

Second Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2020

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November 7, 2019
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, 2019

	Sep/2016	Sep/2017	Sep/2018	Sep/2019	% Y/Y	Mar/2020 (revise forecast)	% Y/Y	Mar/2020 (original forecast)	% Y/Y
Net Sales	54,628	50,758	50,360	48,299	-4.1%	109,400	-3.7%	114,100	+0.4%
Operating Income	3,663	1,443	2,852	783	-72.5%	6,500	-27.6%	9,100	+1.4%
Ordinary Income	3,921	1,693	3,183	1,076	-66.2%	7,100	-24.8%	9,600	+1.7%
Net Income	2,684	1,240	2,217	834	-62.4%	5,400	-21.4%	7,100	+3.4%

Second Quarter Consolidated Financial Ended September 30, 2019

[Net sales] In new ethical drugs (Japan), results remained lower than a year ago mainly due to effects from the suspended supply of DESALEX and a fall in sales of long-listed drugs, despite the growth of the mainstay product Flutiform and the contribution to sales made by the new product Beova and MOMETASONE Nasal released in the previous fiscal year. Meanwhile, sales increased in generic drugs partly due to the release of MOMETASONE Nasal (authorized generic [AG]), but sales in the ethical drugs business declined as a whole. The healthcare business remained flat and as a result net sales decreased 2,061 million yen (down 4.1%) from year on year, to 48,299 million yen.

[Profit] Gross profit declined 2,053 million yen year on year due to a fall in net sales and a rise in the cost of sales ratio. Selling, general and administrative expenses remain nearly unchanged year on year (an increase of 15 million yen, of which research and development expenses increased 160 million yen). Operating income was 783 million, down 2,069 million yen (down 72.5%) from year on year. Profit attributable to owners of parent was 834 million yen (down 62.4% year on year).

Consolidated Financial Results for the Fiscal Year Ending March 31, 2020(forecast)

The results forecasts for the fiscal year ending March 31, 2020 announced in the “Summary of Consolidated Financial Results (For the Fiscal Year Ended March 31, 2019)” on May 13, 2019 are revised as follows.

