

# First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2014

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July 30, 2013

**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, 2014



Units: millions of yen	First quarter Jun / 2010	First quarter Jun / 2011	First quarter Jun / 2012	First quarter Jun / 2013	YoY change (%)	Interim term Sep / 2013 (forecast)	YoY change (%)	Year ending Mar / 2014 (forecast)	YoY change (%)
Net sales	24,655	24,809	25,422	26,239	+3.2%	51,500	+7.4%	113,000	+5.6%
Operating income	2,216	4,100	4,080	4,465	+9.4%	6,700	+6.9%	18,600	+3.6%
Ordinary income	2,421	4,300	4,351	4,681	+7.6%	7,000	+5.9%	19,200	+2.8%
Net income	1,799	2,697	2,838	2,996	+5.6%	4,600	+7.1%	12,700	+2.2%

## First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2014

**[Net Sales]** Sales of ethical drug and generic drug increased year on year. And sales of KYORIN Pharmaceutical Facilities which commenced operations on Oct 1<sup>st</sup> /2012 contributed to increase of net sales. As a result, consolidated net sales increased 3.2% year on year, to ¥26.2bln.

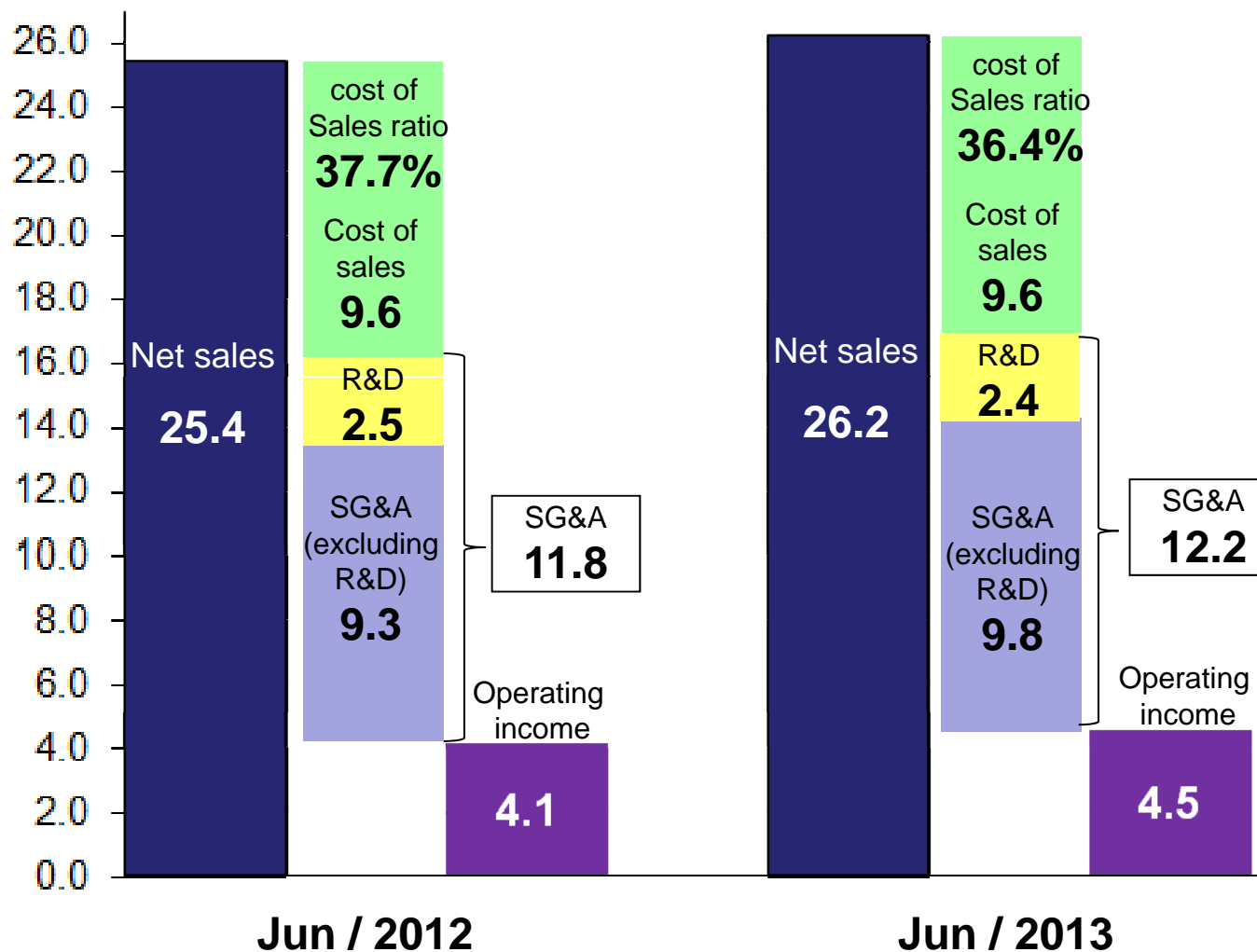
**[Income]** While SG&A expenses increased, gross profit rose due to the decrease of cost of sales ratio. Consequently, operating income rose 9.4% to ¥4.5bln, net income rose 5.6% to ¥3.0bln year on year.

