

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

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November 5, 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 Consolidated Financial Results for the Second Quarter Ended September 30, 2018

(¥ million)	Sep/2015	Sep/2016	Sep/2017	Sep/2018	% Y/Y	Mar/2019 (forecast)	% Y/Y
Net Sales	52,386	54,628	50,758	50,360	-0.8%	114,400	+3.4%
Operating Income	4,099	3,663	1,443	2,852	+97.6%	8,600	-2.5%
Ordinary Income	4,266	3,921	1,693	3,183	+88.0%	9,200	-1.6%
Net Income	2,967	2,684	1,240	2,217	+78.8%	6,600	+0.4%

Second Quarter Consolidated Financial Ended September 30, 2018

[Net sales] Although sales of new ethical drugs in Japan remained lower than the year-ago level because of the effect of the drug price system reforms, sales of our main products Flutiform and Desalex grew. Meanwhile, although sales of generic drugs increased, overall sales in the Ethical Drug Business declined. The results of the Healthcare Business were mostly unchanged, and overall net sales stood at 50,360 million yen (down 0.8% year on year).

[Profit] Gross profit declined 1,028 million yen year on year mainly due to a rise in the cost of sales ratio following the drug price revisions. Meanwhile, SG&A expenses decreased 2,437 million yen from a year ago (of which, R&D expenses declined 2,148 million yen) thanks to our efforts to reduce costs, but operating income was 2,852 million (up 97.7% year on year). Profit attributable to owners of parent was 2,217 million yen (up 78.8% year on year).

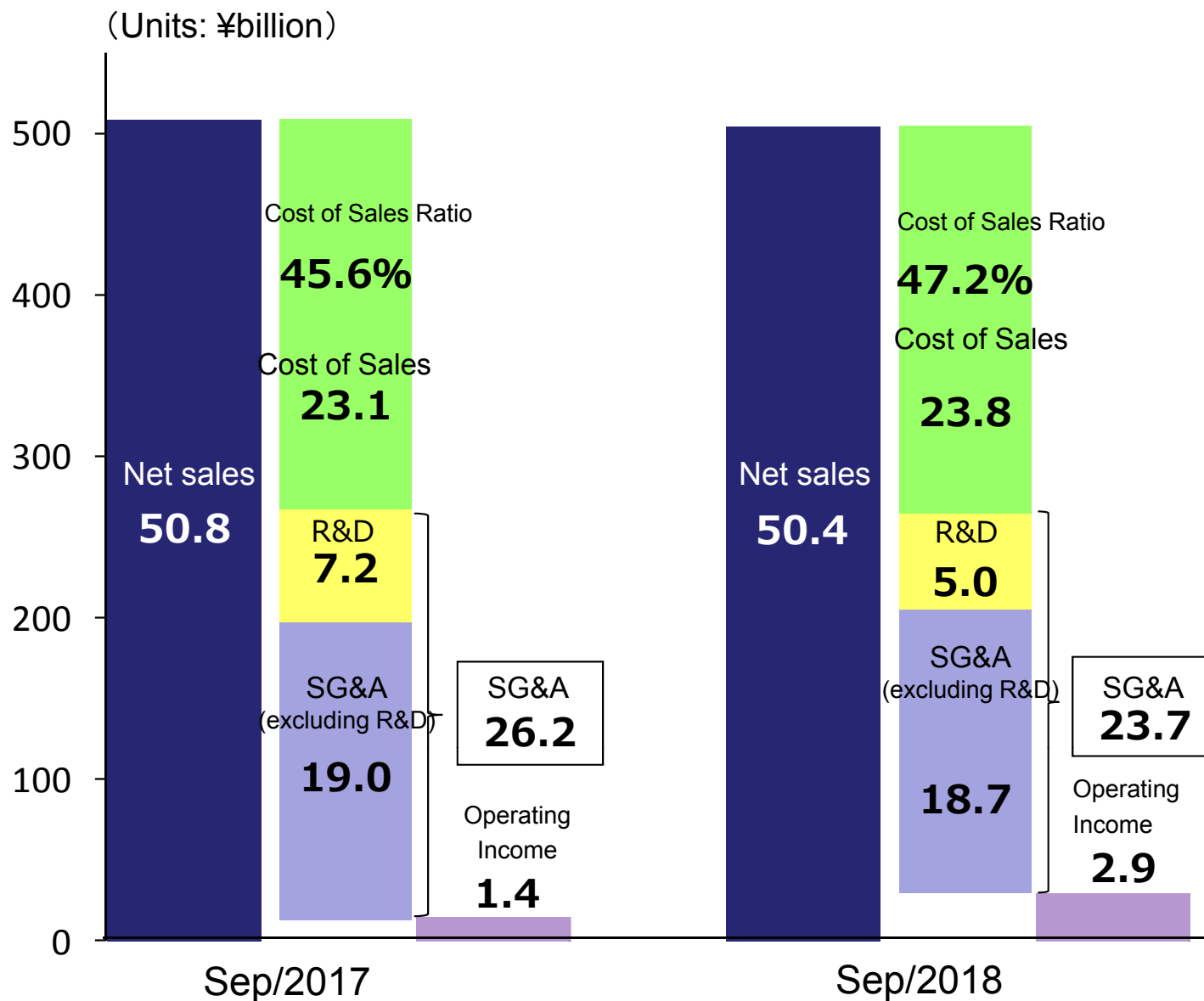
Consolidated Financial Results for the Fiscal Year Ending March 31, 2019(forecast)