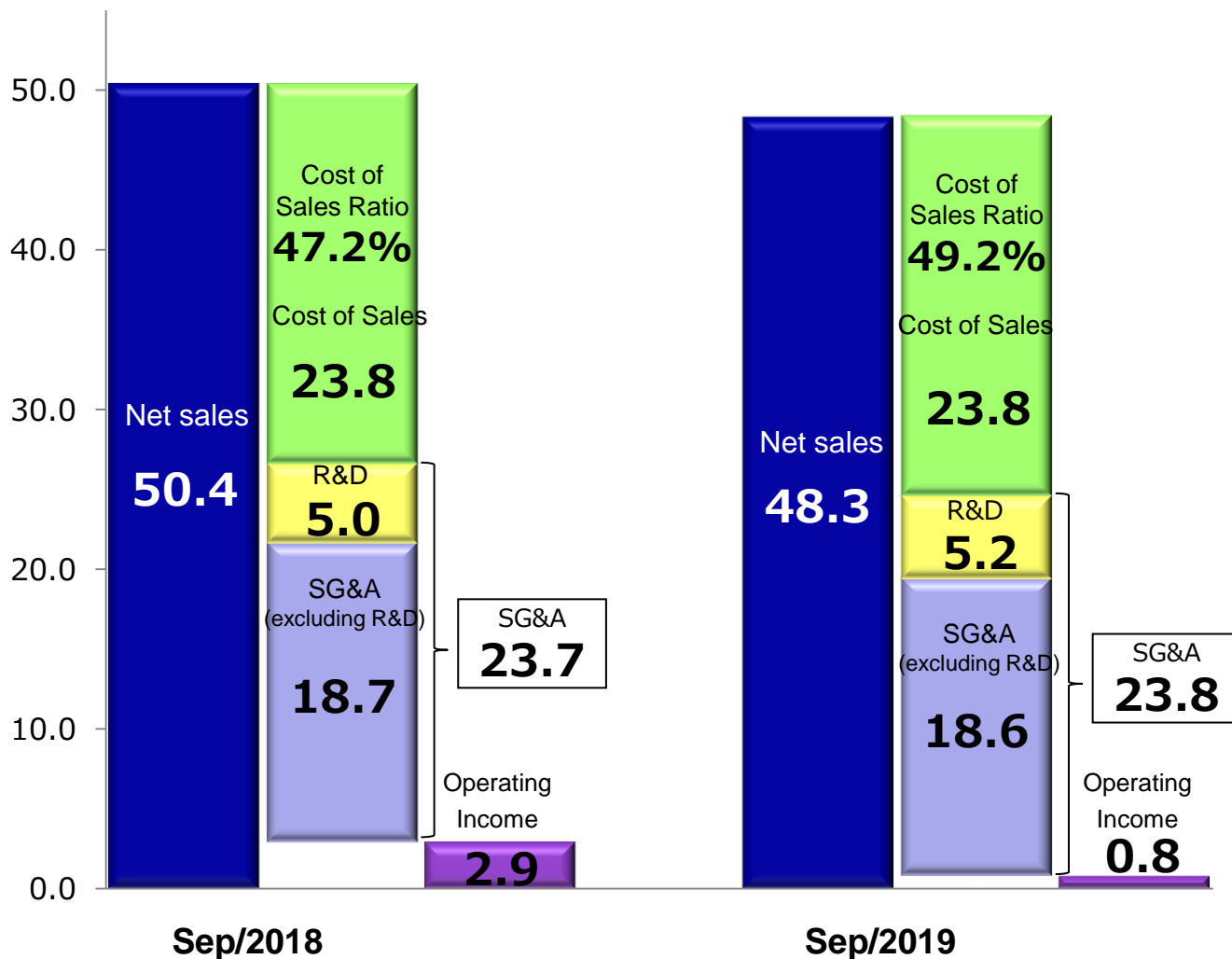
[Net sales] We will reviewed the sales of our mainstay product DESALEX Tablets 5 mg and a new product Lasvic Tablets 75 mg, and revised downward net sales, given that in new ethical drugs (Japan), the supply of DESALEX Tablets 5 mg was determined to resume in November and the release of Lasvic Tablets 75 mg was delayed because the marketing approval was given in September and as a result of taking financial results in the first half of the current fiscal year into account.

[Profit] Forecasts for operating income, ordinary income and profit attributable to owners of parent were lowered because sales are now expected to be lower than initially anticipated.

[Dividends] There is no change to the dividend forecast announced on May 13, 2019 (annual dividend of 75 yen per share).

Highlights of Business Performance

(Units: ¥billion)



➤ **Net Sales decreased ¥2.1bln year on year.**

➤ **Cost of sales ratio increased 2.0%.**

- Product mix
- Fall in lump-sum revenue

■ **Gross Profit decreased ¥2.1bln year on year**

➤ **SG&A expenses increased ¥0.1bln year on year.**

- R & D expenses increased ¥0.2bln
- SG&A(excluding R&D) decreased ¥0.1bln

■ **Operating Income decreased ¥2.1bln year on year.**

Consolidated Financial Results

for the Second Quarter Ended September 30, 2019

(Year on Year) ※(forecast)

(unit : ¥billion)	Sep/2018	Sep/2019	Change
Net Sales (total)	50.4	48.3	-2.1
Ethical drugs Business	47.6	45.5	-2.1
◆Sales of new ethical drugs	34.0	31.3	-2.7
○Japan	33.4	30.9	-2.5
○Overseas	0.6	0.4	-0.2
◆Generic drugs	13.6	14.2	+0.6
Healthcare Business	2.8	2.8	0

Operating Income	2.9	0.8	-2.1
Ordinary Income	3.2	1.1	-2.1
Net Income	2.2	0.8	-1.4