## Consolidated Financial Results for the Fiscal Year Ending March 31, 2014(forecast)

The results forecasts for the first half and the full year announced on May 9, 2013 remain unchanged. (Progress compared with the forecast for the first half: net sales: 51.0%; operating income: 66.6%)

# Highlights of Business Performance

( Units: ¥ billion)



## Highlight ①

➤ Net Sales increased ¥0.8bln year on year.

## Highlight ②

➤ Cost of Sales remained almost the same level as the previous year.

➤ Cost of Sales Ratio decreased 1.3 points.

- decrease of ethical drug's cost of ratio
- decrease of generic drug's cost of ratio

➤ Gross Profit increased ¥0.9bln year on year.

## Highlight ③

◇ SG&A expenses increased ¥0.4bln year on year.

- increase of general expenses
- decrease of R&D expenses (¥0.1bln)

◆ Operating Income rose ¥0.4bln year on year.

# Consolidated Financial Results

## for the first Quarter ending March 31, 2014

(¥ billion)	Jun/2012	Jun/2013	change
Net Sales	25.4	26.2	+0.8
Ethical drugs Business	24.9	25.8	+0.9
◆Sales of new ethical drugs	21.3	22.2	+0.9
●Japan	20.6	21.6	+1.0
●Overseas	0.7	0.6	-0.1
◆Generic drugs	2.6	2.7	+0.1
◆Over-the-counter drugs	1.0	0.9	-0.1
Healthcare (Skin care) Business	0.5	0.4	-0.1
Operating Income	4.1	4.5	+0.4
Ordinary Income	4.4	4.7	+0.3
Net Income	2.8	3.0	+0.2

	Year on Year
■Net Sales	¥26.2bln (+ 0.8)
◆Ethical drugs business	¥25.8bln (+ 0.9)
●Sales of new ethical drugs	¥21.6bln (+ 1.0)
Jun/2012⇒Jun/2013	
· Kipres	8.8 ⇒ 8.7 (-0.1)
· Uritos	1.9 ⇒ 1.9 ( 0)
· Mucodyne	4.6 ⇒ 4.5 (-0.1)
· Pentasa	4.5 ⇒ 4.7 (+0.2)
· KYORIN Pharmaceutical Facilities sales	
●Sales of new ethical drugs in Overseas	¥0.6bln (-0.1)
· Gatifloxacin	0.7 ⇒ 0.5 (-0.2)
●Sales of Generic drugs	¥2.7bln (+ 0.1)
· Health insurance pharmacy market's sales etc.	
●Sales of Over-the-counter drugs	¥0.9bln (-0.1)
◆Healthcare (Skin care) Business	¥0.4bln (- 0.1)
●Sales declined at Dr. Program	( - 0.1)
■Operating Income	¥4.5bln (+ 0.4)
◆Operating Income margin rose 1.0 percentage points to 17.0%	
●Cost of Sales Ratio : 36.4%	down 1.3 percentage points (37.7%⇒36.4%)
· decrease of ethical drug's cost of ratio : increase of royalty (licensing out product)	
· decrease of generic drug's cost of ratio : increase of sales (strategic, supplementary products)	
●R&D Ratio : 9.1%	down 0.6 percentage points (9.7%⇒9.1%)
· ¥2.5bln⇒¥2.4bln	
●SG&A Ratio (excluding R&D expenses) : 37.4%	up 0.9 percentage points
· ¥9.3bln⇒¥9.8bln	
· increase of general expenses (head office relocation expense , patent royalty etc.)	
■Net Income	¥3.0bln (+ 0.2)

# Main Product Sales Update

( Units: ¥ billion )

