August 6, 2018

Whom It May Concern


| | |
|---|---|
| Company: | KYORIN Holdings, Inc. |
| Representative: | Minoru Hogawa |
| | Representative Director, President |
| | (Security Code: 4569, TSE 1st Sec.) |
| Contact: | Shuji Miyaki |
| | Director, Corporate Communication |
| | President Office |
| Telephone: | (0)3-3525-4707 |


**(Corrections: Corrections of Numeric Data)**

# On the Partial Correction of the Summary Accounts of the First Quarter of the Business Year Ending in March 2019 [Japanese Standard] (Consolidated)

This is to correct the partial wrong statements in the Summary Accounts of the First Quarter of the Business Year Ending in March 2019 [Japanese Standard] (Consolidated) and otherwise publicly announced on July 31, 2018, of which we already informed you in the Scheduled Corrections of the Statements in the Summary Accounts of the First Quarter of the Business Year Ending in March 2019 [Japanese Standard] (Consolidated) dated August 3, 2018, and to disclose the revised version thereof as below.

Remarks

1. Reasons for the correction above

In April 2018, KYORIN Pharmaceutical Group Facilities Co., Ltd., which was established by means of consolidation of three production sites of the Group, started to operate. Although the accounting system was also adjusted to adapt to the consolidation, the errors in calculation of the sales cost due to improper setting in some parts were found.

2. Details of the corrections

The corrections made in the Summary Accounts of the First Quarter of the Business Year Ending in March 2019 [Japanese Standard] (Consolidated) and the Supplementary Materials of the Settlement of the Business Year Ending in March 2019. There are several corrections, and as such, the entire documents, both wrong and corrected, thereof marked with “Wrong” and “Corrected”, respectively, will be attached. The corrected parts were underlined.

Wrong

# Summary of Consolidated Financial Results (For the First Quarter Ended June 30, 2018) [Japanese Standard]

July 31, 2018
Tokyo Stock Exchange

Company name : KYORIN Holdings, Inc.
Code number : 4569
Web site : http://www.kyorin-gr.co.jp/
Representative : Minoru Hogawa, Representative Director, President and Chief Executive Officer
Contact : Yoh Ito, Senior Corporate Officer, Director, Finance & Accounting
TEL (03) 3525-4701
Scheduled date for submitting quarterly report : August 10, 2018
Scheduled date for starting dividend payment : —

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the Three Months Ended June 30, 2018 (From April 1, 2018, to June 30, 2018)

(1) Consolidated Operating Results

(Percentage changes relative to previous corresponding period)

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2018 | 25,131 | (5.0) | 1,178 | (54.6) | 1,455 | (48.1) |
| Three months ended June 30, 2017 | 26,458 | (4.5) | 2,595 | (20.0) | 2,805 | (19.5) |

Notes : Comprehensive income : Three months ended June 30, 2018 : 209 million yen (93.8)%
Three months ended June 30, 2017 : 3,351 million yen 35.0%

| | Profit attributable to owners of parent | | Net income per share | Net income per share (Diluted) |
|---|---|---|---|---|
| | Million yen | % | Yen | Yen |
| Three months ended June 30, 2018 | 979 | (59.1) | 13.27 | — |
| Three months ended June 30, 2017 | 2,393 | (7.3) | 32.54 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Million yen | Million yen | % |
| As of June 30, 2018 | 192,038 | 160,691 | 83.7 |
| As of March 31, 2018 | 196,736 | 163,297 | 83.0 |

Notes : Equity : As of June 30, 2018 : 160,691 million yen,
As of March 31, 2018 : 163,297 million yen

2. Dividends

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| | End of the 1st quarter | End of the 2nd quarter | End of the 3rd quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2018 | — | 20.00 | — | 38.00 | 58.00 |
| Fiscal year ending March 31, 2019 | — | | | | |
| Fiscal year ending March 2019 (Forecast) | | 30.00 | — | 45.00 | 75.00 |

Note : Revisions to the dividend forecast in the current quarter : Yes
See “Revision of Dividend Forecast in Fiscal Year ended March 31, 2019” released on July 31, 2018 for more details.

3. Forecast of Consolidated for the Year Ending March 31, 2019 (From April 1, 2018, to March 31, 2019)

(Percentage changes relative to previous corresponding period)

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % |
| First half | 50,200 | (1.1) | 1,900 | 31.6 | 2,200 | 29.9 |
| Full year | 114,400 | 3.4 | 8,600 | (2.5) | 9,200 | (1.6) |

| | Profit attributable to owners of parent | | Net income per share |
|---|---|---|---|
| | Million yen | % | Yen |
| First half | 1,500 | 20.9 | 20.34 |
| Full year | 6,600 | 0.4 | 89.49 |

Note : Revisions to consolidated business forecast in the current quarter : None

4. Other

(1) Changes in major subsidiaries during the period under review : Yes

Consolidation (Inclusion) : —

Excluded : 1 (Company name : KYORIN Pharmaceutical Facilities Co., Ltd.)

(2) Application of special accounting methods in the preparation of quarterly financial statements : None

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes due to mandatory changes of accounting standards : None
2) Changes other than 1) : Yes
3) Changes in accounting estimates : Yes
4) Restatements : None

(4) Number of shares issued (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)
As of June 30, 2018 : 74,947,628 shares,
Year ended March 31, 2018 : 74,947,628 shares
2) Number of shares of treasury stock at the end of the period
As of June 30, 2018 : 1,138,474 shares,
Year ended March 31, 2018 : 1,194,974 shares
3)Averaged number of shares during the period (quarterly cumulative period)
Three months ended June 30, 2018 : 73,783,188 shares,
Three months ended June 30, 2017 : 73,548,939 shares

* This quarterly financial report is not subject to the review procedures for quarterly financial statements by Certified Public Accountants or audit firm.

* Explanations about the appropriate use of the business forecasts and other noteworthy points

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 and other points may materially differ from the forecasted figures due to various factors in the future.

(Methods for obtaining supplementary materials)

Supplementary materials will be made available on the Company’s website in conjunction with the Summary of Consolidated Financial Results.