■ Net Sales	48.3bln	(-2.1)	(-3.8)
◆Ethical drug business	45.5bln	(-2.1)	(-3.6)
● New ethical drugs	30.9bln	(-2.5)	(-2.5)
	<u>19.3 (2Q)</u>	<u>20.3 (2Q)</u>	
• Flutiform	6.1	⇒ 6.7	(+0.6) (+0.1)
• Desalex	2.8	⇒ 0	(-2.8) (-1.8)
• Kipres	6.2	⇒ 5.4	(-0.8) (+0.5)
• Nasonex	1.3	⇒ 2.7	(+1.4) (-0.4)
• Uritos	3.5	⇒ 3.0	(-0.5) (-0.1)
• Beova	—	⇒ 0.6	(+0.6) (-0.1)
• Pentasa	7.1	⇒ 6.8	(-0.3) (+0.5)
• Mucodyne	3.1	⇒ 2.8	(-0.3) (+0.1)
● New ethical drugs in Overseas	0.4bln	(-0.2)	(0)
● Generic drugs	14.2bln	(+0.6)	(-1.1)
• Montelukast AG and Mometasone AG contributed to the increase in sales			
◆Healthcare Business	2.8bln	(0)	(-0.1)
■ Operating Income	0.8bln	(-2.1)	(-1.5)
◆ Operating Income margin decreased 4.1 percentage points to 1.6%			
● Cost of Sales Ratio : increased 2.0 percentage points (47.2%⇒49.2%)			
• Product mix			
• Fall in lump-sum revenue			
● R&D Ratio : increased 0.7 percentage points (10.0%⇒10.7%)			
• R & D expenses increased (¥5.0bln ⇒¥5.2bln) Progress of development project			
● SG&A Ratio(excluding R&D expenses) : increased 1.3 percentage points 37.2%⇒38.5%			
• SG&A(excluding R&D) Decreased ¥0.1billion (¥18.7bln⇒¥18.6bln)			
• Decrease of Selling costs.			
■ Net Income	0.8bln	(-1.4)	(-1.1)

※We released a revision to our second-quarter financial results forecast on November 5, 2019 but these comparisons with the forecast show differences from the forecast announced on May 13, 2019.

Consolidated Financial Results for the Second Quarter and full year forecast

(Units : ¥million)	Sep/ 2018	Sep/2019			Sep/2019 forecast	Change	Mar/2019	Mar/2020 (revised forecast)	Change (forecast)
		Actual	Change	Change (%)					
Net Sales (total)	50,360	48,299	-2,161	-4.1	52,100	-3,801	113,620	109,400	-4,700
Ethical drugs Business	47,581	45,505	-2,076	-4.4	49,100	-3,595	107,859	103,400	-4,600
◆Sales of new ethical drugs	34,028	31,339	-2,689	-7.9	33,800	-2,461	78,525	72,400	-3,400
○Japan	33,424	30,949	-2,475	-7.4	33,400	-2,451	77,694	71,000	-3,400
○Overseas	604	390	-214	-35.5	400	-10	830	1,400	+100
◆Generic drugs	13,552	14,166	+614	+4.5	15,300	-1,134	29,334	31,000	-1,200
Healthcare Business	2,779	2,793	+14	+0.5	2,900	-107	5,761	5,900	-200
Operating Income	2,852	783	-2,069	-72.5	2,300	-1,517	8,972	6,500	-2,600
Ordinary Income	3,183	1,076	-2,107	-66.2	2,500	-1,424	9,438	7,100	-2,500
Net Income	2,217	834	-1,383	-62.4	1,900	-1,066	6,869	5,400	-1,700

※ We released a revision to our second-quarter financial results forecast on November 5, 2019 but these comparisons with the forecast show differences from the forecast announced on May 13, 2019.