We released revisions to our (second quarter) financial results forecast for the fiscal year ending March 31, 2019 on November 2 but It is described in the above table there is no change to our full-year consolidated financial results forecast for the fiscal year ending March 31, 2019, which was announced on May 10, 2018.

[Dividends] There is no change to the dividend forecast announced on July 31, 2018 (annual dividend of 75 yen per share).

(Progress toward consolidated results forecasts for the fiscal year ending March 31, 2019 – Net sales: 44.0%, Operating income:33.2%)

Highlights of Business Performance



➤ **Net Sales decreased ¥0.4billion year on year.**

➤ **Cost of sales ratio increased 1.6%.**

- Drug price revisions
- Increase of sales of Generic drugs

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

➤ **SG&A expenses decreased ¥2.5billion year on year.**

- Efforts to reduce costs
- R & D expenses decreased (−¥2.2bln)
- SG&A(excluding R&D) decreased ¥0.3billion

■ **Operating Income increased ¥1.5billion year on year.**

Consolidated Financial Results

for the Second Quarter Ended September 30, 2018

(unit : ¥billion)	Sep/2017	Sep/2018	change	(Year on Year)	(forecast) Announced on May 10, 2018
Net Sales (total)	50.8	50.4	-0.4	(-0.4)	(+0.2)
Ethical drugs Business	48.0	47.6	-0.4	(-0.4)	(+0.2)
◆Sales of new ethical drugs	35.0	34.0	-1.0	(-1.0)	(-0.2)
○Japan	34.4	33.4	-1.0	(+0.7)	(+0.4)
○Overseas	0.5	0.6	+0.1	(-0.1)	(+0.1)
◆Generic drugs	13.0	13.6	+0.6	(+0.6)	(+0.4)
Healthcare Business	2.8	2.8	0	(0)	(0)
Operating Income	1.4	2.9	+1.5	(+1.5)	(+1.0)
Ordinary Income	1.7	3.2	+1.5		
Net Income	1.2	2.2	+1.0	(+1.0)	(+0.7)

