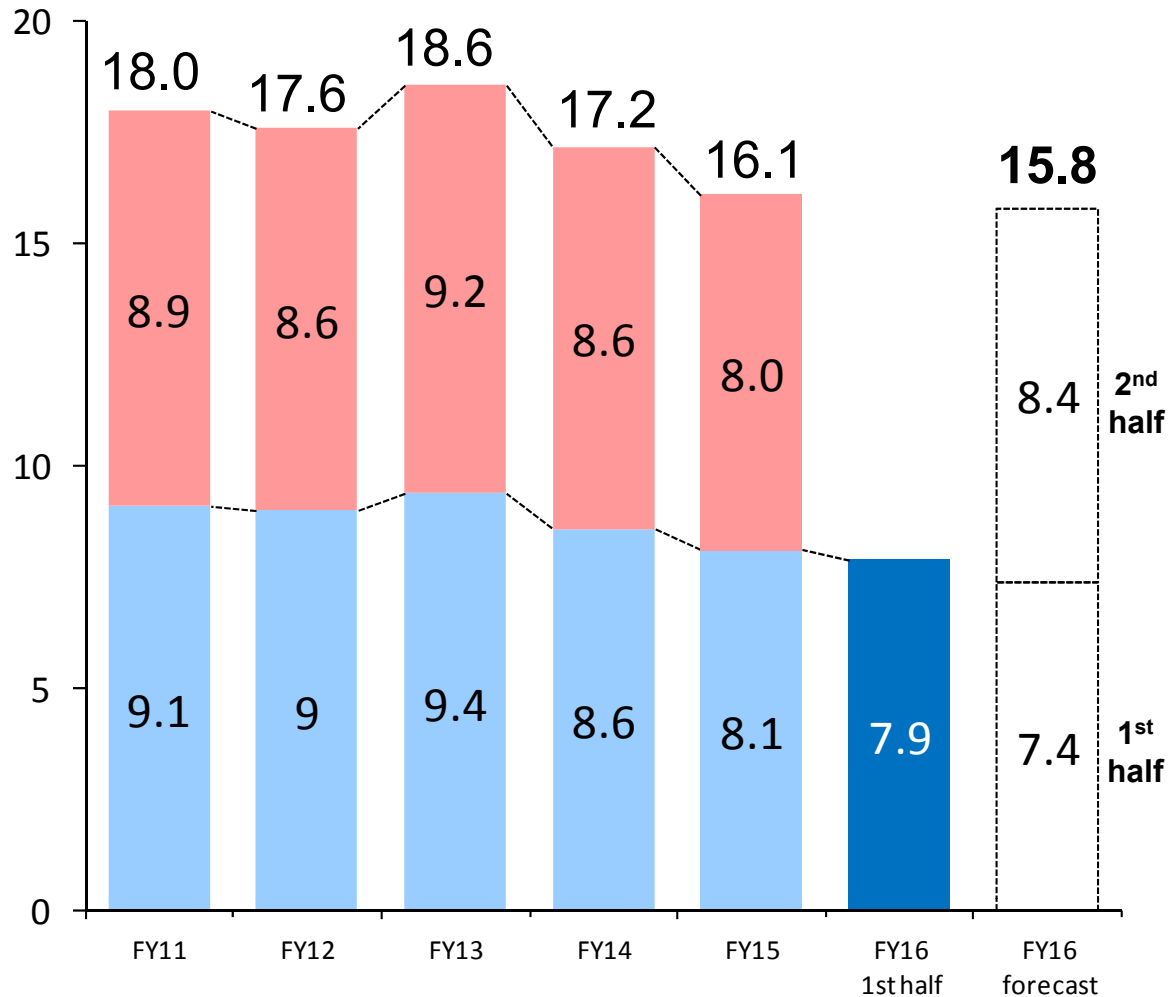
- Establishing the position in nocturia of Uritos 【EBM】
- Treatment proposal tailored to symptoms
(twice a day orally , Which can be increase dosage up to 2 tablets at a time)