Main Product Sales Update

(Units: ¥billion)		Sep/ 2017	Sep/ 2018	Sep/2019			Sep/2019		Mar/2019	Mar/2020 (revised forecast)	Change (forecast)
				Actual	Change	Change(%)	forecast	Change			
Sales of new ethical drugs (Japan)	Flutiform (Combination drug for asthma treatment)	5.4	6.1	6.7	+0.6	+10.3%	6.6	+0.1	13.1	14.1	+0.1
	Desalex (Antiallergic Agent)	0.9	2.8	0	-2.8	—	1.8	-1.8	3.7	5.0	-3.0
	Kipres for adult (Leukotriene Receptor Antagonist)	3.9	2.9	2.4	-0.5	-15.4%	2.2	+0.2	6.2	4.7	+0.2
	for children	5.1	3.3	3.0	-0.3	-9.6%	2.7	+0.3	7.6	6.3	+0.2
	Nasonex (Spray type allergic rhinitis remedy)	—	1.3	2.7	+1.4	+110.3%	3.1	-0.4	12.8	6.2	0
	Uritos (Kyorin) (Therapeutic agent for overactive bladder)	3.6	3.5	3.0	-0.5	-12.9%	3.1	-0.1	6.6	5.9	-0.1
	Beova (β3 adrenergic receptor agonist overactive bladder therapeutics)	—	—	0.6	+0.6	—	0.7	-0.1	0.7	2.8	+0.3
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	8.0	7.1	6.8	-0.3	-5.4%	6.3	+0.5	13.5	12.7	+0.7
	Mucodyne (Mucoregulant)	3.9	3.1	2.8	-0.3	-9.7%	2.7	+0.1	6.8	6.1	+0.1
Generic Drugs	MONTELUKAST Tablets "KM" (LT receptor antagonist)	5.0	5.3	5.4	+0.1	+2.5%	5.5	-0.1	11.9	11.5	-0.1
	Mometasone Nasal 50mg "KYORIN" (Spray type allergic rhinitis remedy)	—	—	0.4	+0.4	—	—	—	—	1.8	-0.1
Over-the- counter drugs	Milton (Disinfectant)	1.1	1.1	1.1	0	-1.1%	1.2	-0.1	2.2	2.2	-0.1

※We released a revision to our second-quarter financial results forecast on November 5, 2019 but these comparisons with the forecast show differences from the forecast announced on May 13, 2019.

R&D Expenses, Capex & Depreciation

(unit : ¥million)	Sep/2016	Sep/2017	Sep/2018	Sep/2019	change
R&D expenses	7,327	7,179	5,030	5,191	+3.2
Capital expenditure	1,383	1,989	949	1,367	+43.9
Depreciation expense	1,751	1,710	1,395	1,5	+12.3

Mar/2018	Mar/2020 (revised forecast)
10,790	10,600
2,306	4,100
2,940	3,400

<Capital expenditure (Actual/Forecast)>

(unit : ¥billion)	Sep/2018	Sep/2019
Plant facilities	0.7	0.8
Equipment for control, sales activities	0	0.3
Equipment for research	0.2	0.2

Mar/2019	Mar/2020 (forecast)
1.5	3.2
0.3	0.4
0.5	0.5

Main R&D Activities -1 (as of November 7 2019)

Ph III ~ Application submitted

※Changes from the previous announcement (July 31 2019)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
※Approval (9/2019)		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 - Expectation of high clinical effects with excellent tissue penetration	
※Application (10/2019)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house	-High degree of safety expected since safety hurdles cleared prior to clinical trials	
Preparing for Application		KRP-116D	Interstitial cystitis	—	Evaluation committee on unapproved or off-labeled drugs with high medical needs "Dimethyl sulfoxide(DMSO)"	
Application (7/2019)		KRP-108P	Anti-asthmatic	(U.K.) Vectura	Expand the indication of Flutiform to pediatric patients	

•MK-7264, a drug for chronic coughing: MSD is working on Phase III development. Concluded a memorandum of understanding for sales collaboration.

Main R&D Activities -1 (as of November 7 2019)

POC Project (Ph I ~ Ph II)

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)
Ph I	KRP-203	Implementing licensing activities	GvHD		Sphingosine-1-Phosphate Receptor Agonist	Because Novartis (licensee) decided to discontinue development of KRP-203 for strategic reasons,kyorin receive the return of development rights.

Reference

P&L Summary: Consolidated Results – (1)

< Breakdown >

(unit : ¥million)	Sep/2018		Sep/2019			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	50,360	100.0%	48,299	100.0%	-4.1%	-2,061
■ Ethical Drugs business	47,581	94.5%	45,505	94.2%	-4.4%	-2,076
◆ Sales of new Ethical Drugs	34,028	67.6%	31,339	64.9%	-7.9%	-2,689
○Japan	33,424	66.4%	30,949	64.1%	-7.4%	-2,475
○Overseas	604	1.2%	390	0.8%	-35.5%	-214
◆ Generic Drugs	13,552	26.9%	14,166	29.3%	+4.5%	+614
Consumer Healthcare Business	2,779	5.5%	2,793	5.8%	+0.5%	+14