■Net Sales	¥50.4bln	(-0.4)	(+0.2)
◆Ethical drug business	¥47.6bln	(-0.4)	(+0.2)
●New ethical drugs	¥33.4bln	(-1.0)	(-0.2)
	18.3 (2Q)	19.3 (2Q)	
• Flutiform	5.4	⇒ 6.1	(+0.7) (+0.4)
• Uritos	3.6	⇒ 3.5	(-0.1) (+0.1)
• Desalex	0.9	⇒ 2.8	(+1.9) (-0.2)
• Kipres	9.0	⇒ 6.2	(-2.8) (+0.4)
• Pentasa	8.0	⇒ 7.1	(-0.9) (-0.2)
• Mucodyne	3.9	⇒ 3.1	(-0.8) (-0.1)
• Nasonex	-	⇒ 1.3	(+1.3) (0)
●New ethical drugs in Overseas	¥0.6bln	(+0.1)	(+0.1)
●Generic drugs	¥13.6bln	(+0.6)	(+0.4)
	• Increase of MONTELKAST AG sales		
◆Healthcare Business	¥2.8bln	(0)	(0)
■ Operating Income	¥2.9bln	(+1.5)	(+1.0)
◆ Operating Income margin increased 2.9 percentage points to 5.7%			
● Cost of Sales Ratio : increased 1.6 percentage points (45.6%⇒47.2%)			
• Drug price revisions			
• Increase of sales of Generic drugs			
● R&D Ratio : increased 4.1 percentage points (14.1%⇒10.0%)			
• R & D expenses Decreased (¥7.2bln ⇒¥5.0bln) Progress of development project (previous year).			
● SG&A Ratio(excluding R&D expenses) : Decreased 0.2 percentage points 37.4%⇒37.2%			
• SG&A(excluding R&D) Decreased ¥0.3billion (¥19.0bln⇒¥18.7bln)			
• Decrease of Labor costs, Selling costs.			
■ Net Income	¥2.2bln	(+1.0)	(+0.7)

We released a revision to our second-quarter financial results forecast on November 2, 2018 but these comparisons with the forecast show differences from the forecast announced on May 10, 2018.

Consolidated Financial Results for the Second Quarter and full year forecast

(unit : ¥million)	Sep/2017	Sep/2018			Sep/2018 (forecast) Announced on May 10, 2018	Change	Mar/2018	Mar/2019 (forecast)
		Actual	Change	% Y/Y				
Sales	50,758	50,360	-398	-0.8	50,200	+160	110,640	114,400
■ Ethical Drugs business	47,977	47,581	-395	-0.8	47,400	+181	104,703	108,400
◆ Sales of new Ethical Drugs	34,972	34,028	-943	-2.7	34,100	-71	77,041	80,900
○ Japan	34,449	33,424	-1,024	-3.0	33,600	-175	73,702	79,900
○ Overseas	523	604	+81	+15.5	500	+104	3,339	1,000
◆ Generic Drugs	13,005	13,552	+547	+4.2	13,200	+352	27,662	27,400
■ Healthcare Business	2,781	2,779	-2	-0.1	2,800	-20	5,937	6,000
Operating Income	1,443	2,852	+1,409	+97.6	1,900	+952	8,822	8,600
Ordinary Income	1,693	3,183	+1,489	+88.0	2,200	+983	9,345	9,200
Net Income	1,240	2,217	+977	+78.8	1,500	+717	6,574	6,600

We released a revision to our second-quarter financial results forecast on November 2, 2018 but these comparisons with the forecast show differences from the forecast announced on May 10, 2018.

Main Product Sales Update

(Units: ¥billion)		Sep/ 2016	Sep/ 2017	Sep/ 2018			Sep/ 2018		Mar/2018	Mar/2019 (forecast)
				Actual	Change	Change(%)	forecast	Change		
Sales of new ethical drugs (Japan)	Flutiform (Combination drug for asthma treatment)	4.5	5.4	6.1	+0.7	+12.4	5.7	+0.4	11.9	12.3
	Uritos (Kyorin) (Overactive bladder)	3.8	3.6	3.5	-0.1	-3.7	3.4	+0.1	7.2	6.8
	Desalex (Antiallergic Agent)	-	0.9	2.8	+1.9	+229.7	3.0	-0.2	4.9	8.1
	Kipres for adult (LT receptor antagonist)	11.5	3.9	2.9	-1.0	-25.9	2.9	0	8.3	6.0
	Kipres for children (LT receptor antagonist)	6.3	5.1	3.3	-1.8	-35.6	2.9	+0.4	10.5	7.2
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	7.9	8.0	7.1	-0.9	-10.4	7.3	-0.2	15.3	14.5
	Mucodyne (Mucoregulant)	4.4	3.9	3.1	-0.8	-21.0	3.2	-0.1	8.7	7.2
	Nasonex (Spray type allergic rhinitis remedy)	-	-	1.3	+1.3	-	1.3	0	-	10.1
Generic Drugs	MONTELUKAST Tablets "KM"	1.8	5.0	5.3	+0.3	+5.5	4.8	+0.5	11.7	9.8
Over-the-counter drugs	Milton (Disinfectant)	1.1	1.1	1.1	0	+0.9	1.1	0	2.2	2.3