※1,2 (Copyright © 2016 QuintilesIMS. IMS-JPM. Unauthorized copying prohibited)

Original products group

Pentasa 【Ulcerative colitis and Crohn's disease treatment】 健康はキョーリンの願いです。

Sales (unit : ¥billion)



status in first half 2016

- market (Mesalazine etc.) : shrink 7%
 - ・¥19.6bln (FY15 first half) ⇒ ¥18.2bln (FY16 first half) ※1
 - share of Pentasa sales
 - ・46.7% (FY15 first half) ⇒ 48.4% (FY16 first half) ※2
- 【price revision rate -9.3%】

effort for FY2016

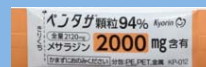
- exacerbation phase 4g (twice daily), remission 2g (once daily) proposal of prescription.
- maximize uptake and prescription of new formulation “Granules94%” (release12/2015)
- Combination Therapy penetration of oral and topical formulations

※1,2 (Copyright © 2016 QuintilesIMS. IMS-JPM. Unauthorized copying prohibited)

Formulation another list of Pentasa

In rich formulations that corresponds to the patient's individual treatment needs. It aims to maximize the value of IBD treatment in 5-ASA formulation

Granules94%



Tablet 250mg



Tablet 500mg



Enema 1g



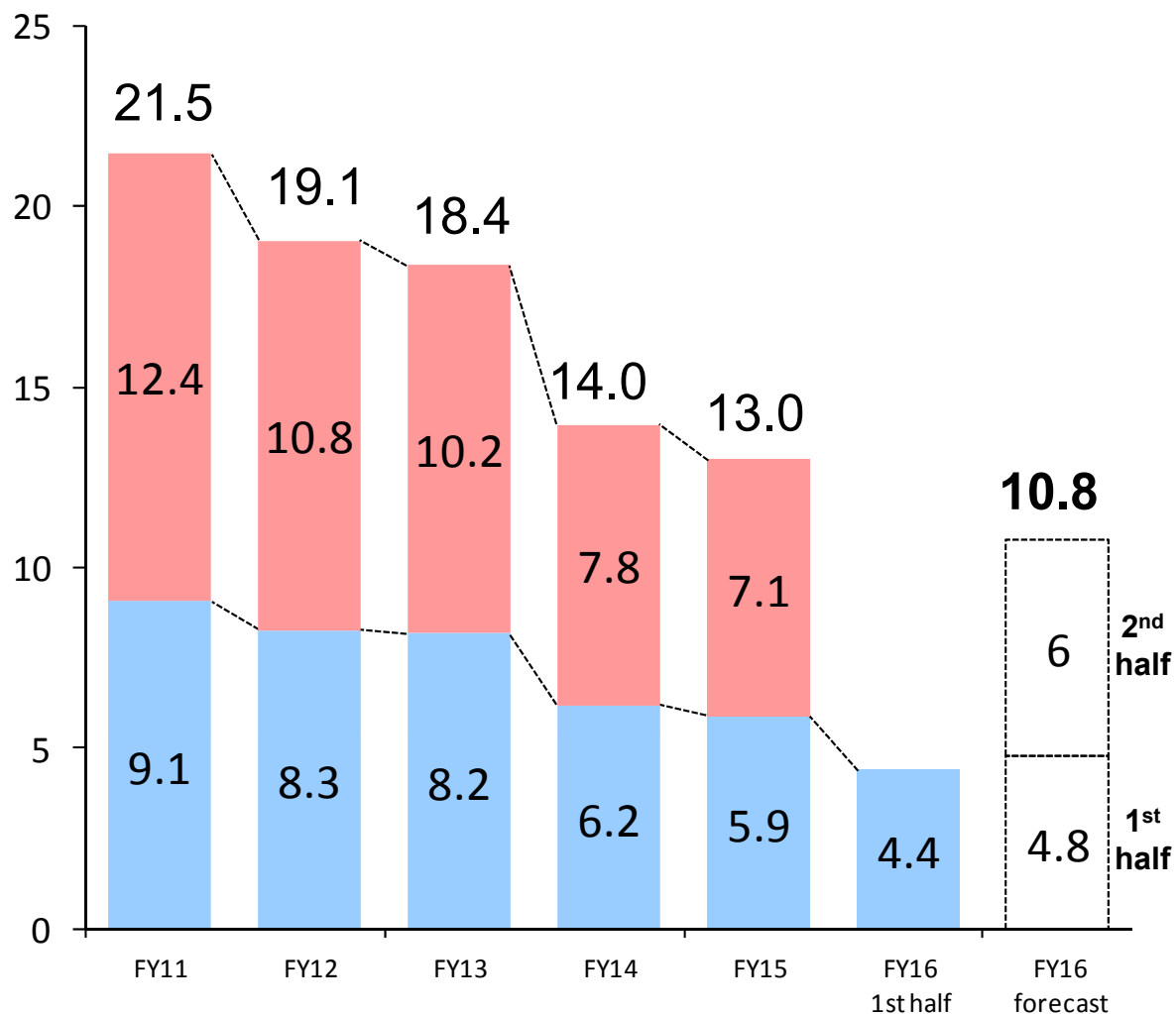
suppositories1g



Original products group

Mucodyne 【Mucoregulating drug】

Sales (unit : ¥billion)



status in first half 2016

- **expectorant market: shrink 9%**

¥18.0bln (FY15 first half) ⇒ ¥16.3bln (FY16 first half) ※1

