

# Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

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May 11, 2017

**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 Fiscal 2016

(¥ million)	FY2013	FY2014	FY2015	FY2016	change	FY2017 (forecast)	Change
Net sales	111,400	113,121	119,483	<b>115,373</b>	-3.4%	<b>113,400</b>	-1.7%
Operating income	17,607	14,737	19,636	<b>10,413</b>	-47.0%	<b>12,100</b>	+16.2%
Ordinary income	18,281	15,490	19,995	<b>10,874</b>	-45.6%	<b>12,600</b>	+15.9%
Net income	12,025	12,064	13,639	<b>7,305</b>	-46.4%	<b>9,700</b>	+32.8%
Net income per share (yen)	160.95	161.63	184.28	<b>99.45</b>	-46.0%	<b>131.94</b>	+32.7%
Total assets	169,378	183,383	197,825	<b>192,668</b>	-2.6%	—	—
Total equity	137,821	148,600	157,049	<b>157,837</b>	+0.5%	—	—

## Consolidated Business Results for Fiscal 2016

**[Net Sales]** Despite the expanded sales of core products and launch of new products, sales of new pharmaceutical products in Japan decreased due to the drug price revisions, decline in prescriptions of long-listed items and launch of generic drugs to replace core products. Meanwhile, sales of generic drugs increased due to the launch of an authorized generic of Montelukast and sales in the ethical pharmaceuticals category in Japan were higher than the previous year. However, new pharmaceutical products overseas declined in the absence of upfront payment income relating to in-licensed products (FPR-2 agonists) recorded in the previous year. Total net sales fell to 115,373million yen (3.4% year-on-year decrease).

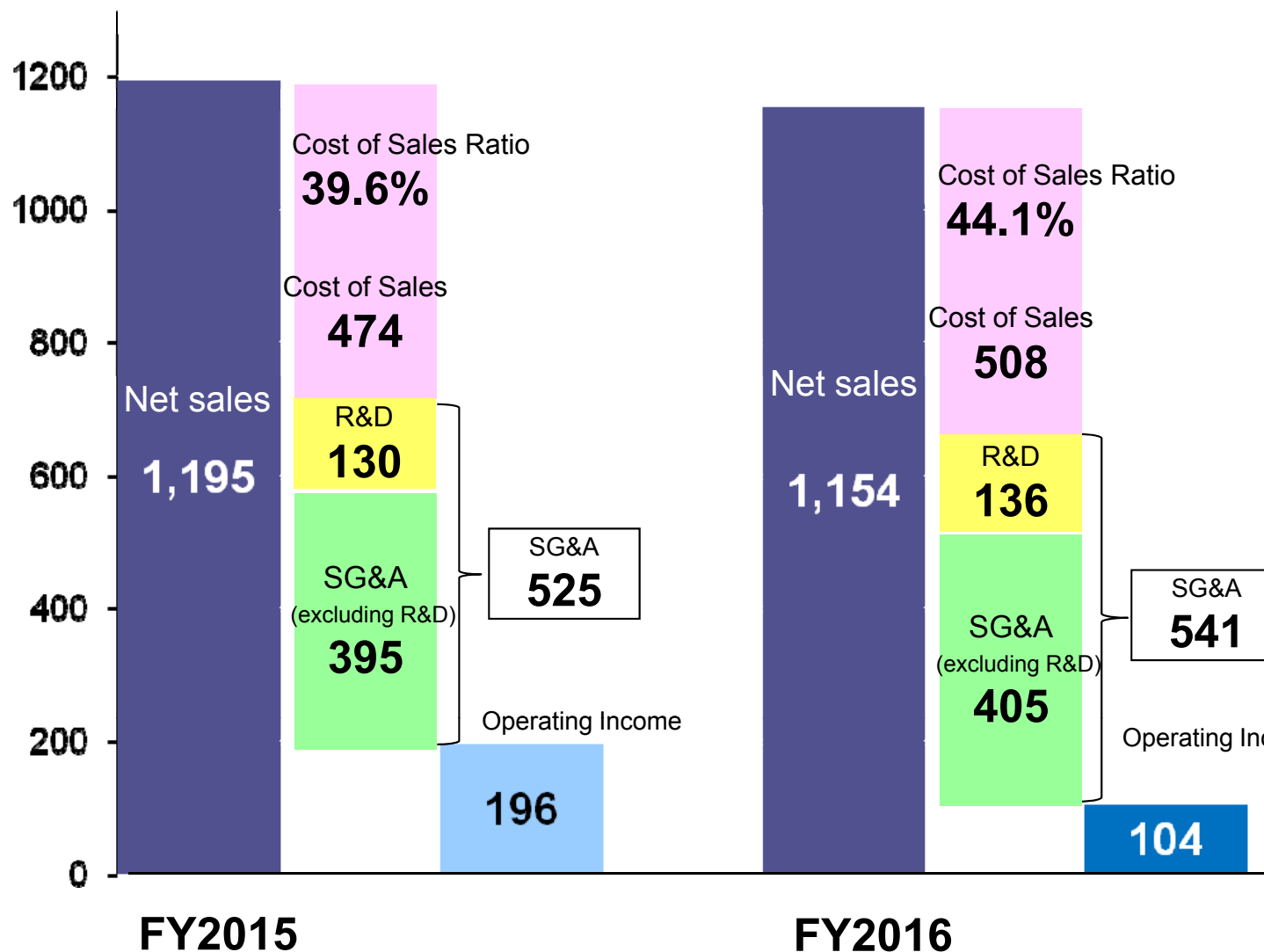
**[Profit]** Gross profit for sales decreased by 7,595million yen year on year chiefly due to drug price revisions and a decline in upfront payment income relating to in-licensed products. SG&A expenses increased by 1,627million yen (including the 549million yen increase in R&D expenses) and operating income fell to 10,413million yen (47.0% year-on-year decrease). Net income came to 7,305million yen (46.4% year-on-year decrease) due to expenses of about 10million yen related to the settlement of a lawsuit for the violation of U.S. antitrust laws in connection with an in-licensed product (Gatifloxacin eye drops), which was recorded as an extraordinary loss.