Corrected

# Summary of Consolidated Financial Results (For the First Quarter Ended June 30, 2018) [Japanese Standard]

July 31, 2018
Tokyo Stock Exchange

Company name : KYORIN Holdings, Inc.
Code number : 4569
Web site : http://www.kyorin-gr.co.jp/
Representative : Minoru Hogawa, Representative Director, President and Chief Executive Officer
Contact : Yoh Ito, Senior Corporate Officer, Director, Finance & Accounting
TEL (03) 3525-4701
Scheduled date for submitting quarterly report : August 10, 2018
Scheduled date for starting dividend payment : —

(Amounts rounded down to the nearest million yen)

1. Consolidated Results for the Three Months Ended June 30, 2018 (From April 1, 2018, to June 30, 2018)

(1) Consolidated Operating Results

(Percentage changes relative to previous corresponding period)

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2018 | 25,131 | (5.0) | 1,320 | (49.1) | 1,596 | (43.1) |
| Three months ended June 30, 2017 | 26,458 | (4.5) | 2,595 | (20.0) | 2,805 | (19.5) |

Notes : Comprehensive income : Three months ended June 30, 2018 : 307 million yen (90.8)%
Three months ended June 30, 2017 : 3,351 million yen 35.0%

| | Profit attributable to owners of parent | | Net income per share | Net income per share (Diluted) |
|---|---|---|---|---|
| | Million yen | % | Yen | Yen |
| Three months ended June 30, 2018 | 1,077 | (55.0) | 14.60 | — |
| Three months ended June 30, 2017 | 2,393 | (7.3) | 32.54 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Million yen | Million yen | % |
| As of June 30, 2018 | 192,184 | 160,790 | 83.7 |
| As of March 31, 2018 | 196,736 | 163,297 | 83.0 |

Notes : Equity : As of June 30, 2018 : 160,790 million yen,
As of March 31, 2018 : 163,297 million yen

2. Dividends

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| | End of the 1st quarter | End of the 2nd quarter | End of the 3rd quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2018 | — | 20.00 | — | 38.00 | 58.00 |
| Fiscal year ending March 31, 2019 | — | | | | |
| Fiscal year ending March 2019 (Forecast) | | 30.00 | — | 45.00 | 75.00 |

Note : Revisions to the dividend forecast in the current quarter : Yes
See “Revision of Dividend Forecast in Fiscal Year ended March 31, 2019” released on July 31, 2018 for more details.

3. Forecast of Consolidated for the Year Ending March 31, 2019 (From April 1, 2018, to March 31, 2019)

(Percentage changes relative to previous corresponding period)

| | Net sales | | Operating income | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % |
| First half | 50,200 | (1.1) | 1,900 | 31.6 | 2,200 | 29.9 |
| Full year | 114,400 | 3.4 | 8,600 | (2.5) | 9,200 | (1.6) |

| | Profit attributable to owners of parent | | Net income per share |
|---|---|---|---|
| | Million yen | % | Yen |
| First half | 1,500 | 20.9 | 20.34 |
| Full year | 6,600 | 0.4 | 89.49 |

Note : Revisions to consolidated business forecast in the current quarter : None

4. Other

(1) Changes in major subsidiaries during the period under review : Yes

Consolidation (Inclusion) : —

Excluded : 1 (Company name : KYORIN Pharmaceutical Facilities Co., Ltd.)

(2) Application of special accounting methods in the preparation of quarterly financial statements : None

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Three months ended June 30, 2018 : 73,783,188 shares,
Three months ended June 30, 2017 : 73,548,939 shares

* This quarterly financial report is not subject to the review procedures for quarterly financial statements by Certified Public Accountants or audit firm.

* Explanations about the appropriate use of the business forecasts and other noteworthy points

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 and other points may materially differ from the forecasted figures due to various factors in the future.

(Methods for obtaining supplementary materials)

Supplementary materials will be made available on the Company’s website in conjunction with the Summary of Consolidated Financial Results.

Wrong

# First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

1. Overview of consolidated results
2. Highlights of Business Performance
3. Main Product Sales Update
4. Changes in Capital Policy and Shareholder Return Policy
5. Financial summary
6. Development pipeline

**【Reference】**

7. Segment information

**July 31, 2018**

**KYORIN Holdings, Inc.**

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

# Outline of First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

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| Units: millions of yen | First quarter Jun / 2015 | First quarter Jun / 2016 | First quarter Jun / 2017 | First quarter Jun / 2018 | YoY change (%) | Interim term Sep / 2018 (forecast) | YoY change (%) | Year ending Mar / 2019 (forecast) | YoY change (%) |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 26,567 | 27,707 | 26,458 | **25,131** | **-5.0%** | **50,200** | -1.1% | **114,400** | +3.4% |
| Operating income | 2,173 | 3,244 | 2,595 | **1,178** | **-54.6%** | **1,900** | +31.6% | **8,600** | -2.5% |
| Ordinary income | 2,316 | 3,485 | 2,805 | **1,455** | **-48.1%** | **2,200** | +29.9% | **9,200** | -1.6% |
| Net income | 1,757 | 2,580 | 2,393 | **979** | **-59.1%** | **1,500** | +20.9% | **6,600** | +0.4% |

## First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

**[Net sales]** While sales of our main products Flutiform and Desalex grew, sales of new drugs in Japan remained lower than the year-ago level because of the effect of the drug price system reforms. Meanwhile, sales of generic drugs increased, but overall sales in the Ethical Drugs Business declined. As a result, overall net sales stood at 25,131 million yen (down 5.0% year on year).
**[Profit]** Gross profit declined 1,545 million yen year on year due to the fall in sales of new drugs in Japan and a rise in the cost of sales ratio following the drug price system reforms. SG&A expenses decreased 129 million yen from a year ago (of which R&D expenses declined 33 million yen) thanks to our efforts to reduce costs, but operating income was 1,178 million yen (down 54.6% year on year), and profit attributable to owners of parent was 979 million yen (down 59.1% year on year).