Product name		Interim term		Full term		First quarter (April 1 to June 30)				
		FY2012 (results)	FY2013 (forecast)	FY2012 (results)	FY2013 (forecast)	FY2012 (results)	FY2013 (results)	YoY change (%)	Progress to Interim term forecast(%)	Progress to Full term forecast(%)
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	16.3	<b>17.7</b>	39.6	<b>40.8</b>	8.8	<b>8.7</b>	-1.0%	48.9%	21.2%
	Mucodyne (Mucoregulant)	8.3	<b>8.0</b>	19.1	<b>18.7</b>	4.6	<b>4.5</b>	-3.0%	56.0%	24.0%
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.0	<b>9.3</b>	17.6	<b>18.6</b>	4.5	<b>4.7</b>	+2.4%	49.5%	25.0%
	Uritos (Kyorin) (Overactive bladder)	3.6	<b>3.9</b>	7.5	<b>8.4</b>	1.9	<b>1.9</b>	+2.3%	49.1%	22.9%
	Ketas (For bronchial asthma and cerebrovasculas disorders)	1.5	<b>1.3</b>	3.0	<b>2.7</b>	0.8	<b>0.8</b>	-1.5%	56.6%	28.4%
Sales of new ethical drugs (over seas)	Gatifloxacin (Bulk・Royalty)	0.9	<b>0.9</b>	1.6	<b>1.6</b>	0.7	<b>0.5</b>	-19.5%	55.3%	31.9%
Over-the- counter drugs	Milton (Disinfectant)	1.0	<b>1.0</b>	2.0	<b>2.1</b>	0.5	<b>0.5</b>	-4.9%	44.3%	21.9%

Sales of Gatifloxacin included bulk sales to licensees and running royalties in accordance with sales at licensees.

# Actual and Forecast of Main Subsidiary Companies



( Units: ¥ billion )

<b>KYORIN pharmaceutical</b>	First quarter Jun/2012 (results)	First quarter Jun/2013 (results)	FY 2012 (results)	FY2013 (forecast)
<b>Sales</b>	23.0	23.3	95.9	100.0
<b>Operating profit</b>	4.1	4.1	17.1	17.7
<b>Net profit</b>	2.9	3.0	11.9	12.4

<b>KYORIN Rimedio</b>	First quarter Jun/2012 (results)	First quarter Jun/2013 (results)	FY 2012 (results)	FY2013 (forecast)
<b>Sales</b>	2.7	2.9	10.4	11.5
<b>Operating profit</b>	0.0	0.2	0.4	0.4
<b>Net profit</b>	0.0	0.1	0.5	0.2

<b>Dr. Program</b>	First quarter Jun/2012 (results)	First quarter Jun/2013 (results)	FY 2012 (results)	FY2013 (forecast)
<b>Sales</b>	0.5	0.4	1.9	1.7
<b>Operating profit</b>	-0.1	0.1	-0.2	0.1
<b>Net profit</b>	-0.1	0.1	-0.3	0.1

# Main R&D Activities -1 (July 30 , 2013 Release)

## Ph III ~ Application submitted

※Changes from the previous announcement  
(May 9, 2013)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Application submitted (9/2012)	(US) SkyePharma : Application submitted (3/2009) (Europe) Mundipharma :Launched(9/2012)	KRP-108 (Inhalant)	Anti-asthmatic	SkyePharma PLC	An ICS/LABA combination product, which offers better compliance and convenience to the patients	<ul style="list-style-type: none"> <li>•License agreement with SkyePharma (4/2008)</li> <li>•Domestic Ph II completed (4/2010)</li> <li>•Ph III completed(3/2012)</li> </ul>
Ph III (9/2012)	(Europe) Almirall : Launched(9/2012)  (US) Forest Pharmaceuticals : Launched (12/2012)	KRP-AB1102 (Inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	<ul style="list-style-type: none"> <li>- New Chemical Entity: Acclidinium Bromide</li> <li>- Long Acting Muscarinic Agonist (LAMA)</li> <li>- Twice Daily administration</li> <li>-Onset of Action on the first day</li> </ul> Genuair® 1) Designed with a feedback system, which through a 'colored control window' and an audible click helps confirm that the patient has inhaled correctly 2) Counter for remaining doses 3) Safety features such as an anti-double-dosing mechanism and an end-of-dose lock-out system to prevent use of an empty inhaler	License agreement with Almirall (2/2011)
Ph III (4/2013)		KIPRES (Chewable, Oral Granules)	Bronchial Asthma	Merck	For pediatric patient : Allergic Rhinitis	<ul style="list-style-type: none"> <li>•Additional indication</li> <li>•Co-development with MSD K.K.</li> </ul>

※Pentasa Suppository , a treatment for ulcerative colitis : launched June/2013

※Uritos ,an overactive bladder drug : launched in Korea July/2013 (Chong Kun Dang Pharmaceutical Corp.)