## Consolidated Business Results Forecast for Fiscal 2017

**[Net sales and income]** We expect that sales of new pharmaceutical products will decline from a year earlier, but sales of generic drugs and sales in the healthcare business will exceed the level of the previous fiscal year. Overall, net sales are expected to decline slightly year on year. Profit is expected to rise chiefly due to an increase in upfront payment income relating to in-licensed products. In the fiscal year ending March 31, 2018, net sales are forecast to fall to 113.4billion yen (1.7% year-on-year decrease), operating income to rise to 12.1 billion yen(16.2% year-on-year increase) and net income to climb to 9.7billion yen(32.8% year-on-year increase).

# Highlights of Business Performance

( Units: ¥ billion )



➤ **Net Sales decreased ¥4.1billion year on year.**

- Increase of new ethical drugs sales
- Decrease of generic drugs

➤ **Cost of sales ratio increased 4.5%**

- Drug price revisions
- Decrease of upfront payment income for in-licensed product overseas

■ **Gross Profit decreased ¥7.6billion year on year**

➤ **SG&A expenses increased ¥1.6billion year on year**

- R&D expenses increased ¥0.6billion
- SG&A(excluding R&D) increased ¥1.0billion

■ **Operating Income decreased ¥9.2billion year on year**

# Consolidated Financial Results

	FY2015	FY2016	Change
<b>Net Sales (total)</b>	119.5	<b>115.4</b>	-4.1
<b>Ethical drugs Business</b>	114.0	<b>109.6</b>	-4.4
<b>◆ Sales of new ethical drugs</b>	98.5	<b>84.5</b>	-14.0
● Japan	92.9	<b>83.8</b>	-9.1
● Overseas	5.6	<b>0.8</b>	-4.8
<b>◆ Generic drugs</b>	15.5	<b>25.0</b>	+9.5
<b>Healthcare Business</b>	5.5	<b>5.8</b>	+0.3
<b>Operating Income</b>	19.6	<b>10.4</b>	-9.2
<b>Ordinary Income</b>	20.0	<b>10.9</b>	-9.1
<b>Net Income</b>	13.6	<b>7.3</b>	-6.3