## Consolidated Financial Results for the Fiscal Year Ending March 31, 2019(forecast)

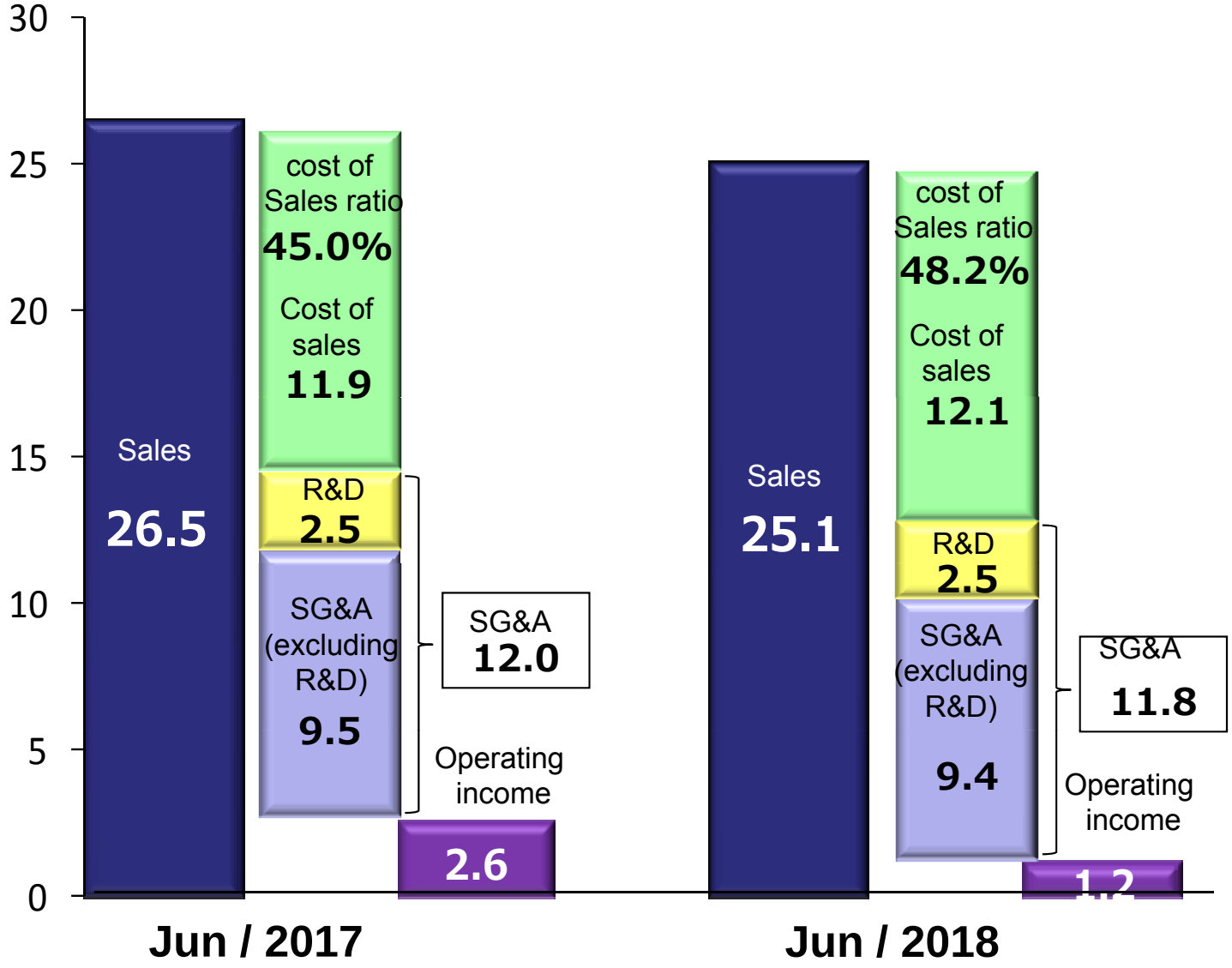
The results forecasts for the first half and the full year announced on May 10, 2018 remain unchanged as of this moment.
(Progress compared with the forecast for the first half: net sales: 50.1%; operating income: 62.0%)

## Dividends (forecast)

We revised the dividend forecast for the fiscal year ended March 2007, which was announced on May 10, 18, to July 31, 18.
Original forecast ￥58/ share (￥38 at the end of the term) ⇒ revised forecast ￥75/ share (￥45 at the end of the term)

# Highlights of Business Performance

（Units: ¥ billion）




## Highlight

➢Net Sales decreased ¥1.4bln

・Decreased in sales of drugs due to drug price revisions.
・Sales of generic drugs increased.
・decrease in loss on retirement of inventories.

➢Cost of sales ratio increased 3.2%.

**■Gross Profit decreased ¥1.6bln**

➢SG&A expenses decreased ¥0.2bln
・R&D expense is flat.
・SG&A(excluding R&D) decreased ¥0.1bln

**Operating Income decreased ¥1.4bln**

# Consolidated Financial Results

## for the first Quarter ending March 31, 2019

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| (¥ billion) | Jun/2017 | Jun/2018 | Change |
|---|---|---|---|
| **Net Sales** | 26.5 | **25.1** | −1.4 |
| **Ethical drugs Business** | 25.1 | **23.7** | −1.4 |
| **◆Sales of new ethical drugs** | 18.2 | **16.2** | −2.0 |
| **●Japan** | 18.0 | **16.1** | −1.9 |
| **●Overseas** | 0.2 | **0.1** | −0.1 |
| **◆Generic drugs** | 6.9 | **7.5** | +0.6 |
| **Healthcare Business** | 1.3 | **1.4** | +0.1 |
| **Operating Income** | 2.6 | **1.2** | −1.4 |
| **Ordinary Income** | 2.8 | **1.5** | −1.3 |
| **Net Income** | 2.4 | **1.0** | −1.4 |

**Year onYear**

■ **Net Sales** **¥25.1bin** **(−1.4)**

◆ **Ethical drugs business** **¥23.7bin** **(−1.4)**

● **Sales of new ethical drugs** **¥16.1bin** **(−1.9)**

| | 17.6（1Q） | | 18.6（1Q） | |
|---|---|---|---|---|
| ・Flutiform | 2.8 | ⇒ | 3.0 | (+0.2) |
| ・Uritos | 1.9 | ⇒ | 1.7 | (−0.2) |
| ・Desalex※ | 0.5 | ⇒ | 1.5 | (+1.0) |
| ・Kipres | 5.2 | ⇒ | 3.3 | (−1.9) |
| ・Pentasa | 4.0 | ⇒ | 3.5 | (−0.5) |
| ・Mucodyne | 2.1 | ⇒ | 1.7 | (−0.4) |