We released a revision to our second-quarter financial results forecast on November 2, 2018 but these comparisons with the forecast show differences from the forecast announced on May 10, 2018.

R&D Expenses, Capex & Depreciation

(unit : ¥million)	Sep/2015	Sep/2016	Sep/2017	Sep/2018	change
R&D expenses	7,270	7,327	7,179	5,030	-29.9
Capital expenditure	5,637	1,383	1,989	949	-52.3
Depreciation expense	1,658	1,751	1,710	1,395	-18.4

Mar/2018	Mar/2019 (forecast)
14,243	11,600
2,885	2,800
3,644	2,900

<Capital expenditure (Actual/Forecast)>

(unit : ¥billion)	Sep/2017	Sep/2018
Plant facilities	0.5	0.7
Equipment for control, sales activities	0.1	0
Equipment for research	1.3	0.2

Mar/2018	Mar/2019 (forecast)
1.1	2.1
0.2	0.1
1.5	0.6

Main R&D Activities -1 (as of November 5 2018)

※Changes from the previous announcement(July 31 2018)

Ph III ~ Application submitted

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
※Approval (9/2018)	Ph III: 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 -- Less drug interaction as β 3 receptor agonist - β 3 agonist including this agonist may constitute the first-line drug for treatment of overactive bladder	<ul style="list-style-type: none"> •License agreement with Merck & Co., Inc.,(7/2014) •Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate (3/2016) •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) -has a powerful antimicrobial activity against anaerobic bacteria	
Preparing for Application		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	
Ph III (3/2017)		KRP-116D	Interstitial cystitis	—	Evaluation committee on unapproved or off-labeled drugs with high medical needs “Dimethyl sulfoxide(DMSO)”	
Ph III (6/2017)		KRP-108P	Anti-asthmatic	(U.K.) Vectura	Expand the indication of Flutiform to pediatric patients	

Main R&D Activities -2 (as of November 5 2018)

POC Project (Ph I ~ Ph II)

※Changes from the previous announcement(July 31 2018)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
※Ph II (8/2018)		KRP-N118 (SK-1404)	Nocturia Due to Nocturnal Polyuria	SANWA KAGAKU KENKYUSH O 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)
Ph II (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) [US] Momotaro-Gene prostate cancer(Ph I / II) [JP] Okayama University liver cancer(Ph I / I b)

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 Second Quarter Ended Sep 30, 2018

Sales, Profit or Loss of each report segment

(unit : ¥billion)	Sales	change Y/Y	Profit	change Y/Y
Net Sales (total)	50.4	-0.4	2.9	+1.5
Ethical drugs business	47.6	-0.4	2.7	+1.5
◆Sales of new ethical drugs	34.0	-1.0		
○Japan	33.4	-1.0		
○Overseas	0.6	+0.1		
◆Generic drugs	13.6	+0.6		
Healthcare business	2.8	0	0	-0.1
Amount of adjustment	-	-	0.2	+0.1

P&L Summary: Consolidated Results – (1)