■ Dividend per share (interim dividend ¥20.0) **¥58.0**

**Dividend ratio 59.3%**

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 actual)	(change forecast)
<b>■ Net Sales</b>	<b>¥115.4</b>	<b>(-4.1)</b>	<b>(+0.4)</b>
<b>◆ Ethical drugs business</b>	<b>¥109.6</b>	<b>(-4.4)</b>	<b>(+0.5)</b>
<b>● Sales of new ethical drugs</b>	<b>¥83.8</b>	<b>(-9.1)</b>	<b>(-0.2)</b>
	<u>FY15</u>	<u>FY16</u>	
· Flutiform	7.2	⇒ 10.1	(+2.9) ( 0)
· Uritos	7.5	⇒ 7.5	( 0) (-0.1)
· Desalex ※1	0	⇒ 1.0	(+1.0) (-0.9)
· Kipres	44.1	⇒ 32.7	(-11.4) (+0.8)
· Pentasa	16.1	⇒ 15.5	(-0.6) ( 0)
· Mucodyne	13.0	⇒ 9.9	(-3.1) (+0.2)
	※1 Launch(11/2016)		
<b>● Sales of new ethical drugs in Overseas</b>	<b>¥0.8</b>	<b>(-4.8)</b>	<b>( 0)</b>
	· Decrease of upfront payment income for FPR-2 agonists (12/2015)		
<b>● Sales of Generic drugs</b>	<b>¥25.0</b>	<b>(+9.5)</b>	<b>(+0.9)</b>
	· Sales of the MONTELUKAST™AG* for KIPRES and the other generic drugs increased		
<b>◆ Healthcare Business</b>	<b>¥5.8</b>	<b>(+0.3)</b>	<b>(-0.1)</b>
<b>■ Operating Income</b>	<b>¥10.4</b>	<b>(-9.2)</b>	<b>(+0.4)</b>
<b>◆ Operating Income margin decreased 7.4 percentage points to 9.0%</b>			
<b>● Cost of Sales Ratio : 39.6%⇒44.1%</b>	<b>increased 4.5 percentage points</b>		
	· Drug price revisions		
	· Decrease of upfront payment income for in-licensed product overseas		
<b>● R&amp;D Ratio : 10.9%⇒11.8%</b>	<b>increased 0.9 percentage points</b>		
	* ¥13.0bIn⇒¥13.6bIn(+¥0.6bIn) increase of KRP-114V, KRP-AM1977X costs		
<b>● SG&amp;A Ratio : 33.0%⇒35.1%</b>	<b>increased 2.1 percentage</b>		
	* ¥39.5bIn⇒¥40.5bIn(+¥1.0bIn) · Increase of sales and general costs		
<b>■ Net Income</b>	<b>¥7.3</b>	<b>(-6.3)</b>	<b>(+0.7)</b>

\* Expenses of around 1,000 million yen relating to the settlement of a lawsuit for violation of U.S. antitrust laws in connection with an in-licensed product (Gatifloxacin eyedrops) were recorded as an extraordinary loss.

# Main Product Sales Update

( Units: ¥ billion )

		FY2012	FY2013	FY2014	FY2015	FY2016		FY2017 (forecast)
						actual	Change(%)	
Sales of new ethical drugs (Japan)	<b>Flutiform</b> (Anti-asthmatic)	—	0.6	3.6	7.2	<b>10.1</b>	<b>+39.0</b>	<b>12.0</b>
	<b>Uritos (Kyorin)</b> (Overactive bladder)	7.5	8.1	7.3	7.5	<b>7.5</b>	<b>+0.1</b>	<b>7.6</b>
	<b>Desalex</b> (allergic rhinitis)	—	—	—	—	<b>1.0</b>	—	<b>3.5</b>
	<b>Kipres</b> (LT receptor antagonist)	39.6	40.2	41.2	44.1	<b>32.7</b>	<b>−25.9</b>	<b>21.0</b>
	for children	14.6	14.6	14.5	15.4	<b>14.9</b>	<b>−3.3</b>	<b>11.1</b>
	<b>Pentasa</b> (Ulcerative colitis and Crohn's disease treatment)	17.6	18.6	17.2	16.1	<b>15.5</b>	<b>−3.9</b>	<b>15.6</b>
	<b>Mucodyne</b> (Mucoregulant)	19.1	18.4	14.0	13.0	<b>9.9</b>	<b>−24.1</b>	<b>8.3</b>

Generic drugs	<b>MONTELUKAST Tablets“KM”</b> ※	—	—	—	—	<b>8.2</b>	—	<b>10.3</b>
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※ Authorized generic drug (AG) of Montelukast (KIPRES)

Over-the- counter drugs	<b>Milton</b> (Disinfectant)	2.0	2.1	2.0	2.1	<b>2.2</b>	<b>+2.8</b>	<b>2.1</b>
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# R&D Expenses, Capex & Depreciation

( Units: ¥ million )

	FY2012	FY2013	FY2014	FY2015	FY2016		FY2017 (forecast)
					actual	Change	
R&D expenses	11,059	11,359	13,514	13,019	13,569	+4.2%	12,600
Capital expenditure	6,576	6,500	2,655	7,218	3,051	-57.73%	4,300
Depreciation expense	2,738	3,153	3,053	3,730	3,619	-2.96%	4,000