※Launch(11/2016)

● **Sales of new ethical drugs in Overseas** **¥0.1bin** **( −0.1)**

● **Sales of Generic drugs** **¥7.5bin** **( +0.6)**

・Increase of MONTELKAST AG sales　Contract manufacturing's sales decreased

◆ **Healthcare Business** **¥1.4bin** **( +0.1)**

■ **Operating Income** **¥1.2bin** **(−1.4)**

**◆Operating Income margin decreased 5.1 percentage points to 4.7%**

**●Cost of Sales Ratio : increased 3.2 percentage points (45.0%⇒48.2%)**

・Drug price revision ・Sales of generic drugs increased

**●R&D Ratio : increased 0.4 percentage points (9.4%⇒9.8%)**

flat ・**¥2.5bln⇒¥2.5bln**

**●SG&A Ratio (excluding R&D expenses) : increased 1.5 percentage points (35.8%⇒37.3%)**

・¥9.5bln⇒¥9.4bln　¥−0.1bln

・Decrease of labor costs.

■ **Net Income** **¥1.0bin** **(−1.4)**

# Main Product Sales Update

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（Units: ¥ billion）

| Product name | | Interim term | | Full term | | First quarter（April 1 to June 30） | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep/2017 | Sep/2018 (forecast) | Mar/2018 | Mar/2019 (forecast) | Jun/2017 | Jun/2018 | YoY change (%) | Progress to Interim term forecast(%) | Progress to Full term forecast(%) |
| Sales of new ethical drugs (Japan) | Flutiform (Combination drug for asthma treatment) | 5.4 | **5.7** | 11.9 | **12.3** | 2.8 | **3.0** | +9.4% | 52.5% | 24.4% |
| | Uritos（Kyorin） (Overactive bladder) | 3.6 | **3.4** | 7.2 | **6.8** | 1.9 | **1.7** | −8.8% | 50.1% | 24.7% |
| | Desalex (Antiallergic Agent) | 0.9 | **3.0** | 4.9 | **8.1** | 0.5 | **1.5** | +230.8% | 48.6% | 18.4% |
| | Kipres （LT receptor antagonist） | 3.9 | **2.9** | 8.3 | **6.0** | 2.0 | **1.6** | −23.1% | 53.7% | 25.9% |
| | For children | 5.1 | **2.9** | 10.5 | **7.2** | 3.1 | **1.7** | −45.7% | 57.6% | 23.5% |
| | Pentasa (Ulcerative colitis and Crohn's diseasetreatment) | 8.0 | **7.3** | 15.3 | **14.5** | 4.0 | **3.5** | −12.4% | 47.2% | 24.0% |
| | Mucodyne （Mucoregulant） | 3.9 | **3.2** | 8.7 | **7.2** | 2.1 | **1.7** | −22.5% | 51.4% | 22.8% |
| Generic drugs | MONTELUKAST Tablets "KM" | 5.0 | **4.8** | 11.7 | **9.8** | 2.7 | **3.3** | +21.9% | 68.1% | 33.6% |
| Over-the-counter drugs | Milton (Disinfectant) | 1.1 | **1.1** | 2.2 | **2.3** | 0.5 | **0.6** | +3.7% | 47.6% | 24.3% |

# Changes in Capital Policy and Shareholder Return Policy

# Changes in Capital Policy

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## Before the change

・While maintaining the sound financial base, we adopt the capital policy ensuring both growth investment and stable return to shareholders.
As for the return to shareholders, we aim for “stable dividends” on a basis of the present dividend standard.

## Reason of the Changes in Capital Policy

◇Considering the perspective of the recovery of the corporate earnings caused by the implementation of our key strategies.
◇ Taking into consideration the current capital market conditions and the financial situation of the Company, we decided to change the policy from capital accumulation to capital efficiency improvement
◇We aim to continue this new shareholder return policy unless there is a special change in the business environment.

**Changes in Capital Policy and Shareholder Return Policy**

## Basic idea

■Please note that there is no change in our business strategy towards the realization of the medium-term business plan “HOPE100-Stage 2-”, and we will continue to make our best efforts to achieve our target figures in that business plan by investing for continuous growth.
■ We aim to further improve the shareholder's value and increase efficiency of capital to strengthen the return to shareholdersby strengthening shareholder return taking DOE (shareholders' equity dividend rate) into account

# Shareholder Returns

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## Basic Policy(After the change)

・While maintaining the sound financial base, we aim to improve the capital efficiency through growth investment and returns to shareholders.
・We will maintain stable dividends taking DOE (Dividend on Equity ratio) into account.

## Dividends

| | FY2017 | FY2018 (orginal forecast) | FY2018 (revise forecast) |
|---|---|---|---|
| Dividend per share (Yen) | ¥58 (Year-end ¥38) | ¥58 (Year-end ¥38) | ¥75 (Year-end ¥45) |
| Consolidated payout ratio(%) | 65.9% | 65.7% | 84.9% |

※ We revised the dividend forecast for the fiscal year ended March 2007, which was announced on May 10, 18, to July 31, 18.