< Breakdown >

Year on Year

■ Sales	¥50,360mil	(-¥398mil)
● Ethical drug sales in Japan	¥33,424mil	(-¥1,024mil)
	Sep/2017 ⇒ Sep/2018 (¥ billion)	
▪ Flutiform	5.4 ⇒ 6.1	(+0.7)
▪ Uritos	3.6 ⇒ 3.5	(-0.1)
▪ Desalex	0.9 ⇒ 2.8	(+1.9)
▪ Kipres	9.0 ⇒ 6.2	(-2.8)
▪ Pentasa	8.0 ⇒ 7.1	(-0.9)
▪ Mucodyne	3.9 ⇒ 3.1	(-0.8)
▪ Nasonex	- ⇒ 1.3	(+1.3)
● Ethical drug sales overseas	¥604mil	(+¥81mil)
▪ Gatifloxacin	¥0.3bln → 0.4bln	(+0.1)
● Generic Drugs	¥13,552mil	(+¥547mil)
▪ Increase of MONTELKAST AG sales		
▪ Launches of new Generic Drugs		
● Consumer Healthcare Business	¥2,779mil	(-¥2mil)

(unit : ¥million)	Sep/2017		Sep/2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	50,758	100.0%	50,360	100.0%	-0.8%	-398
■ Ethical Drugs business	47,977	94.5%	47,581	94.5%	-0.8%	-395
◆ Sales of new Ethical Drugs	34,972	68.9%	34,028	67.6%	-2.7%	-943
○Japan	34,449	67.9%	33,424	66.4%	-3.0%	-1,024
○Overseas	523	1.0%	604	1.2%	+15.5%	+81
◆ Generic Drugs	13,005	25.6%	13,552	26.9%	+4.2%	+547
Consumer Healthcare Business	2,781	5.5%	2,779	5.5%	-0.1%	-2

<Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (7) :

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

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

P&L Summary: Consolidated Results – (2)

(unit : ¥million)	Sep/2017		Sep/2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	50,758	100.0%	50,360	100.0%	-0.8%	-398
Cost of Sales	23,128	45.6%	23,758	47.2%	+2.7%	+629
Gross Profit	27,630	54.4%	26,602	52.8%	-3.7%	-1,027
SG&A (Incl. R&D expenses)	26,186 (7,179)	51.6% (14.1%)	23,749 (5,030)	47.2% (10.0%)	-9.3% (-29.9%)	-2,437 (-2,148)
Operating Income	1,443	2.8%	2,852	5.7%	+97.6%	+1,409
Non-Operating Income	325	0.6%	372	0.7%	+14.6%	+47
Non-Operating Expenses	75	0.1%	42	0.1%	-43.5%	-32
Ordinary Income	1,693	3.3%	3,183	6.3%	+88.0%	+1,489
Extraordinary Profits	627	1.2%	2	0.0%	-99.7%	-624
Extraordinary Losses	420	0.8%	73	0.1%	-82.6%	-346
Income before income taxes	1,900	3.7%	3,111	6.2%	+63.8%	+1,211
Corporate, inhabitants and enterprise taxes	487	1.0%	611	1.2%	+25.4%	+123
Tax adjustments	172	0.3%	282	0.6%	+64.4%	+110
Net Income	1,240	2.4%	2,217	4.4%	+78.8%	+977

< Breakdown >

◆ Cost of Sales Ratio :

up 1.6 percentage points Y/Y (45.6%→47.2%)

- Drug price revisions
- Sales of generic drugs increased

◆ R&D Ratio :

down 4.1 percentage points Y/Y (14.1%→10.0%)

* ¥7.2bln→¥5.0bln (- ¥2.2bln)

◆ SG&A (exclude R&D) Expenses :

down 0.2 percentage Points Y/Y(37.4%→37.2%)

* ¥19.0bln→¥18.7bln (-¥0.3bln)

- Decrease of Labor costs, Selling costs.