<Capital expenditure (Actual/Forecast)>

( Units: ¥ billion )

	FY2015	FY2016	FY2017 (forecast)
Plant facilities	2.4	1.6	2.0
Equipment for control, sales activities	0.4	0.1	0.6
Equipment for research	4.4	1.3	1.7

# Main R&D Activities -1 (May 11 , 2017 Release)

## Ph III ~ Application submitted

※Changes from the previous announcement(Feb 3 2017)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
※Preparing for Application	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.	<ul style="list-style-type: none"> <li>• License agreement with Merck &amp; Co., Inc.,(7/2014)</li> <li>• Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate . (3/2016)</li> <li>※License agreement with Merck &amp; Co., Inc., for Asia (4/2017)</li> </ul>
※Application (4/2017)		KRP-AM1977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	<ul style="list-style-type: none"> <li>-Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA)</li> <li>-has a powerful antimicrobial activity against anaerobic bacteria</li> </ul>	
Ph III (3/2016)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house	<ul style="list-style-type: none"> <li>- Expectation of high clinical effects with excellent tissue penetration</li> <li>-High degree of safety expected since safety hurdles cleared prior to clinical trials</li> </ul>	
※Ph III (3/2017)		KRP-116D	Interstitial cystitis	—	Evaluation committee on unapproved or off-labeled drugs with high medical needs “Dimethyl sulfoxide(DMSO)”	

•Release of DESALEX Tablets 5mg for treatment of allergic diseases (November 18, 2016)

# Main R&D Activities -2 (May 11 , 2017 Release)

## 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)
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 (May 11 , 2017 Release)

## Licensing development

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)

# Reference

## Sales, Profit or Loss of each report segment

( Units: ¥ billion )

	Sales	change	Profit	Change
<b>Net Sales (total)</b>	<b>115.4</b>	<b>−4.1</b>	<b>10.4</b>	<b>−9.2</b>
<b>Ethical drugs business</b>	<b>109.6</b>	<b>−4.4</b>	<b>10.1</b>	<b>−9.5</b>
◆Sales of new ethical drugs	<b>84.5</b>	<b>−14.0</b>		
○Japan	83.8	−9.1		
○Overseas	0.8	−4.8		
◆Generic drugs	<b>25.0</b>	<b>+9.5</b>		
<b>Healthcare(Skincare) business</b>	<b>5.8</b>	<b>+0.3</b>	<b>0</b>	<b>+0.2</b>
<b>Amount of adjustment</b>	<b>—</b>	<b>—</b>	<b>0.3</b>	<b>+0.1</b>

(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)

( Units: ¥ million )

< Breakdown >

■ Sales **115,373** (−4,110)  
● Ethical drug sales in Japan **83,777** (−9,143)

	FY15		FY16	(¥:billion)
• Flutiform	7.2	⇒	10.1	( +2.9)
• Uritos	7.5	⇒	7.5	( 0)
• Desalex ※1	0	⇒	1.0	( +1.0)
• Kipres	44.1	⇒	32.7	(−11.4)
• Pentasa	16.1	⇒	15.5	( −0.6)
• Mucodyne	13.0	⇒	9.9	( −3.1)

※1 Launch(11/2016)

● Ethical drug sales overseas **764** (−4,822)

- Decrease of upfront payment income for FPR-2 agonists (12/2015)
- Gatifloxacin 8 ⇒ 4 ( −4)

● Generic Drugs **25,024** (+9,559)

- Sales of the MONTELUKAST“AG” for KIPRES and the other generic drugs increased.

● Consumer Healthcare Business

**5,807** ( +295)

	FY2015		FY2016			
	実績	売上比	実績	売上比	前同比	前年差額
<b>Sales</b>	119,483	100.0%	<b>115,373</b>	100.0%	−3.4%	−4,110
■ Ethical Drugs business	113,970	95.4%	<b>109,566</b>	95.0%	−3.9%	−4,404
◆ Sales of new Ethical Drugs	98,506	82.4%	<b>84,542</b>	73.3%	−14.2%	−13,964
○ Japan	92,920	77.8%	<b>83,777</b>	72.6%	−9.8%	−9,143
○ Overseas	5,586	4.7%	<b>764</b>	0.7%	−86.3%	−4,822
◆ Generic Drugs	15,465	12.9%	<b>25,024</b>	21.7%	+61.8%	+9,559
■ Consumer Healthcare Business	5,512	4.6%	<b>5,807</b>	5.0%	+5.4%	+295