# Financial summary

# Consolidated Financial Results for the first Quarter ending March 31, 2019

Kyorin
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| (Units: ¥million) | Interim term | | Full term | | First quarter（April 1 to June 30） | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep/2017 | Sep/2018 (forecast) | Mar/2018 | Mar/2017 (forecast) | Jun/2017 | Jun/2018 | Change | YoY change (%) | Progress to interim term forecast (%) | Progress to full term forecast (%) |
| **Sales** | 50,758 | **50,200** | 110,640 | **114,400** | 26,458 | **25,131** | -1,327 | -5.0% | 50.1% | 22.0% |
| **Ethical drugs business** | 47,977 | **47,400** | 104,703 | **108,400** | 25,112 | **23,735** | -1,377 | -5.5% | 50.1% | 21.9% |
| **◆Sales of new ethical drugs** | 34,972 | **34,100** | 77,041 | **80,900** | 18,242 | **16,204** | -2,038 | -11.2% | 47.5% | 20.0% |
| **●Japan** | 34,449 | **33,600** | 73,702 | **79,900** | 17,999 | **16,057** | -1,942 | -10.8% | 47.8% | 20.1% |
| **●Overseas** | 523 | **500** | 3,339 | **1,000** | 242 | **146** | -96 | -39.7% | 29.2% | 14.6% |
| **◆Generic drugs** | 13,005 | **13,200** | 27,662 | **27,400** | 6,870 | **7,531** | +661 | +9.6% | 57.1% | 27.5% |
| **Healthcare business** | 2,781 | **2,800** | 5,937 | **6,000** | 1,346 | **1,396** | +50 | +3.7% | 49.9% | 23.3% |
| **Operating income** | 1,443 | **1,900** | 8,822 | **8,600** | 2,595 | **1,178** | -1,417 | -54.6% | 62.0% | 13.7% |
| **Ordinary income** | 1,693 | **2,200** | 9,345 | **9,200** | 2,805 | **1,455** | -1,350 | -48.1% | 66.1% | 15.8% |
| **Net income** | 1,240 | **1,500** | 6,574 | **6,600** | 2,393 | **979** | -1,414 | -59.1% | 65.3% | 14.8% |

# Main R&D Activities -1 (as of July 31 2018)

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## Ph III ~ Application submitted

| Stage | | Compound/ Code | Therapy area /Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Japan | Overseas | | | | | |
| Application (9/2017) | PhⅢ: UROVANT | KRP-114V | Overactive bladder | Merck & Co., | -Expectation of high compliance in taking medicine with less side effects than the conventional drugs for overactive bladder<br>-- Less drug interaction as β3 receptor agonist - β3 agonist including this agonist may constitute the first-line drug for treatment of overactive bladder | ・License agreement with Merck & Co., Inc.,(7/2014)<br>・Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate (3/2016)<br>・License agreement with Merck & Co., Inc., for Asia (4/2017) |
| Application (4/2017) | | KRP-AM1977X (Oral agent) | New quinolone synthetic antibacterial agent | In-house | -Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA)<br>-has a powerful antimicrobial activity against anaerobic bacteria<br>- Expectation of high clinical effects with excellent tissue penetration<br>-High degree of safety expected since safety hurdles cleared prior to clinical trials | |
| PhⅢ (3/2016) | | KRP-AM1977Y (Injection) | New quinolone synthetic antibacterial agent | In-house | | |
| PhⅢ (3/2017) | | KRP-116D | Interstitial cystitis | — | Evaluation committee on unapproved or off-labeled drugs with high medical needs<br>“Dimethyl sulfoxide(DMSO)” | |
| PhⅢ (6/2017) | | KRP-108P | Anti-asthmatic | (U.K.) Vectura | Expand the indication of Flutiform to pediatric patients | |

# Main R&D Activities -2 (as of July 31 2018)

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## POC Project (Ph I ~ Ph II)

※Changes from the previous announcement (May 10 2018)

| Stage | | Compound/ Code | Therapy area /Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Japan | Overseas | | | | | |
| PhⅡ | | KRP-N118 (SK-1404) | Nocturia Due to Nocturnal Polyuria | SANWA KAGAKU KENKYUSHO CO., LTD. | A vasopressin V2 receptor agonist that promotes the reabsorption of water by the collecting duct of the kidney to reduce the amount of urine (antidiuretic action). With its high efficacy and safety, the drug is expected to be a therapeutic agent for nocturia due to nocturnal polyuria. | ・License agreement with SANWA KAGAKU KENKYUSHO CO., LTD, (3/2018) |
| **※PhⅡ** (6/2018) | | 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)<br>【US】<br>Momotaro-Gene prostate cancer(Ph Ⅰ/Ⅱ)<br>【JP】<br>Okayama University liver cancer(Ph Ⅰ/Ⅰb) |

## Licensing development

| Stage/ Overseas | Compound/ Code | Licensee / Collaborative research | Therapy area/Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Ph Ⅰ | FPR-2 agonist program | 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

# Segment information for the first Quarter Ending March 31, 2019

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## Sales, Profit or Loss of each report segment

| (Units:¥ billion) | Sales | Year on Year | Profit | Year on Year |
|---|---|---|---|---|
| **total** | **25.1** | **－1.4** | **1.2** | **－1.4** |
| **Ethical drugs business** | **23.7** | **－1.4** | **1.1** | **－1.4** |
| **◆Sales of new ethical drugs** | **16.2** | **－2.0** | | |
| **●Japan** | 16.1 | －1.9 | | |
| **●Overseas** | 0.1 | －0.1 | | |
| **◆Generic drugs** | **7.5** | **＋0.6** | | |
| **Healthcare business** | **1.4** | **＋0.1** | **0** | **0** |
| **Amount of adjustment** | **－** | **－** | **0.1** | **0** |

Corrected

# First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

1. Overview of consolidated results
2. Highlights of Business Performance
3. Main Product Sales Update
4. Changes in Capital Policy and Shareholder Return Policy
5. Financial summary
6. Development pipeline

**【Reference】**

7. Segment information

**July 31, 2018**

**KYORIN Holdings, Inc.**

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

# Outline of First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

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| Units: millions of yen | First quarter Jun / 2015 | First quarter Jun / 2016 | First quarter Jun / 2017 | First quarter Jun / 2018 | YoY change (%) | Interim term Sep / 2018 (forecast) | YoY change (%) | Year ending Mar / 2019 (forecast) | YoY change (%) |
|---|---|---|---|---|---|---|---|---|---|
| Net sales | 26,567 | 27,707 | 26,458 | **25,131** | **-5.0%** | **50,200** | -1.1% | **114,400** | +3.4% |
| Operating income | 2,173 | 3,244 | 2,595 | **1,320** | **-49.1%** | **1,900** | +31.6% | **8,600** | -2.5% |
| Ordinary income | 2,316 | 3,485 | 2,805 | **1,596** | **-43.1%** | **2,200** | +29.9% | **9,200** | -1.6% |
| Net income | 1,757 | 2,580 | 2,393 | **1,077** | **-55.0%** | **1,500** | +20.9% | **6,600** | +0.4% |