- **share of Mucodyne sales in expectorant market**

37.8% (FY15 first half) ⇒ 31.4% (FY16 first half) ※2

- **share of generic (Carbocisteine)**

13.3% (FY15 first half) ⇒ 17.7% (FY16 first half) ※3

【price revision rate -7.0%】

※1,2,3 (Copyright © 2016 QuintilesIMS. IMS-JPM. Unauthorized copying prohibited)

P&L Summary: Consolidated Results – (1)

(unit : ¥million)

< Breakdown >

	Sep/2015		Sep/2016			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	52,386	100.0%	54,628	100.0%	+4.3%	+2,242
■ Ethical Drugs business	49,741	95.0%	51,936	95.1%	+4.4%	+2,195
◆ Sales of new Ethical Drugs	42,357	80.9%	41,615	76.2%	-1.8%	-742
○ Japan	41,762	79.7%	41,272	75.6%	-1.2%	-490
○ Overseas	594	1.1%	343	0.6%	-42.3%	-251
◆ Generic Drugs	7,383	14.1%	10,321	18.9%	+39.8%	+2,938
Healthcare Business	2,645	5.0%	2,691	4.9%	+1.7%	+46

■ Sales	¥54,628mil	(+¥2,242mil)
● Ethical drug sales in Japan	¥41,272mil	(-¥490mil)
	Sep/2015 ⇒ Sep/2016 (¥ billion)	
· Kipres	18.8 ⇒ 17.8	(-1.0)
· Flutifom	3.0 ⇒ 4.5	(+1.5)
· Uritos	3.7 ⇒ 3.8	(+0.1)
· Pentasa	8.1 ⇒ 7.9	(-0.2)
· Mucodyne	5.9 ⇒ 4.4	(-1.5)
● Ethical drug sales overseas	¥343mil	(- ¥251mil)
· Gatifloxacin	¥0.4bln → 0.2bln	(- ¥0.2bln)
● Generic Drugs	¥10,321mil	(+ ¥2,938mil)
· Launch of an authorized generic drug (AG) for KIPRES		
● Healthcare Business	¥2,691mil	(+ ¥46mil)

<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.