## <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.  
KYORIN Medical Supply Co., Ltd.  
KYORIN Pharmaceutical Facilities Co., Ltd

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

# P&L Summary: Consolidated Results – (2)

( Units: ¥ million )

< Breakdown >

	FY2014		FY2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
<b>Sales</b>	119,483	100.0%	<b>115,373</b>	100.0%	−3.4%	−4,110
<b>Cost of Sales</b>	47,360	39.6%	<b>50,847</b>	44.1%	+7.4%	+3,487
<b>Gross Profit</b>	72,122	60.4%	<b>64,526</b>	55.9%	−10.5%	−7,596
SG&A (Incl. R&D expenses)	52,486 (13,019)	43.9% 10.9%	<b>54,113</b> <b>(13,569)</b>	46.9% 11.8%	+3.1% +4.2%	+1,627 +550
<b>Operating Income</b>	19,636	16.4%	<b>10,413</b>	9.0%	−47.0%	−9,223
Non-Operating Income	531	0.4%	<b>510</b>	0.4%	−4.0%	−21
Non-Operating Expenses	172	0.1%	<b>49</b>	0.0%	−71.5%	−123
<b>Ordinary Income</b>	19,995	16.7%	<b>10,874</b>	9.4%	−45.6%	−9,121
Extraordinary Profits	1,940	1.6%	<b>48</b>	0.0%	−97.5%	−1,892
Extraordinary Losses	3,120	2.6%	<b>1,205</b>	1.0%	−61.4%	−1,915
<b>Income before income taxes</b>	18,815	15.7%	<b>9,716</b>	8.4%	−48.4%	−9,099
Corporate, inhabitants and enterprise taxes	5,191	4.3%	<b>1,597</b>	1.4%	−69.2%	−3,594
Tax adjustments	−15	−0.0%	<b>814</b>	0.7%	—	+829
<b>Net Income</b>	13,639	11.4%	<b>7,305</b>	6.3%	−46.4%	−6,334

## ◆ Cost of Sales Ratio : +4.5 percentage points

(39.6 %→44.1%)

- Drug price revisions
- Decrease of upfront payment income for in-licensed product overseas

## ◆ R&D Ratio : +0.9 percentage points

(10.9%→11.8%)

- \* ¥13.0bln→¥13.6bln(increase ¥0.6bln)
- Increase of KRP-114V, KRP-AM1977X costs.

## ◆ SG&A (exclude R&D) Expenses : +2.1 percentage points

(33.0%→35.1%)

- \* ¥39.5bln→¥40.5bln (+¥1.0bln)
- Increase of sales and general costs

■ Operating Income 10,413(−9,223)

- \* Operating Income margin decreased 7.4percentage points to 9.0%

■ Net Income 7,305(−6,334)

■ Dividend per share ¥58.00

- \* Consolidated payout ratio 59.3%

# BS Summary: Consolidated Results

( Units: ¥ million )	FY2015	
	Actual	%total
<b>Current Assets</b>	138,483	70.0%
Cash, deposits	45,712	
Notes and accounts receivable	48,296	
Mk securities	5,989	—
Inventory	27,665	
Other	10,818	
<b>Fixed Assets</b>	59,342	30.0%
Tangible assets	22,788	
Intangible assets	1,201	—
Investments	35,353	
<b>Total Assets</b>	197,825	100.0%

FY2016		
Actual	% total	change
<b>126,267</b>	<b>65.5%</b>	<b>−12,216</b>
43,619		
46,192		
5,007	—	—
24,379		
7,068		
<b>66,400</b>	<b>34.5%</b>	<b>+7,058</b>
22,432		
1,204	—	—
42,763		
<b>192,668</b>	<b>100.0%</b>	<b>−5,157</b>

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

<b>25,033</b>	<b>13.0%</b>	<b>−3,019</b>
11,157		
13,875	—	—
<b>9,797</b>	<b>5.1%</b>	<b>−2,926</b>
<b>34,831</b>	<b>18.1%</b>	<b>−5,945</b>
<b>152,585</b>	<b>79.2%</b>	<b>+2,777</b>
<b>5,251</b>	<b>2.7%</b>	<b>−1,990</b>
7,645		
115	—	—
−2,510		
<b>157,837</b>	<b>81.9%</b>	<b>+788</b>
<b>192,668</b>	<b>100.0%</b>	<b>−5,157</b>

## < Breakdown >

### ■ Current Asset : −12,216

- Cash, deposits ( −2,093)
- Notes and accounts receivable ( −2,104)
- Mk securities ( −982)
- Inventory ( −3,286)