■ Operating Income ¥2,852mil (+ ¥1,409mil)

* Operating Income margin increased 2.9percentage points to 5.7%

■ Net Income ¥2,217mil (+¥977mil)

■ Dividend per share(interim dividend) ¥30.0

BS Summary: Consolidated Results

(Units: ¥ million)	※ Mar/2018	
	Actual	%total
Current Assets	119,946	61.0%
Cash, deposits	44,117	
Notes and accounts receivable	47,862	
Mk securities	599	—
Inventory	23,308	
Other	4,058	
Fixed Assets	76,789	39.0%
Tangible assets	21,901	
Intangible assets	1,750	—
Investments	53,137	
Total Assets	196,736	100.0%

Current Liabilities	25,134	12.8%
Notes payable	10,266	—
Other	14,868	
Non-Current Liabilities	8,303	4.2%
Total Liabilities	33,438	17.0%
Owner's Equity	155,489	79.0%
Other Comprehensive Income	7,808	4.0%
Unrealized holding gain (loss) on securities	10,101	
Foreign currency translation adjustments	83	—
Remeasurements of defined benefit plans	-2,377	
Total Equity	163,297	83.0%
Total Liabilities and Equity	196,736	100.0%

Sep/2018		
Actual	% total	change
116,917	59.6%	-3,029
45,826		
39,608		
1,699	—	—
25,966		
3,816		
79,338	40.4%	+2,548
21,730		
2,505	—	—
55,102		
196,255	100.0%	-480

22,724	11.6%	-2,410
11,643	—	—
11,081		
8,912	4.5%	+608
31,636	16.1%	-1,801
155,035	79.0%	-453
9,582	4.9%	+1,774
11,641		
54	—	—
-2,112		
164,618	83.9%	+1,320
196,255	100.0%	-480

< Breakdown >

Year on Year

■ Current Asset :	- ¥ 3,029mil
· Cash, deposits	(+ ¥1,709mil)
· Notes and accounts receivable	(- ¥ 8,254mil)
· Mk securities	(+ ¥1,099mil)
· Inventory	(+ ¥2,657mil)
· Other	(- ¥241mil)
■ Fixed Assets :	+2,548mil
· Tangible Assets	(- ¥171mil)
· Intangible Assets	(+ ¥755mil)
· Investments	(+ ¥1,964mil)

■ Current Liabilities :	- ¥2,410mil
· Notes Payable	(+ ¥1,376mil)
· Other	(- ¥3,786mil)
■ Non-Current Liabilities :	+ ¥608mil

※ The figures for the preceding fiscal year have been revised retrospectively following the partial revision to the Accounting Standards for Tax Effect Accounting.

Financial summary (Consolidated)

(unit : ¥million)	Sep/2016	Sep/2017	Sep/2018
Sales (Exports)	54,628 (343)	50,758 (523)	50,360 (604)
Cost of Sales (cost of sales ratio) %	23,830 (43.6%)	23,128 (45.6%)	23,758 (47.2%)
SG&A Ratio to Sales (%)	27,134 (49.7%)	26,186 (51.6%)	23,749 (47.2%)
R&D Expenses Ratio to Sales (%)	7,327 (13.4%)	7,179 (14.1%)	5,030 (10.0%)
Operating Income Ratio to Sales (%)	3,663 (6.7%)	1,443 (2.8%)	2,852 (5.7%)
Ordinary Income Ratio to Sales (%)	3,921 (7.2%)	1,693 (3.3%)	3,183 (6.3%)
Net Income Ratio to Sales (%)	2,684 (4.9%)	1,240 (2.4%)	2,217 (4.4%)
EPS (¥)	36.56	16.86	30.04
Capital	700	700	700
Assets	188,285	189,993	196,255
Total Equity	153,719	157,501	164,618
BPS (¥)	2,093.71	2,138.99	2228.81
ROE (%)	1.7%	0.8%	1.4%
Equity Ratio (%)	81.6%	82.9%	83.9%
Employees	2,427	2,378	2,334
Capital Expenditure	1,383	1,989	949
Depreciation Expense	1,751	1,710	1,395

※ ¹ Mar/2018	Mar/2019 (forecast)
110,640 (3,339)	114,400 (1,000)
49,064 (44.3%)	—
52,753 (47.7%)	—
14,243 (12.9%)	11,600 (10.1%)
8,822 (8.0%)	8,600 (7.5%)
9,345 (8.4%)	9,200 (8.0%)
6,574 (5.9%)	6,600 (5.8%)
89.28	※ ² 100.68
700	—
196,736	—
163,297	—
2,214.13	—
4.1%	—
83.0%	—
2,348	—
2,885	2,800
3,644	2,900

※¹ The figures for the preceding fiscal year have been revised retrospectively following the partial revision to the Accounting Standards for Tax Effect Accounting.