P&L Summary: Consolidated Results – (2)

(unit : ¥million)

	Sep/2015		Sep/2016			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	52,386	100.0%	54,628	100.0%	+4.3%	+2,242
Cost of Sales	21,561	41.2%	23,830	43.6%	+10.5%	+2,269
Gross Profit	30,825	58.8%	30,797	56.4%	-0.1%	-28
SG&A (Incl. R&D expenses)	26,726 (7,270)	51.0% (13.9%)	27,134 (7,327)	49.7% (13.4%)	+1.5% (+0.8%)	+408 (+57)
Operating Income	4,099	7.8%	3,663	6.7%	-10.6%	-436
Non-Operating Income	206	0.4%	276	0.5%	+34.0%	+70
Non-Operating Expenses	39	0.1%	17	0.0%	-56.4%	-22
Ordinary Income	4,266	8.1%	3,921	7.2%	-8.1%	-345
Extraordinary Profits	0	0.0%	0	0.0%	0%	0
Extraordinary Losses	107	0.2%	88	0.2%	-17.8%	-19
Income before income taxes	4,159	7.9%	3,833	7.0%	-7.8%	-326
Corporate, inhabitants and enterprise taxes	936	1.8%	679	1.2%	-27.5%	-257
Tax adjustments	255	0.5%	468	0.9%	+83.5%	+213
Net Income	2,967	5.7%	2,684	4.9%	-9.5%	-283

< Breakdown >

◆ Cost of Sales Ratio :

up 2.4 percentage points Y/Y (41.2%→43.6%)

- Drug price revisions
- Sales of generic drugs increased
MONTELUKAST (AG), The other generic drugs

◆ R&D Ratio :

down 0.5 percentage points Y/Y (13.9%→13.4%)

* ¥7.3bln→¥7.3bln (flat)

◆ SG&A (exclude R&D) Expenses :

down 0.8 percentage Points Y/Y(37.1%→36.3%)

- * ¥19.5bln→¥19.8bln (+¥0.3bln)
- increase of Labor costs.

■ Operating Income ¥3,663mil (- ¥436mil)

- * Operating Income margin decreased 1.1percentage points to 6.7%

■ Net Income ¥2,684mil (- ¥283mil)

■ Dividend per share(interim dividend) ¥20.0

BS Summary: Consolidated Results

(Units: ¥ million)	Mar/2016	
	Actual	%total
Current Assets	138,483	70.0%
Cash, deposits	45,712	
Notes and accounts receivable	48,296	
Mk securities	5,989	—
Inventory	27,665	
Other	10,818	
Fixed Assets	59,342	30.0%
Tangible assets	22,788	
Intangible assets	1,201	—
Investments	35,353	
Total Assets	197,825	100.0%

Sep/2016		
Actual	% total	change
130,610	69.4%	−7,873
51,881		
39,222		
5,976	—	—
25,771		
7,758		
57,675	30.6%	−1,667
22,588		
1,061	—	—
34,024		
188,285	100.0%	−9,540

Current Liabilities	28,052	14.2%
Notes payable	11,792	—
Other	16,259	
Non-Current Liabilities	12,723	6.4%
Total Liabilities	40,776	20.6%
Owner's Equity	149,808	75.7%
Other Comprehensive Income	7,241	3.7%
Unrealized holding gain (loss) on securities	10,372	
Foreign currency translation adjustments	160	—
Remeasurements of defined benefit plans	−3,292	
Total Equity	157,049	79.4%
Total Liabilities and Equity	197,825	100.0%

24,123	12.8%	−3,929
10,585		
13,538	—	—
10,442	5.5%	−2,281
34,565	18.4%	−6,211
149,170	79.2%	−638
4,548	2.4%	−2,693
7,550		
−40	—	—
−2,961		
153,719	81.6%	−3,330
188,285	100.0%	−9,540

< Breakdown >

■ Current Asset : − ¥ 7,873mil

- Cash, deposits (+ ¥6,196mil)
- Notes and accounts receivable (− ¥ 9,074mil)
- Mk securities (− ¥13mil)
- Inventory (− ¥1,894mil)
- Other (− ¥3,060mil)

■ Fixed Assets : −1,667mil

- Tangible Assets (− ¥200mil)
- Intangible Assets (− ¥140mil)
- Investments (− ¥1,329mil)