## First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

**[Net sales]** While sales of our main products Flutiform and Desalex grew, sales of new drugs in Japan remained lower than the year-ago level because of the effect of the drug price system reforms. Meanwhile, sales of generic drugs increased, but overall sales in the Ethical Drugs Business declined. As a result, overall net sales stood at 25,131 million yen (down 5.0% year on year).
**[Profit]** Gross profit declined 1,420 million yen year on year due to the fall in sales of new drugs in Japan and a rise in the cost of sales ratio following the drug price system reforms. SG&A expenses decreased 127 million yen from a year ago (of which R&D expenses declined 33 million yen) thanks to our efforts to reduce costs, but operating income was 1,320 million yen (down 49.1% year on year), and profit attributable to owners of parent was 1,077 million yen (down 55.0% year on year).

## Consolidated Financial Results for the Fiscal Year Ending March 31, 2019(forecast)

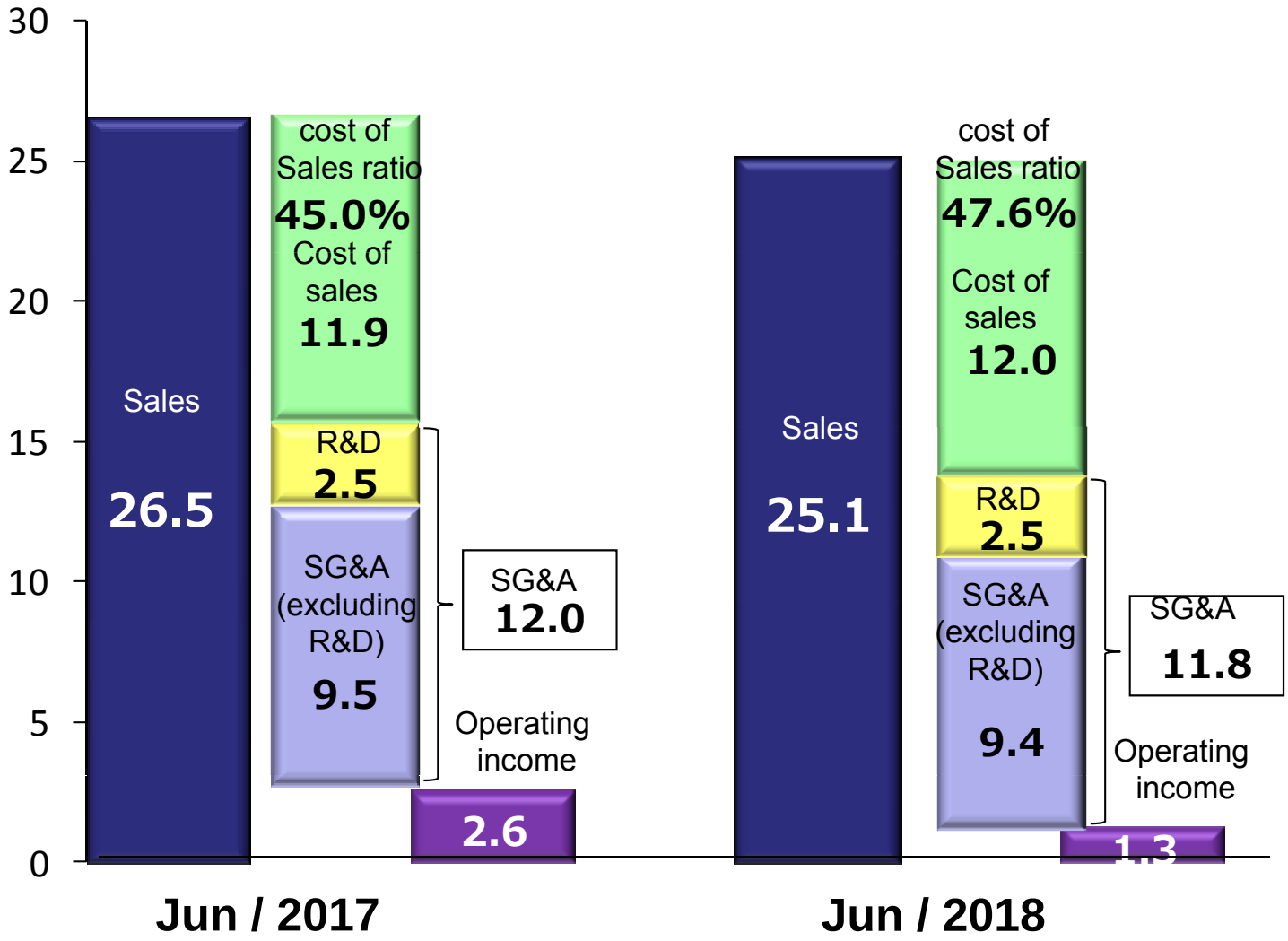
The results forecasts for the first half and the full year announced on May 10, 2018 remain unchanged as of this moment.
(Progress compared with the forecast for the first half: net sales: 50.1%; operating income: 69.5%)

## Dividends (forecast)

We revised the dividend forecast for the fiscal year ended March 2007, which was announced on May 10, 18, to July 31, 18.
Original forecast ￥58/ share (￥38 at the end of the term) ⇒ revised forecast ￥75/ share (￥45 at the end of the term)

# Highlights of Business Performance

（Units: ¥ billion）




## Highlight

➢Net Sales decreased ¥1.4bln

・Decreased in sales of drugs due to drug price revisions.
・Sales of generic drugs increased.
・decrease in loss on retirement of inventories.

➢Cost of sales ratio increased 2.6%.