### ■ Fixed Assets: +7,058

- Tangible Assets ( −356)
- Intangible Assets ( +3)
- Investments ( +7,410)

### ■ Current Liabi : −3,019

- Notes Payable ( −635)
- Other ( −2,384)

### ■ Non-Current Liabilities : −2,926

# Financial summary (Consolidated)

(¥ million)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (forecast)
Sales (Exports)	107,031 (2,400)	111,400 (1,849)	113,121 (1,032)	119,483 (5,586)	<b>115,373</b> <b>(764)</b>	<b>113,400</b> <b>(3,300)</b>
Cost of Sales (cost of Sales Ratio) (%)	40,133 (37.5%)	43,047 (38.6%)	46,598 (41.2%)	47,360 (39.6%)	<b>50,847</b> (44.1%)	—
SG&A Ratio to Sales (%)	48,949 (45.7%)	50,744 (45.6%)	51,785 (45.8%)	52,486 (43.9%)	<b>54,113</b> (46.9%)	—
R&D Expenses Ratio to Sales (%)	11,059 (10.3%)	11,359 (10.2%)	13,514 (11.9%)	13,019 (10.9%)	<b>13,569</b> (11.8%)	<b>12,600</b> <b>(11.1%)</b>
Operating Income Ratio to Sales (%)	17,948 (16.8%)	17,607 (15.8%)	14,737 (13.0%)	19,636 (16.4%)	<b>10,413</b> (9.0%)	<b>12,100</b> <b>(10.7%)</b>
Ordinary Income Ratio to Sales (%)	18,676 (17.4%)	18,281 (16.4%)	15,490 (13.7%)	19,995 (16.7%)	<b>10,874</b> (9.4%)	<b>12,600</b> <b>(11.1%)</b>
Net Income Ratio to Sales (%)	12,422 (11.6%)	12,025 (10.8%)	12,064 (10.7%)	13,639 (11.4%)	<b>7,305</b> (6.3%)	<b>9,700</b> <b>(8.6%)</b>
EPS (¥)	166.25	160.95	161.63	184.28	<b>99.45</b>	<b>131.94</b>
Capital	700	700	700	700	<b>700</b>	—
Assets	154,968	169,378	183,383	197,825	<b>192,668</b>	—
shareholder's equity	126,985	135,273	140,518	149,808	<b>152,585</b>	—
Total Equity	129,099	137,821	148,600	157,049	<b>157,837</b>	—
BPS (¥)	1,727.86	1,844.61	2,009.45	2,131.67	<b>2,146.83</b>	—
ROE (%)	10.0%	9.0%	8.4%	8.9%	<b>4.6%</b>	—
Equity Ratio (%)	83.3%	81.4%	81.0%	79.4%	<b>81.9%</b>	—
Employees	2,444	2,452	2,445	2,420	<b>2,382</b>	—
Capital Expenditure	6,576	6,500	2,655	7,218	<b>3,051</b>	<b>4,300</b>
Depreciation Expense	2,738	3,153	3,053	3,730	<b>3,619</b>	<b>4,000</b>

# Consolidated Financial Results and full year forecast

( Units: ¥ million )

	FY2016	FY2017 (forecast)	Year on year	
			change	change (%)
Sales	115,373	<b>113,400</b>	-1,973	-1.7
■ Ethical Drugs business	109,566	<b>107,400</b>	-2,166	-2.0
◆ Sales of new Ethical Drugs	84,542	<b>78,900</b>	-5,642	-6.7
○ Japan	83,777	<b>75,500</b>	-8,277	-9.9
○ Overseas	764	<b>3,300</b>	+2,536	+331.9
◆ Sales of Generic drugs	25,024	<b>28,500</b>	+3,476	+13.9
■ Consumer Healthcare Business	5,807	<b>5,900</b>	+93	+1.6
Operating Income	10,413	<b>12,100</b>	+1,687	+16.2
Ordinary Income	10,874	<b>12,600</b>	+1,726	+15.9
Net Income	7,305	<b>9,700</b>	+2,395	+32.8



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

( Units: ¥ million )

<Breakdown >

	FY2015		FY2016			
	Actual	% Sales	Actual	% Sales	% Change	Change
<b>Sales</b>	106,390	100.0%	<b>100,022</b>	100.0%	-6.0%	-6,368
<b>■ Ethical Drugs business</b>	102,726	96.6%	<b>96,109</b>	96.1%	-6.4%	-6,617
◆ Sales of new Ethical Drugs	95,847	90.1%	<b>81,854</b>	81.8%	-14.6%	-13,993
○ Japan	90,504	85.1%	<b>81,326</b>	81.3%	-10.1%	-9,178
○ Overseas	5,343	5.0%	<b>528</b>	0.5%	-90.1%	-4,815
◆ Generic Drugs	6,878	6.5%	<b>14,254</b>	14.3%	+107.2%	+7,376
<b>■ Consumer Healthcare Business</b>	3,663	3.4%	<b>3,912</b>	3.9%	+6.8%	+249