■ Current Liabilities : − ¥3,923mil

- Notes Payable (− ¥1,207mil)
- Other (− ¥2,721mil)

■ Non-Current Liabilities : − ¥2,281mil

Financial summary (Consolidated)

(unit : ¥million)

	Sep/2014	Sep/2015	Sep/2016	Mar/2016	Mar/2017 (forecast)
Sales (Exports)	51,112 (332)	52,386 (594)	54,628 (343)	119,483 (5,586)	120,000 (3,800)
Cost of Sales (cost of Sales Ratio)(%)	21,340 (41.8%)	21,561 (41.2%)	23,830 (43.6%)	47,360 (39.6%)	—
SG&A Ratio to Sales (%)	25,183 (49.3%)	26,726 (51.0%)	27,134 (49.7%)	52,486 (43.9%)	—
R&D Expenses Ratio to Sales (%)	6,674 (13.1%)	7,270 (13.9%)	7,327 (13.4%)	13,019 (10.9%)	13,500 (11.3%)
Operating Income Ratio to Sales (%)	4,587 (9.0%)	4,099 (7.8%)	3,663 (6.7%)	19,636 (16.4%)	14,500 (12.1%)
Ordinary Income Ratio to Sales (%)	4,898 (9.6%)	4,266 (8.1%)	3,921 (7.2%)	19,995 (16.7%)	14,900 (12.4%)
Net Income Ratio to Sales (%)	3,495 (6.8%)	2,967 (5.7%)	2,684 (4.9%)	13,639 (11.4%)	10,700 (8.9%)
EPS (¥)	¥46.78	¥40.10	¥36.56	¥184.28	¥145.23
Capital	700	700	700	700	—
Assets	164,354	187,729	188,285	197,825	—
Total Equity	139,037	151,646	153,719	157,049	—
BPS (¥)	¥1,860.90	¥2,047.91	¥2,093.71	¥131.67	—
ROE (%)	2.5%	2.0%	1.7%	8.9%	—
Equity Ratio (%)	84.6%	80.8%	81.6%	79.4%	—
Employees	2,482	2,448	2,427	2,420	—
Capital Expenditure	1,557	5,637	1,383	7,218	4,700
Depreciation Expense	1,462	1,658	1,751	3,730	3,900

Segment information for the Second Quarter Ended Sep 30, 2016

Sales, Profit or Loss of each report segment

(unit : ¥billion)

	Sales	change Y/Y	Profit	change Y/Y
Net Sales (total)	54.6	+2.2	3.7	-0.4
Ethical drugs business	51.9	+2.2	3.6	-0.4
◆Sales of new ethical drugs	41.6	-0.8		
○Japan	41.3	-0.5		
○Overseas	0.3	-0.3		
◆Generic drugs	10.3	+2.9		
Healthcare business	2.7	+0.1	0	0
Amount of adjustment	-	-	0.1	0

(Note) The details of the Sales Segment have been changed from the first quarter ending March 31, 2017. Following the change, the Pharmaceutical Business comprises New Drugs and Generic Drugs, while the Health Care Business comprises Skincare, Environmental Hygiene and Over the Counter Drugs and Others.

Consolidated Financial Results for the Second Quarter and full year forecast

(unit : ¥million)

	Sep/2015	Sep/2016	Change	% Y/Y
Sales	52,386	54,628	+2,242	+4.3%
■ Ethical Drugs business	49,741	51,936	+2,195	+4.4%
◆ Sales of new Ethical Drugs	42,357	41,615	-742	-1.8%
○ Japan	41,762	41,272	-490	-1.2%
○ Overseas	594	343	-251	-42.3%
◆ Generic Drugs	7,383	10,321	+2,938	+39.8%
■ Healthcare Business	2,645	2,691	+46	+1.7%
Operating Income	4,099	3,663	-436	-10.6%
Ordinary Income	4,266	3,921	-345	-8.1%
Net Income	2,967	2,684	-283	-9.5%