※² For the consolidated earnings forecast "Net income per share", we take into consideration the impact of treasury stock acquisition on October 2.

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

< Breakdown > Year on Year

(unit : ¥million)	Sep/2017		Sep/2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	44,493	100.0%	43,957	100.0%	-1.2%	-536
■ Ethical Drugs business	42,008	94.4%	41,463	94.3%	-1.3%	-544
◆ Sales of new Ethical Drugs	33,972	76.4%	32,929	74.9%	-3.1%	-1,043
○ Japan	33,538	75.4%	32,451	73.8%	-3.2%	-1,086
○ Overseas	434	1.0%	477	1.1%	+9.9%	+43
◆ Generic Drugs	8,035	18.1%	8,534	19.4%	+6.2%	+499
■ Healthcare Business	2,485	5.6%	2,493	5.7%	+0.3%	+8

■ Sales ¥43,957mil (-¥536mil)

● Ethical drug sales in Japan
¥32,452mil (-¥1,086mil)

Sep/2017 ⇒ Sep/2018 (¥ billion)

• Flutiform	5.4	⇒	6.1	(+0.7)
• Uritos	3.6	⇒	3.5	(-0.1)
• Desalex	0.9	⇒	2.8	(+1.9)
• Kipres	9.0	⇒	6.2	(-2.8)
• Pentasa	8.0	⇒	7.1	(-0.9)
• Mucodyne	3.9	⇒	3.1	(-0.8)
• Nasonex	-	⇒	1.3	(+1.3)

● Ethical drug sales overseas
¥477mil (+¥43mil)

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

● Generic Drugs ¥8,534mil (+¥499mil)

• Increase of MONTELKAST AG sales

● Consumer Healthcare Business
¥2,493mil (+¥8mil)

• Milton ¥1.1bln → ¥1.1bln (¥0bln)

• Rubysta ¥0.5bln → ¥0.6bln (+¥0.1bln)

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

< Breakdown >

(unit : ¥million)	Sep/2017		Sep/2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	44,493	100.0%	43,957	100.0%	-1.2%	-536
Cost of Sales	19,982	44.9%	20,747	47.2%	+3.8%	+764
Gross Profit	24,511	55.1%	23,210	52.8%	-5.3%	-1,301
SG&A (R&D Expenses)	24,253 (6,691)	54.5% (15.0%)	21,541 (4,556)	49.0% (10.4%)	-11.2% (-31.9%)	-2,712 (-2,135)
Operating Income	257	0.6%	1,669	3.8%	+547.7%	+1,411
Non-Operating Income	446	1.0%	322	0.7%	-27.7%	-123
Non-operating Expenses	64	0.1%	24	0.1%	-62.0%	-39
Ordinary Income	639	1.4%	1,967	4.5%	+207.6%	+1,327
Extraordinary Profits	50	0.1%	—	—	—	-50
Extraordinary Losses	396	0.9%	68	0.2%	-82.8%	-328
Income before income taxes	294	0.7%	1,899	4.3%	+545.7%	+1,605
Corporate, inhabitants and enterprise taxes	233	0.5%	339	0.8%	+45.3%	+105
Tax adjustments	-139	-0.3%	240	0.5%	-272.9%	+380
Net Income	200	0.4%	1,319	3.0%	+559.3%	+1,118

◆ **Cost of Sales Ratio :**
up 2.3 percentage points Y/Y (44.9%→47.2%)

- Drug price revisions
- Sales of generic drugs increased

◆ **R&D Ratio :**
down 4.6percentage points Y/Y(15.0%→10.4%)

* ¥6.7bln→¥4.6bln(- ¥2.1bin)

◆ **SG&A (exclude R&D) expenses :**
down 0.9 percentage points Y/Y (39.5%→38.6%)