Year on Year

■ Sales ¥48,299mil (-¥2,061mil)

● Ethical drug sales in Japan ¥33,949mil (-¥2,475mil)

(billion) 19.3 (20) 20.3 (20)

- Flutiform 6.1 ⇒ 6.7 (+0.6)
- Desalex 2.8 ⇒ 0 (-2.8)
- Kipres 6.2 ⇒ 5.4 (-0.8)
- Nasonex 1.3 ⇒ 2.7 (+1.4)
- Uritos 3.5 ⇒ 3.0 (-0.5)
- Beova — ⇒ 0.6 (+0.6)
- Pentasa 7.1 ⇒ 6.8 (-0.3)
- Mucodyne 3.1 ⇒ 2.8 (-0.3)

● Ethical drug sales overseas ¥390mil (- ¥214mil)

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

● Generic Drugs ¥14,166mil (+¥614mil)

- Increase of MONTELKAST AG sales
- Launches of new Generic Drugs

● Consumer Healthcare Business ¥2,793mil (+¥14mil)

<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/2018		Sep/2019			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	50,360	100.0%	48,299	100.0%	-4.1%	-2,061
Cost of Sales	23,758	47.2%	23,750	49.2%	-0.0%	-8
Gross Profit	26,602	52.8%	24,549	50.8%	-7.7%	-2,053
SG&A (Incl. R&D expenses)	23,749 (5,030)	47.2% (10.0%)	23,765 (5,191)	49.2% (10.7%)	+0.1% (+3.2%)	+16 (+161)
Operating Income	2,852	5.7%	783	1.6%	-72.5%	-2,069
Non-Operating Income	372	0.7%	351	0.7%	-5.6%	-21
Non-Operating Expenses	42	0.1%	59	0.1%	+38.9%	+17
Ordinary Income	3,183	6.3%	1,076	2.2%	-66.2%	-2,107
Extraordinary Profits	2	0.0%	123	0.3%	—	+121
Extraordinary Losses	73	0.1%	21	0.0%	-70.7%	-52
Income before income taxes	3,111	6.2%	1,178	2.4%	-62.1%	-1,933
Corporate, inhabitants and enterprise taxes	611	1.2%	354	0.7%	-42.1%	-257
Tax adjustments	282	0.6%	-9	0.0%	—	-291
Net Income	2,217	4.4%	834	1.7%	-62.4%	-1,383

< Breakdown >

- ◆ **Cost of Sales Ratio :**
 up 2.0 percentage points Y/Y (47.2%→49.2%)
 - Product mix
 - Fall in lump-sum revenue
- ◆ **R&D Ratio :**
 up 0.7 percentage points Y/Y (10.0%→10.7%)
 * ¥5.0bln→¥5.2bln (+ ¥0.2bln)
- ◆ **SG&A (exclude R&D) Expenses :**
 up 1.3 percentage Points Y/Y(37.2%→38.5%)
 * ¥18.7bln→¥18.6bln (-¥0.1bln)
 • Decrease of Selling costs.
- **Operating Income ¥783mil (- ¥2,069mil)**
 * Operating Income margin decreased 4.1percentage points to 1.6%
- **Net Income ¥834mil (- ¥1,383mil)**
- **Dividend per share(interim dividend) ¥30.0**

BS Summary: Consolidated Results

(Units: ¥ million)	※ Mar/2019	
	Actual	%total
Current Assets	114,904	66.4%
Cash, deposits	32,007	
Notes and accounts receivable	52,635	
Mk securities	501	—
Inventory	25,420	
Other	4,339	
Fixed Assets	58,130	33.6%
Tangible assets	21,792	
Intangible assets	3,401	—
Investments	32,936	
Total Assets	173,034	100.0%

Current Liabilities	41,480	24.0%
Notes payable	11,441	
Other	30,038	—
Non-Current Liabilities	8,159	4.7%
Total Liabilities	49,639	28.7%
Owner's Equity	116,744	67.5%
Other Comprehensive Income	6,651	3.8%
Unrealized holding gain (loss) on securities	8,925	
Foreign currency translation adjustments	56	—
Remeasurements of defined benefit plans	-2,331	
Total Equity	123,395	71.3%
Total Liabilities and Equity	173,034	100.0%