<b>■ Sales</b>	<b>100,022</b>	(-6,368)	
● Ethical drug sales in Japan	<b>81,326</b>	(-9,178)	
	<u>FY15</u>	<u>FY16</u>	(¥:billion)
• Flutiform	7.2	⇒ 10.1	( +2.9)
• Uritos	7.5	⇒ 7.5	( 0)
• Desalex ※1	0	⇒ 1.0	( +1.0)
• Kipres	44.1	⇒ 32.7	( -11.4)
• Pentasa	16.1	⇒ 15.5	( -0.6)
• Mucodyne	13.0	⇒ 9.9	( -3.1)
※1 Launch(11/2016)			
● Ethical drug sales overseas	<b>528</b>	(-4,815)	
• Gatifloxacin	8	⇒ 4	( -4)
● Generic Drugs	<b>14,254</b>	(+7,376)	
• Sales of the MONTELUKAST"AG" for KIPRES and the other generic drugs increased.			
● Consumer Healthcare Business	<b>3,912</b>	( +249)	
• Milton	21	⇒ 22	( +1)
• Rubysta	8	⇒ 10	( +2)

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

( Units: ¥ million )

< Breakdown >

	FY2015		FY2016			
	実績	売上比	実績	売上比	前同比	前年差額
<b>Sales</b>	106,390	100.0%	<b>100,022</b>	100.0%	-6.0%	-6,368
<b>Cost of Sales</b>	40,798	38.3%	<b>43,503</b>	43.5%	+6.6%	+2,705
<b>Gross Profit</b>	65,591	61.7%	<b>56,518</b>	56.5%	-13.8%	-9,073
SG&A (R&D Expenses)	48,129 (12,421)	45.2% (11.7%)	<b>49,714</b> <b>(12,785)</b>	49.7% (12.8%)	+3.3% +2.9%	+1,585 +364
<b>Operating Income</b>	17,461	16.4%	<b>6,803</b>	6.8%	-61.0%	-10,658
Non-Operating Income	652	0.6%	<b>618</b>	0.6%	-5.2%	-34
Non-operating Expenses	127	0.1%	<b>25</b>	0.0%	-80.3%	-102
<b>Ordinary Income</b>	17,985	16.9%	<b>7,396</b>	7.4%	-58.9%	-10,589
Extraordinary Profits	1,828	1.7%	<b>44</b>	0.0%	-97.6%	-1,784
Extraordinary Losses	3,037	2.9%	<b>1,181</b>	1.2%	-61.1%	-1,856
<b>Income before Income taxes</b>	16,776	15.8%	<b>6,259</b>	6.3%	-62.7%	-10,517
Corporate, inhabitants and enterprise taxes	4,600	4.3%	<b>735</b>	0.7%	-84.0%	-3,865
Tax adjustments	62	0.1%	<b>1,069</b>	1.1%	+1,624.2%	+1,007
<b>Net Income</b>	12,113	11.4%	<b>4,454</b>	4.5%	-63.2%	-7,659

- ◆ Cost of Sales Ratio : +5.2percentage points  
(38.3%→43.5%)
  - ・Drug price revisions
  - ・Decrease of upfront payment income for in-licensed product overseas
- ◆ R&D Ratio : +1.1 percentage points  
(11.7%→12.8%)
  - \* ¥12.4bln→¥12.8bln (+¥0.4bln)
  - ・Increase of KRP-114V ,KRP-AM1977X costs.
- ◆ SG&A (exclude R&D) Expenses :  
+3.3 percentage Points (33.6%→36.9%)
- Operating Income **6,803 (-10,658)**  
\* Operating Income margin decreased 9.6percentage points to 6.8%
- Net Income **4,454 (-7,659)**

# BS Summary: KYORIN Pharmaceutical (Non-consolidated)

( Units: ¥ million )

	FY2015	
	Actual	% total
<b>Current Assets</b>	102,859	66.1%
Cash, deposits	22,326	
Accounts receivable	44,374	
Mk securities	5,905	—
Inventory	21,774	
Other	8,477	
<b>Fixed Assets</b>	52,778	33.9%
Tangible assets	14,866	
Intangible assets	486	—
Investments	37,424	
<b>Total Assets</b>	155,637	100.0%