Sep/2016 (forecast)	% forecast
53,900	+1.4%
51,200	+1.4%
41,800	-0.4%
41,500	-0.5%
300	+14.3%
9,300	+11.0%
2,700	-0.3%
3,900	-6.1%
4,200	-6.6%
3,000	-10.5%

Mar/2016	Mar/2017 (forecast)
119,483	120,000
113,970	114,000
98,506	92,400
92,920	88,500
5,586	3,800
15,465	21,500
5,512	6,000
19,636	14,500
19,995	14,900
13,639	10,700

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

(unit : ¥million)

< Breakdown >

Year on Year

	Sep/2015		Sep/2016			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	46,157	100.0%	47,396	100.0%	+2.7%	+1,239
■ Ethical Drugs business	44,391	96.2%	45,542	96.1%	+2.6%	+1,151
◆ Sales of new Ethical Drugs	41,108	89.1%	40,404	85.2%	-1.7%	-704
○ Japan	40,604	88.0%	40,182	84.8%	-1.0%	-422
○ Overseas	504	1.1%	221	0.5%	-56.2%	-283
◆ Generic Drugs	3,283	7.1%	5,138	10.8%	+56.5%	+1,855
■ Healthcare Business	1,765	3.8%	1,854	3.9%	+5.0%	+89

■ Sales ¥47,396mil (+¥1,239mil)

● Ethical drug sales in Japan
¥40,182mil (-¥422mil)

Sep/2015 ⇒ Sep/2016 (¥ billion)

・ Kipres 18.8 ⇒ 17.8 (-1.0)
 ・ Flutifom 3.0 ⇒ 4.5 (+1.5)
 ・ Uritos 3.7 ⇒ 3.8 (+0.1)
 ・ Pentasa 8.1 ⇒ 7.9 (-0.2)
 ・ Mucodyne 5.9 ⇒ 4.4 (-1.5)

● Ethical drug sales overseas
¥221mil (- ¥283mil)

・ Gatifloxacin ¥0.4bln → ¥0.2bln (- ¥0.2bln)

● Generic Drugs ¥5,138mil (+ ¥1,885mil)
 ・ Launch of an authorized generic drug (AG) for KIPRES

● Healthcare Business

¥1,854mil (+ ¥89mil)

・ milton ¥1.0bln → ¥1.1bln (+ ¥0.1bln)

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

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

(unit : ¥million)

< Breakdown >

	Sep/2015		Sep/2016			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	46,157	100.0%	47,396	100.0%	+2.7%	+1,239
Cost of Sales	18,358	39.8%	20,472	43.2%	+11.5%	+2,114
Gross Profit	27,799	60.2%	26,923	56.8%	-3.2%	-876
SG&A (R&D Expenses)	24,637 (6,903)	53.4% (15.0%)	25,010 (6,948)	52.8% (14.7%)	+1.5% (+0.7%)	+373 (+45)
Operating Income	3,161	6.8%	1,912	4.0%	-39.5%	-1,249
Non-Operating Income	306	0.7%	350	0.7%	+14.4%	+44
Non-operating Expenses	0	0.0%	4	0.0%	+812.1%	+4
Ordinary Income	3,468	7.5%	2,259	4.8%	-34.9%	-1,209
Extraordinary Profits	—	—%	—	—%	—%	—
Extraordinary Losses	45	0.1%	86	0.2%	+91.1%	+41
Income before income taxes	3,422	7.4%	2,172	4.6%	-36.5%	-1,250
Corporate, inhabitants and enterprise taxes	701	1.5%	248	0.5%	-64.6%	-453
Tax adjustments	239	0.5%	413	0.9%	+72.8%	+174
Net Income	2,481	5.4%	1,510	3.2%	-39.1%	-971

◆ **Cost of Sales Ratio :**
up 3.4 percentage points Y/Y (39.8%→43.2%)

- Drug price revisions
- Sales ratio of generic drugs increased

◆ **R&D Ratio :**
down 0.3percentage points Y/Y(15.0%→14.7%)

* ¥6.9bln→¥6.9bln(flat)