**■Gross Profit decreased ¥1.4bln**

➢SG&A expenses decreased ¥0.2bln
・R&D expense is flat.
・SG&A(excluding R&D) decreased ¥0.1bln

**Operating Income decreased ¥1.3bln**

# Consolidated Financial Results

## for the first Quarter ending March 31, 2019

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| (¥ billion) | Jun/2017 | Jun/2018 | Change |
|---|---|---|---|
| **Net Sales** | 26.5 | **25.1** | −1.4 |
| **Ethical drugs Business** | 25.1 | **23.7** | −1.4 |
| **◆Sales of new ethical drugs** | 18.2 | **16.2** | −2.0 |
| **●Japan** | 18.0 | **16.1** | −1.9 |
| **●Overseas** | 0.2 | **0.1** | −0.1 |
| **◆Generic drugs** | 6.9 | **7.5** | +0.6 |
| **Healthcare Business** | 1.3 | **1.4** | +0.1 |
| **Operating Income** | 2.6 | **1.3** | −1.3 |
| **Ordinary Income** | 2.8 | **1.6** | −1.2 |
| **Net Income** | 2.4 | **1.1** | −1.3 |

Year onYear

■ **Net Sales** ¥25.1bin (−1.4)

◆ **Ethical drugs business** ¥23.7bin (−1.4)

● **Sales of new ethical drugs** ¥16.1bin (−1.9)

| | 17.6 (1Q) | | 18.6 (1Q) | |
|---|---|---|---|---|
| ・Flutiform | 2.8 | ⇒ | 3.0 | (+0.2) |
| ・Uritos | 1.9 | ⇒ | 1.7 | (−0.2) |
| ・Desalex※ | 0.5 | ⇒ | 1.5 | (+1.0) |
| ・Kipres | 5.2 | ⇒ | 3.3 | (−1.9) |
| ・Pentasa | 4.0 | ⇒ | 3.5 | (−0.5) |
| ・Mucodyne | 2.1 | ⇒ | 1.7 | (−0.4) |

※Launch(11/2016)

● **Sales of new ethical drugs in Overseas** ¥0.1bin ( −0.1)

● **Sales of Generic drugs** ¥7.5bin ( +0.6)

・Increase of MONTELKAST AG sales Contract manufacturing's sales decreased

◆ **Healthcare Business** ¥1.4bin ( +0.1)

■ **Operating Income** ¥1.3bin (−1.3)

◆Operating Income margin decreased 4.5 percentage points to 5.3%

●Cost of Sales Ratio : increased 2.6 percentage points (45.0%⇒47.6%)

・Drug price revision ・Sales of generic drugs increased

●R&D Ratio : increased 0.4 percentage points (9.4%⇒9.8%)

flat ・¥2.5bln⇒¥2.5bln

●SG&A Ratio (excluding R&D expenses) : increased 1.5 percentage points (35.8%⇒37.3%)

・¥9.5bln⇒¥9.4bln ¥−0.1bln

・Decrease of labor costs.

■ **Net Income** ¥1.1bin (−1.3)

# Main Product Sales Update

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（Units: ¥ billion）

| Product name | | Interim term | | Full term | | First quarter（April 1 to June 30） | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep/2017 | Sep/2018 (forecast) | Mar/2018 | Mar/2019 (forecast) | Jun/2017 | Jun/2018 | YoY change (%) | Progress to Interim term forecast(%) | Progress to Full term forecast(%) |
| Sales of new ethical drugs (Japan) | Flutiform (Combination drug for asthma treatment) | 5.4 | **5.7** | 11.9 | **12.3** | 2.8 | **3.0** | +9.4% | 52.5% | 24.4% |
| | Uritos（Kyorin） (Overactive bladder) | 3.6 | **3.4** | 7.2 | **6.8** | 1.9 | **1.7** | −8.8% | 50.1% | 24.7% |
| | Desalex (Antiallergic Agent) | 0.9 | **3.0** | 4.9 | **8.1** | 0.5 | **1.5** | +230.8% | 48.6% | 18.4% |
| | Kipres （LT receptor antagonist） | 3.9 | **2.9** | 8.3 | **6.0** | 2.0 | **1.6** | −23.1% | 53.7% | 25.9% |
| | For children | 5.1 | **2.9** | 10.5 | **7.2** | 3.1 | **1.7** | −45.7% | 57.6% | 23.5% |
| | Pentasa (Ulcerative colitis and Crohn's diseasetreatment) | 8.0 | **7.3** | 15.3 | **14.5** | 4.0 | **3.5** | −12.4% | 47.2% | 24.0% |
| | Mucodyne （Mucoregulant） | 3.9 | **3.2** | 8.7 | **7.2** | 2.1 | **1.7** | −22.5% | 51.4% | 22.8% |
| Generic drugs | MONTELUKAST Tablets "KM" | 5.0 | **4.8** | 11.7 | **9.8** | 2.7 | **3.3** | +21.9% | 68.1% | 33.6% |
| Over-the-counter drugs | Milton (Disinfectant) | 1.1 | **1.1** | 2.2 | **2.3** | 0.5 | **0.6** | +3.7% | 47.6% | 24.3% |

# Changes in Capital Policy and Shareholder Return Policy

# Changes in Capital Policy

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## Before the change

・While maintaining the sound financial base, we adopt the capital policy ensuring both growth investment and stable return to shareholders.
As for the return to shareholders, we aim for “stable dividends” on a basis of the present dividend standard.

## Reason of the Changes in Capital Policy

◇Considering the perspective of the recovery of the corporate earnings caused by the implementation of our key strategies.
◇ Taking into consideration the current capital market conditions and the financial situation of the Company, we decided to change the policy from capital accumulation to capital efficiency improvement
◇We aim to continue this new shareholder return policy unless there is a special change in the business environment.

**Changes in Capital Policy and Shareholder Return Policy**

## Basic idea

■Please note that there is no change in our business strategy towards the realization of the medium-term business plan “HOPE100-Stage 2-”, and we will continue to make our best efforts to achieve our target figures in that business plan by investing for continuous growth.
■ We aim to further improve the shareholder's value and increase efficiency of capital to strengthen the return to shareholdersby strengthening shareholder return taking DOE (shareholders' equity dividend rate) into account

# Shareholder Returns

## Basic Policy(After the change)

・While maintaining the sound financial base, we aim to improve the capital efficiency through growth investment and returns to shareholders.
・We will maintain stable dividends taking DOE (Dividend on Equity ratio) into account.