Sep/2019		
Actual	% total	change
111,204	67.0%	-3,700
42,811		
34,349		
501	—	—
30,280		
3,262		
54,690	33.0%	-3,440
21,832		
3,212	—	—
29,645		
165,895	100.0%	-7,139

39,203	23.6%	-2,277
9,838		
29,364	—	—
7,175	4.3%	-984
46,379	28.0%	-3,260
114,963	69.3%	-1781
4,552	2.7%	-2,099
6,732		
11	—	—
-2,191		
119,516	72.0%	-3,879
165,895	100.0%	-7,139

< Breakdown >

Year on Year

- Current Asset : **- ¥3,700mil**
 - Cash, deposits (+ ¥10,804mil)
 - Notes and accounts receivable (- ¥18,286mil)
 - Inventory (+ ¥4,860mil)
 - Other (- ¥1,077mil)

- Fixed Assets : **- 3,440mil**
 - Tangible Assets (+ ¥40mil)
 - Intangible Assets (- ¥189mil)
 - Investments (- ¥3,291mil)

- Current Liabilities : **- ¥2,277mil**
 - Notes Payable (- ¥1,603mil)
 - Other (- ¥674mil)

- Non-Current Liabilities : **- ¥984mil**

Financial summary (Consolidated)

(unit : ¥million)	Sep/2017	Sep/2018	Sep/2019
Sales (Exports)	50,758 (523)	50,360 (604)	48,299 (390)
Cost of Sales (cost of sales ratio) %	23,128 (45.6%)	23,758 (47.2%)	23,750 (49.2%)
SG&A Ratio to Sales (%)	26,186 (51.6%)	23,749 (47.2%)	23,765 (49.2%)
R&D Expenses Ratio to Sales (%)	7,179 (14.1%)	5,030 (10.0%)	5,191 (10.7%)
Operating Income Ratio to Sales (%)	1,443 (2.8%)	2,852 (5.7%)	783 (1.6%)
Ordinary Income Ratio to Sales (%)	1,693 (3.3%)	3,183 (6.3%)	1,076 (2.2%)
Net Income Ratio to Sales (%)	1,240 (2.4%)	2,217 (4.4%)	834 (1.7%)
EPS (¥)	16.86	30.04円	14.56円
Capital	700	700	700
Assets	189,993	196,255	165,895
Total Equity	157,501	164,618	119,516
BPS (¥)	2,138.99	2228.81円	2,086.31円
ROE (%)	0.8%	1.4%	0.7%
Equity Ratio (%)	82.9%	83.9%	72.0%
Employees	2,378	2,334人	2,292人
Capital Expenditure	1,989	949	1,367
Depreciation Expense	1,710	1,395	1,566

Mar/2019	Mar/2020 (revised forecast)	Mar/2020 (forecast)
113,620 (830)	109,400 (1,400)	114,100 (1,300)
56,210 (49.5%)	—	—
48,436 (42.6%)	—	—
10,790 (9.5%)	10,600 (9.7%)	10,900 (9.6%)
8,972 (7.9%)	6,500 (5.9%)	9,100 (8.0%)
9,438 (8.3%)	7,100 (6.5%)	9,600 (8.4%)
6,869 (6.0%)	5,400 (4.9%)	7,100 (6.2%)
104.68円	94.26円	123.94円
700	—	—
173,034	—	—
123,395	—	—
2,154.05円	—	—
4.8%	—	—
71.3%	—	—
2,297人	—	—
2,306	4,100	4,100
2,940	3,400	3,500

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

< Breakdown > Year on Year

■ Sales ¥41,667mil (-¥2,290mil)

● Ethical drug sales in Japan
 ¥29,910mil (-¥2,541mil)

(billion)	19.3 (2Q)	⇒	20.3 (2Q)	
• Flutiform	6.1	⇒	6.7	(+0.6)
• Desalex	2.8	⇒	0	(-2.8)
• Kipres	6.2	⇒	5.4	(-0.8)
• Nasonex	1.3	⇒	2.7	(+1.4)
• Uritos	3.5	⇒	3.0	(-0.5)
• Beova	—	⇒	0.6	(+0.6)
• Pentasa	7.1	⇒	6.8	(-0.3)
• Mucodyne	3.1	⇒	2.8	(-0.3)

● Ethical drug sales overseas
 ¥293mil (- ¥184mil)

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

● Generic Drugs ¥8,999mil (+¥465mil)
 • Montelukast AG and Mometasone AG contributed to the increase in sales.