■ **Operating Income ¥1,669mil (+¥1,441mil)**

* Operating Income margin increased 3.2 percentage points to 3.8%

■ **Net Income ¥1,319mil (+ ¥1,118mil)**

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)	※ Mar/2018	
	Actual	% total
Current Assets	82,803	54.6%
Cash, deposits	18,527	
Accounts receivable	43,151	
Mk securities	599	—
Inventory	17,736	
Other	2,789	
Fixed Assets	68,818	45.4%
Tangible assets	12,649	
Intangible assets	1,324	—
Investments	54,844	
Total Assets	151,622	100.0%

Current Liabilities	19,397	12.8%
Notes Payable	7,863	
Accounts payable	11,533	—
Other		
Non-Current Liabilities	3,609	2.4%
Total Liabilities	23,007	15.2%
Owner's Equity	118,595	78.2%
Valuation and translation adjustments	10,019	6.6%
Total Equity	128,614	84.8%
Total Liabilities and Equity	151,622	100.0%

Sep/2018		
Actual	% total	change
80,352	55.1%	−2,451
20,975		
35,527		
1,699	—	—
19,345		
2,804		
65,544	44.9%	−3,273
7,724		
2,154	—	—
55,665		
145,896	100.0%	−5,725

17,687	12.1%	−1,709
9,597		
8,090	—	—
5,190	3.6%	+1,580
22,878	15.7%	−128
111,473	76.4%	−7,121
11,544	7.9%	+1,524
123,018	84.3%	−5,596
145,896	100.0%	−5,725

< Breakdown >

(Year on Year)

■ Current Assets : −¥2,451mil

- Cash, deposits (+¥2,447mil)
- Accounts receivable (−¥7,623mil)
- Mk securities (+¥1,099mil)
- Inventory (+¥1,609mil)

■ Fixed Assets : − ¥3,273mil

- Tangible Assets (−¥4,924mil)
- Intangible Assets (+¥830mil)
- Investments (+¥820mil)

■ Current Liabilities : − ¥1,709mil

- Accounts payable (+¥1,733mil)

■ Non-Current Liabilities : +¥1,580mil

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)	Sep/2016	Sep/2017	Sep/2018	※ Mar/2018	Mar/2019 (forecast)
Sales (Exports)	47,396 (221)	44,493 (434)	43,957 (477)	97,459 (3,115)	100,900 (700)
Cost of Sales (cost of sales ratio) %	20,472 (43.2%)	19,982 (44.9%)	20,747 (47.2%)	42,885 (44.0%)	—
SG&A Ratio to Sales (%)	25,010 (52.8%)	24,253 (54.5%)	21,541 (49.0%)	48,645 (49.9%)	—
R&D Expenses Ratio to Sales (%)	6,948 (14.7%)	6,691 (15.0%)	4,556 (10.4%)	13,158 (13.5%)	9,900 (9.8%)
Operating Income Ratio to Sales (%)	1,912 (4.0%)	257 (0.6%)	1,669 (3.8%)	5,928 (6.1%)	5,800 (5.7%)
Ordinary Income Ratio to Sales (%)	2,259 (4.8%)	639 (1.4%)	1,967 (4.5%)	6,608 (6.8%)	6,300 (6.2%)
Net Income Ratio to Sales (%)	1,510 (3.2%)	200 (0.5%)	1,319 (3.0%)	4,637 (4.8%)	4,600 (4.6%)
EPS (¥)	20.34	2.69	17.76	62.45	—
Capital	4,317	4,317	4,317	4,317	—
Assets	148,281	147,124	145,896	151,622	—
Total Equity	123,764	123,871	123,018	128,614	—
BPS (¥)	1,666.46	1,667.90	1,656.41	1,731.76	—
ROE (%)	1.2%	0.2%	1.0%	3.7%	—
Equity Ratio (%)	83.5%	84.2%	84.3%	84.8%	—
Employees	1,725	1,707	1,606	1,673	—
Capital Expenditure	547	460	193	815	600
Depreciation Expense	1,038	915	521	1942	1,100

※ The figures for the preceding fiscal year have been revised retrospectively following the partial revision to the Accounting Standards for Tax Effect Accounting.