◆ **SG&A (exclude R&D) expenses :**
down 0.3 percentage points Y/Y (38.4%→38.1%)

■ **Operating Income ¥1,912mil (-¥1,249mil)**

* Operating Income margin decreased 2.8 percentage points to 4.0%

■ **Net Income ¥1,510mil (- ¥971mil)**

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)

	Mar/2016	
	Actual	% total
Current Assets	102,859	66.1%
Cash, deposits	22,326	
Accounts receivable	44,374	
Mk securities	5,905	—
Inventory	21,774	
Other	8,477	
Fixed Assets	52,778	33.9%
Tangible assets	14,866	
Intangible assets	486	—
Investments	37,424	
Total Assets	155,637	100.0%

Current Liabilities	20,102	12.9%
Notes Payable	7,673	
Accounts payable	12,428	—
Other		
Non-Current Liabilities	7,925	5.1%
Total Liabilities	28,027	18.0%
Owner's Equity	117,300	75.4%
Valuation and translation adjustments	10,309	6.6%
Total Equity	127,610	82.0%
Total Liabilities and Equity	155,637	100.0%

Sep/2016		
Actual	% total	change
96,497	65.1%	−6,362
28,219		
35,535		
5,913	—	—
20,720		
6,107		
51,783	34.9%	−995
14,444		
458	—	—
36,880		
148,281	100.0%	−7,356

18,072	12.2%	−2,030
8,487		
9,585	—	—
6,443	4.3%	−1,482
24,516	16.5%	−3,511
116,286	78.4%	−1,014
7,478	5.0%	−2,831
123,764	83.5%	−3,846
148,281	100.0%	−7,356

< Breakdown >

- Current Assets : −¥6,362mil
 - Cash, deposits (+¥5,893mil)
 - Accounts receivable (−¥8,839mil)
 - Mk securities (+¥8mil)
 - Inventory (−¥1,054mil)
- Fixed Assets : − ¥995mil
 - Tangible Assets (−¥422mil)
 - Intangible Assets (−¥28mil)
 - Investments (−¥544mil)
- Current Liabilities : − ¥2,030mil
 - Accounts payable (+¥814mil)
- Non-Current Liabilities : −¥1,482mil

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)

	Sep/2014	Sep/2015	Sep/2016
Sales (Exports)	43,922 (246)	46,157 (504)	47,396 (221)
Cost of Sales (cost of sales ratio) %	17,354 (39.5%)	18,358 (39.8%)	20,472 (43.2%)
SG&A Ratio to Sales (%)	23,069 (52.5%)	24,637 (53.4%)	25,010 (52.8%)
R&D Expenses Ratio to Sales (%)	6,334 (14.4%)	6,903 (15.0%)	6,948 (14.7%)
Operating Income Ratio to Sales (%)	3,498 (8.0%)	3,161 (6.8%)	1,912 (4.0%)
Ordinary Income Ratio to Sales (%)	3,957 (9.0%)	3,468 (7.5%)	2,259 (4.8%)
Net Income Ratio to Sales (%)	2,940 (6.7%)	2,481 (5.4%)	1,510 (3.2%)
EPS (¥)	¥39.60	¥33.41	¥20.34
Capital	4,317	4,317	4,317
Assets	126,945	146,458	148,281
Total Equity	110,288	120,555	123,764
BPS (¥)	¥1,485.00	¥1,623.24	¥1,666.46
ROE (%)	2.7%	2.1%	1.2%
Equity Ratio (%)	86.9%	82.3%	83.5%
Employees	1,801	1,762	1,725
Capital Expenditure	635	4,435	547
Depreciation Expense	814	961	1,038

Mar/2016	Mar/2017 (forecast)
106,390 (5,343)	106,400 (3,600)
40,798 (38.3%)	—
48,129 (45.2%)	—
12,421 (11.7%)	12,900 (12.1%)
17,461 (16.4%)	11,700 (11.0%)
17,985 (16.9%)	12,200 (11.5%)
12,113 (11.4%)	8,900 (8.4%)
¥163.11	—
4,317	—
155,637	—
127,610	—
¥1718.23	—
9.9%	—
82.0%	—
1,731	—
5,059	1,800
2,241	2,300