● Consumer Healthcare Business
 ¥2,465mil (- ¥30mil)

• Milton ¥1.1bln → ¥1.1bln (¥0bln)

• Rubysta ¥0.6bln → ¥0.6bln (¥0bln)

(unit : ¥million)	Sep/2018		Sep/2019			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	43,957	100.0%	41,667	100.0%	- 5.2%	- 2,290
■ Ethical Drugs business	41,463	94.3%	39,203	94.1%	- 5.5%	- 2,260
◆ Sales of new Ethical Drugs	32,929	74.9%	30,204	72.5%	- 8.3%	- 2,725
○ Japan	32,451	73.8%	29,910	71.8%	- 7.8%	- 2,541
○ Overseas	477	1.1%	293	0.7%	- 38.5%	- 184
◆ Generic Drugs	8,534	19.4%	8,999	21.6%	+ 5.5%	+ 465
■ Healthcare Business	2,493	5.7%	2,463	5.9%	- 1.2%	- 30

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

< Breakdown >

(unit : ¥million)	Sep/2018		Sep/2019			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	43,957	100.0%	41,667	100.0%	- 5.2%	- 2,290
Cost of Sales	20,747	47.2%	20,638	49.5%	- 0.5%	- 109
Gross Profit	23,210	52.8%	21,029	50.5%	- 9.4%	- 2,181
SG&A (R&D Expenses)	21,541 (4,556)	49.0% (10.4%)	21,386 (4,717)	51.3% (11.3%)	- 0.7% (+ 3.5%)	- 155 (+ 161)
Operating Income	1,669	3.8%	- 357	- 0.9%	- 121.4%	- 2,026
Non-Operating Income	322	0.7%	641	1.5%	+ 98.9%	+ 319
Non-operating Expenses	24	0.1%	41	0.1%	+ 67.9%	- 17
Ordinary Income	1,967	4.5%	243	0.6%	- 87.6%	- 1,724
Extraordinary Profits	—	—	—	—	—	—
Extraordinary Losses	68	0.2%	14	0.0%	- 79.4%	- 54
Income before income taxes	1,899	4.3%	229	0.6%	- 87.9%	- 1,670
Corporate, inhabitants and enterprise taxes	339	0.8%	107	0.3%	- 68.3%	- 232
Tax adjustments	240	0.5%	- 15	0.0%	—	- 255
Net Income	1,319	3.0%	137	0.3%	- 89.6%	- 1,182

◆ **Cost of Sales Ratio :**
up 2.3 percentage points Y/Y (47.2%→49.5%)

- Product mix
- Fall in lump-sum revenue

◆ **R&D Ratio :**
up 0.9 percentage points Y/Y (10.4%→11.3%)

* ¥4.6bln→¥4.7bln (+ ¥ 0.1bin)

◆ **SG&A (exclude R&D) expenses :**
up 0.9 percentage points Y/Y (38.6%→40.0%)

* ¥17.0bln→¥16.7bln (- ¥ 0.3bin)

■ **Operating Income -¥357mil (-¥2,026mil)**

* Decline in gross profit due to a fall in net sales and a rise in the cost of sales ratio

■ **Net Income ¥137mil (- ¥1,182mil)**

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)	Mar/2019	
	Actual	% total
Current Assets	118,028	72.9%
Cash, deposits	7,581	
Accounts receivable	47,814	
Mk securities	501	—
Inventory	19,237	
Other	42,893	
Fixed Assets	43,957	27.1%
Tangible assets	7,685	
Intangible assets	3,087	—
Investments	33,184	
Total Assets	161,986	100.0%