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

FY2016		
Actual	% total	change
<b>89,628</b>	<b>60.0%</b>	<b>−13,231</b>
<b>18,943</b>		
<b>41,269</b>		
<b>5,007</b>	—	—
<b>19,271</b>		
<b>5,136</b>		
<b>59,754</b>	<b>40.0%</b>	<b>+6,976</b>
<b>13,690</b>		
<b>631</b>	—	—
<b>45,432</b>		
<b>149,382</b>	<b>100.0%</b>	<b>−6,255</b>

<b>17,876</b>	<b>12.0%</b>	<b>−2,226</b>
<b>8,546</b>		
<b>9,329</b>	—	—
<b>6,195</b>	<b>4.1%</b>	<b>−1,730</b>
<b>24,071</b>	<b>16.1%</b>	<b>−3,956</b>
<b>117,744</b>	<b>78.8%</b>	<b>+444</b>
<b>7,566</b>	<b>5.1%</b>	<b>−2,743</b>
<b>125,310</b>	<b>83.9%</b>	<b>−2,300</b>
<b>149,382</b>	<b>100.0%</b>	<b>−6,255</b>

## < Breakdown >

### ■ Current Assets : −13,231

- Cash, deposits (−3,383)
- Accounts receivable (−3,105)
- Mk securities (−898)
- Inventory (−2,503)

### ■ Fixed Assets +6,976

- Tangible Assets (−1,176)
- Intangible Assets ( +145)
- Investments (+8,008)

### ■ Current Liabilities : −2,226

- Notes Payable ( +873)

### ■ Non-Current Liabilities : −1,730

# Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(¥ million)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (forecast)
Sales (Exports)	95,894 (2,277)	97,662 (1,650)	98,452 (840)	106,390 (5,343)	<b>100,022</b> <b>(528)</b>	<b>98,400</b> <b>(3,100)</b>
Cost of Sales (cost of sales ratio ) %	33,868 (35.3%)	35,119 (36.0%)	38,951 (39.6%)	40,798 (38.3%)	<b>43,503</b> <b>(43.5%)</b>	—
SG&A Ratio to Sales (%)	44,898 (46.8%)	47,175 (48.3%)	47,349 (48.1%)	48,129 (45.2%)	<b>49,714</b> <b>(49.7%)</b>	—
R&D Expenses Ratio to Sales (%)	10,733 (11.2%)	11,064 (11.3%)	12,843 (13.0%)	12,421 (11.7%)	<b>12,785</b> <b>(12.8%)</b>	<b>11,300</b> <b>(11.5%)</b>
Operating Income Ratio to Sales (%)	17,127 (17.9%)	15,368 (15.7%)	12,151 (12.3%)	17,461 (16.4%)	<b>6,803</b> <b>(6.8%)</b>	<b>8,700</b> <b>(8.8%)</b>
Ordinary Income Ratio to Sales (%)	18,209 (19.0%)	16,230 (16.6%)	13,115 (13.3%)	17,985 (16.9%)	<b>7,396</b> <b>(7.4%)</b>	<b>9,200</b> <b>(9.3%)</b>
Net Income Ratio to Sales (%)	11,931 (12.4%)	10,823 (11.1%)	10,412 (10.6%)	12,113 (11.4%)	<b>4,454</b> <b>(4.5%)</b>	<b>6,800</b> <b>(6.9%)</b>
EPS (¥)	160.66	145.74	140.20	163.11	<b>59.98</b>	—
Capital	4,317	4,317	4,317	4,317	<b>4,317</b>	—
Assets	121,881	130,997	142,967	155,637	<b>149,382</b>	—
shareholder's equity	100,586	106,211	110,534	117,300	<b>117,744</b>	—
Total Equity	102,844	109,606	118,246	127,610	<b>125,310</b>	—
BPS (¥)	1,384.77	1,475.82	1,592.16	1,718.23	<b>1,687.28</b>	—
ROE (%)	11.6%	10.2%	9.1%	9.9%	<b>3.5%</b>	—
Equity Ratio (%)	84.4%	83.7%	82.7%	82.0%	<b>83.9%</b>	—
Employees	1,797	1,780	1,771	1,731	<b>1,687</b>	—
Capital Expenditure	1,507	4,763	1,125	5,059	<b>905</b>	<b>1,600</b>
Depreciation Expense	1,743	1,743	1,667	2,241	<b>2,143</b>	<b>2,000</b>