## Dividends

| | FY2017 | FY2018 (orginal forecast) | FY2018 (revise forecast) |
|---|---|---|---|
| Dividend per share (Yen) | ¥58 (Year-end ¥38) | ¥58 (Year-end ¥38) | ¥75 (Year-end ¥45) |
| Consolidated payout ratio(%) | 65.9% | 65.7% | 84.9% |

※ We revised the dividend forecast for the fiscal year ended March 2007, which was announced on May 10, 18, to July 31, 18.

# Financial summary

# Consolidated Financial Results for the first Quarter ending March 31, 2019

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| (Units: ¥million) | Interim term | | Full term | | First quarter（April 1 to June 30） | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep/2017 | Sep/2018 (forecast) | Mar/2018 | Mar/2017 (forecast) | Jun/2017 | Jun/2018 | Change | YoY change (%) | Progress to interim term forecast (%) | Progress to full term forecast (%) |
| **Sales** | 50,758 | **50,200** | 110,640 | **114,400** | 26,458 | **25,131** | -1,327 | -5.0% | 50.1% | 22.0% |
| **Ethical drugs business** | 47,977 | **47,400** | 104,703 | **108,400** | 25,112 | **23,735** | -1,377 | -5.5% | 50.1% | 21.9% |
| **◆Sales of new ethical drugs** | 34,972 | **34,100** | 77,041 | **80,900** | 18,242 | **16,204** | -2,038 | -11.2% | 47.5% | 20.0% |
| **●Japan** | 34,449 | **33,600** | 73,702 | **79,900** | 17,999 | **16,057** | -1,942 | -10.8% | 47.8% | 20.1% |
| **●Overseas** | 523 | **500** | 3,339 | **1,000** | 242 | **146** | -96 | -39.7% | 29.2% | 14.6% |
| **◆Generic drugs** | 13,005 | **13,200** | 27,662 | **27,400** | 6,870 | **7,531** | +661 | +9.6% | 57.1% | 27.5% |
| **Healthcare business** | 2,781 | **2,800** | 5,937 | **6,000** | 1,346 | **1,396** | +50 | +3.7% | 49.9% | 23.3% |
| **Operating income** | 1,443 | **1,900** | 8,822 | **8,600** | 2,595 | **1,320** | -1,275 | -49.1% | 69.5% | 15.3% |
| **Ordinary income** | 1,693 | **2,200** | 9,345 | **9,200** | 2,805 | **1,596** | -1,209 | -43.1% | 72.5% | 17.3% |
| **Net income** | 1,240 | **1,500** | 6,574 | **6,600** | 2,393 | **1,077** | -1,316 | -55.0% | 71.8% | 16.3% |

# Main R&D Activities -1 (as of July 31 2018)

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## Ph III ~ Application submitted

| Stage | | Compound/ Code | Therapy area /Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Japan | Overseas | | | | | |
| Application (9/2017) | PhⅢ: UROVANT | KRP-114V | Overactive bladder | Merck & Co., | -Expectation of high compliance in taking medicine with less side effects than the conventional drugs for overactive bladder<br>-- Less drug interaction as β3 receptor agonist - β3 agonist including this agonist may constitute the first-line drug for treatment of overactive bladder | ・License agreement with Merck & Co., Inc.,(7/2014)<br>・Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate (3/2016)<br>・License agreement with Merck & Co., Inc., for Asia (4/2017) |
| Application (4/2017) | | KRP-AM1977X (Oral agent) | New quinolone synthetic antibacterial agent | In-house | -Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA)<br>-has a powerful antimicrobial activity against anaerobic bacteria<br>- Expectation of high clinical effects with excellent tissue penetration<br>-High degree of safety expected since safety hurdles cleared prior to clinical trials | |
| PhⅢ (3/2016) | | KRP-AM1977Y (Injection) | New quinolone synthetic antibacterial agent | In-house | | |
| PhⅢ (3/2017) | | KRP-116D | Interstitial cystitis | — | Evaluation committee on unapproved or off-labeled drugs with high medical needs<br>“Dimethyl sulfoxide(DMSO)” | |
| PhⅢ (6/2017) | | KRP-108P | Anti-asthmatic | (U.K.) Vectura | Expand the indication of Flutiform to pediatric patients | |

# Main R&D Activities -2 (as of July 31 2018)

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## POC Project (Ph I ~ Ph II)

※Changes from the previous announcement (May 10 2018)

| Stage | | Compound/ Code | Therapy area /Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Japan | Overseas | | | | | |
| PhⅡ | | KRP-N118 (SK-1404) | Nocturia Due to Nocturnal Polyuria | SANWA KAGAKU KENKYUSHO CO., LTD. | A vasopressin V2 receptor agonist that promotes the reabsorption of water by the collecting duct of the kidney to reduce the amount of urine (antidiuretic action). With its high efficacy and safety, the drug is expected to be a therapeutic agent for nocturia due to nocturnal polyuria. | ・License agreement with SANWA KAGAKU KENKYUSHO CO., LTD, (3/2018) |
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## Licensing development

| Stage/ Overseas | Compound/ Code | Licensee / Collaborative research | Therapy area/Action | Origin | Features | Comments |
|---|---|---|---|---|---|---|
| Ph Ⅰ | FPR-2 agonist program | 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

# Segment information for the first Quarter Ending March 31, 2019

Kyorin
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## Sales, Profit or Loss of each report segment

| (Units:¥ billion) | Sales | Year on Year | Profit | Year on Year |
|---|---|---|---|---|
| **total** | **25.1** | **－1.4** | **1.3** | **－1.3** |
| **Ethical drugs business** | **23.7** | **－1.4** | **1.3** | **－1.2** |
| **◆Sales of new ethical drugs** | **16.2** | **－2.0** | | |
| **●Japan** | 16.1 | －1.9 | | |
| **●Overseas** | 0.1 | －0.1 | | |
| **◆Generic drugs** | **7.5** | **＋0.6** | | |
| **Healthcare business** | **1.4** | **＋0.1** | **0** | **0** |
| **Amount of adjustment** | **－** | **－** | **0.1** | **0** |