Current Liabilities	36,562	22.6%
Notes Payable	10,299	
Accounts payable	26,262	—
Other		
Non-Current Liabilities	4,103	2.5%
Total Liabilities	40,665	25.1%
Owner's Equity	112,464	69.4%
Valuation and translation adjustments	8,856	5.5%
Total Equity	121,320	74.9%
Total Liabilities and Equity	161,986	100.0%

Sep/2019		
Actual	% total	change
116,007	74.2%	-2,021
18,664		
30,309		
501	—	—
24,168		
42,363		
40,311	25.8%	-3,646
7,433		
2,895	—	—
29,982		
156,318	100.0%	-5,668

36,127	23.1%	-435
9,675		
26,451	—	—
3,216	2.1%	-887
39,343	25.2%	-1,322
110,299	70.6%	-2,165
6,675	4.3%	-2,181
116,975	74.8%	-4,345
156,318	100.0%	-5,668

< Breakdown >

(Year on Year)

- **Current Assets : -¥2,021mil**
 - Cash, deposits (+¥11,083mil)
 - Accounts receivable (-¥17,505mil)
 - Inventory (+¥4,931mil)
 - Other (- ¥530mil)
- **Fixed Assets : - ¥3,646mil**
 - Tangible Assets (-¥252mil)
 - Intangible Assets (- ¥192mil)
 - Investments (- ¥3,202mil)
- **Current Liabilities : - ¥435mil**
 - Accounts payable (- ¥624mil)
- **Non-Current Liabilities : - ¥887mil**

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)



(unit : ¥million)	Sep/2017	Sep/2018	Sep/2019
Sales (Exports)	44,493 (434)	43,957 (477)	41,667 (293)
Cost of Sales (cost of sales ratio) %	19,982 (44.9%)	20,747 (47.2%)	20,638 (49.5%)
SG&A Ratio to Sales (%)	24,253 (54.5%)	21,541 (49.0%)	21,386 (51.3%)
R&D Expenses Ratio to Sales (%)	6,691 (15.0%)	4,556 (10.4%)	4,717 (11.3%)
Operating Income Ratio to Sales (%)	257 (0.6%)	1,669 (3.8%)	-357 (-0.9%)
Ordinary Income Ratio to Sales (%)	639 (1.4%)	1,967 (4.5%)	243 (0.6%)
Net Income Ratio to Sales (%)	200 (0.5%)	1,319 (3.0%)	137 (0.3%)
EPS (¥)	2.69	17.76円	1.85円
Capital	4,317	4,317	4,317
Assets	147,124	145,896	156,318
Total Equity	123,871	123,018	116,975
BPS (¥)	1,667.90	1,656.41円	1,575.04円
ROE (%)	0.2%	1.0%	0.1%
Equity Ratio (%)	84.2%	84.3%	74.8%
Employees	1,707	1,606人	1,537人
Capital Expenditure	460	193	185
Depreciation Expense	915	521	679

Mar/2019	Mar/2020 (revised forecast)	Mar/2020 (forecast)
99,736 (613)	95,500 (1,200)	100,000 (1,100)
50,443 (50.6%)	—	—
43,905 (44.0%)	—	—
9,569 (9.6%)	9,300 (9.7%)	9,500 (9.5%)
5,387 (5.4%)	4,000 (4.2%)	6,100 (6.1%)
6,121 (6.1%)	4,900 (5.1%)	6,900 (6.9%)
4,389 (4.4%)	3,700 (3.9%)	5,200 (5.2%)
59.10円	—	—
4,317	—	—
161,986	—	—
121,320	—	—
1,633.55円	—	—
3.5%	—	—
74.9%	—	—
1,567人	—	—
599	400	400
1,183	1,400	1,400

Segment information for the Second Quarter Ended Sep 30, 2019

Sales, Profit or Loss of each report segment

(unit : ¥billion)	Sales	change Y/Y	Profit	change Y/Y
Net Sales (total)	48.3	-2.1	0.8	-2.1
Ethical drugs business	45.5	-2.1	0.5	-2.2
◆Sales of new ethical drugs	31.3	-2.7		
○Japan	30.9	-2.5		
○Overseas	0.4	-0.2		
◆Generic drugs	14.2	+0.6		
Healthcare business	2.8	+0	0.2	+0.2
Amount of adjustment	-	-	0.1	-0.1