Main Product Sales Update

(unit : ¥billion)

		Sep/ 2013	Sep/ 2014	Sep/ 2015	Sep/2016		Sep/ 2016 (forecast)	% forecast	Mar/ 2016	Mar/ 2017 (forecast)
					Actual	% change				
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	17.1	17.4	18.8	17.8	-5.2%	17.6	+1.2%	44.1	33.3
	Flutiform (Combination drug for asthma treatment)	—	0.9	3.0	4.5	+51.1%	5.4	-16.1%	7.2	12.9
	Uritos (Kyorin) (Therapeutic agent for overactive bladder)	3.7	3.4	3.7	3.8	+2.0%	3.6	+2.4%	7.5	7.8
	Desalex (Antiallergic Agent)	—	—	—	—	—	—	—	—	1.9
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.4	8.6	8.1	7.9	-3.0%	7.4	+5.2%	16.1	15.8
	Mucodyne (Mucoregulant)	8.2	6.2	5.9	4.4	-26.6%	4.8	-10.5%	13.0	10.8
Over-the-counter drugs	Milton (Disinfectant)	1.0	1.0	1.0	1.1	+2.8%	1.0	+5.6%	2.1	2.1

R&D Expenses, Capex & Depreciation

(unit : ¥million)

	Sep/2013	Sep/2014	Sep/2015	Sep/2016	change
R&D expenses	6,119	6,674	7,270	7,327	+0.8%
Capital expenditure	1,618	1,557	5,637	1,383	-75.5%
Depreciation expense	1,460	1,462	1,658	1,751	+5.6%

Mar/2016	Mar/2017 (forecast)
13,019	13,500
7,218	4,700
3,730	3,900

<Capital expenditure (Actual/Forecast)>

(unit : ¥billion)

	Sep/2015	Sep/2016
Plant facilities	1.3	0.5
Equipment for control, sales activities	0.1	0.0
Equipment for research	4.2	0.9

Mar/2016	Mar/2017 (forecast)
2.4	2.6
0.4	0.5
4.4	1.6

Main R&D Activities -1 (as of November 7 2016)

Ph III ~ Application submitted

※Changes from the previous announcement(July 29 2016)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph III (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) Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate . (3/2016)
※Preparing for Application		KRP-AM1977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	-Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA) -has a powerful antimicrobial activity against anaerobic bacteria	
Ph III (3/2016)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house	- Expectation of high clinical effects with excellent tissue penetration -High degree of safety expected since safety hurdles cleared prior to clinical trials	

for reference

Stage	Compound/ Code	Therapy area/Action	Features	Comments
※approved (MSD K.K., 9/2016)	Desalex	allergic rhinitis, hives, itching resulting from skin diseases (eczema/dermatitis, pruritus cutaneous)	second generation histamine H1-receptor antagonist	Revised the co-marketing agreement with MSD, to be exclusively marketed by Kyorin (5/2016) Kyorin Pharmaceutical and Kaken Pharmaceutical signed a Contract for the co-promotion (7/2016)

Main R&D Activities -2 (as of November 7 2016)

POC Project (Ph I ~ Ph II)

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 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)

Main R&D Activities -3 (as of November 7 2016)

Licensing development (preclinical)

Stage/ Overseas	Compound/ Code	Licensee / Collaborative research	Therapy area/Action	Origin	Features	Comments
Ph I	KRP-203	Novartis	GVHD	In-house	Sphingosine-1-Phosphate Receptor Agonist . immunomodulatory drug.	License agreement with Novartis (2/2006) Novartis has decided to proceed with development of KRP-203 for GvHD.
Preclinical	-	BMS	Non- disclosure	In-house	FPR-2 agonists that mainly inhibit the migration of neutrophils and exhibit anti- inflammatory action.	License agreement with BMS (12/2015)

- 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.