# Main R&D Activities -2 (July 30 , 2013 Release)

## POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement  
(May 9, 2013)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph II (5/2012)	(Europe & US) Almirall: Ph III (US) Forest Laboratories : Ph III	KRP-AB1102F (Fixed dose combination inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	Combination of acclidinium bromide with the long acting beta agonist formoterol : This combination is aimed at providing higher efficacy than each component alone,as well as the improved convenience of having the two products in the same easy to use inhalation device.This is currently in phase III clinical development.	
Ph II (8/2011)	Ph III Merz	KRP-209	Tinnitus	Merz	KRP-209 (Neramexane) is expected to improve the patients' annoyance and difficulties in their life caused by tinnitus, mainly through its two pharmacological properties: 1) NMDA antagonistic activity and 2) Nicotinic acetylcholine antagonistic activity	License agreement with Merz (11/2009) Merz:Ph I clinical trial of Japanese patients in US completed (3/2010)
Ph II (3/2013)	Ph II (POC) (12/2010) (Novartis)	KRP-203	Transplantation, autoimmune diseases,and IBD	In-house	An immunosuppressant with a novel mechanism called an S1P-agonist. It may have a better safety profile than previous ones as well as an excellent effect under concomitant use with other types of immunomodulator.	License agreement with Novartis (2/2006) New license agreement IBD (11/2010)
Ph I (8/2011)		KRP-AM1977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	①Superior ability to combat drug-resistant gram- positive bacteria (incl. MRSA) ②Outstanding ADME (oral absorption, tissue migration) ③High degree of safety expected since safety hurdles cleared prior to clinical trials	
Ph I (7/2012)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house		



# Segment information for the first Quarter Ending March 31, 2014

## Sales, Profit or Loss of each report segment

(Units:¥ billion)	Sales	Year on Year	Profit	Year on Year
<b>total</b>	<b>26.2</b>	<b>+0.8</b>	<b>4.5</b>	<b>+0.4</b>
<b>Ethical drugs business</b>	<b>25.8</b>	<b>+0.9</b>	<b>4.3</b>	<b>+0.2</b>
◆Sales of new ethical drugs	<b>22.2</b>	<b>+0.9</b>		
●Japan	21.6	+1.0		
●Overseas	0.6	-0.1		
◆Generic drugs	<b>2.7</b>	<b>+0.1</b>		
◆Over-the-counter drugs	<b>0.9</b>	<b>-0.1</b>		
<b>Healthcare(Skincare) business</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.1</b>	<b>+0.2</b>
<b>Amount of adjustment</b>	<b>—</b>	<b>—</b>	<b>0.1</b>	<b>0.0</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.

# Consolidated Financial Results for the first Quarter ending March 31, 2014

(Units: ¥million)	Interim term		Full term		First quarter (April 1 to June 30)					
	FY2012 (results)	FY2013 (forecast)	FY2012 (results)	FY2013 (forecast)	FY2012 (results)	FY2013 (results)	Change	YoY change (%)	Progress to interim term forecast (%)	Progress to full term forecast (%)
<b>Sales</b>	<b>47,954</b>	<b>51,500</b>	107,031	<b>113,000</b>	<b>25,422</b>	<b>26,239</b>	+816	+3.2%	51.0%	23.2%
<b>Ethical drugs business</b>	<b>47,034</b>	<b>50,800</b>	105,162	<b>111,300</b>	<b>24,921</b>	<b>25,801</b>	+880	+3.5%	50.8%	23.2%
◆Sales of new ethical drugs	<b>39,684</b>	<b>43,500</b>	90,686	<b>95,600</b>	<b>21,331</b>	<b>22,215</b>	+883	+4.1%	51.1%	23.2%
●Japan	<b>38,661</b>	<b>42,300</b>	88,286	<b>93,500</b>	<b>20,586</b>	<b>21,582</b>	+995	+4.8%	51.0%	23.1%
●Overseas	<b>1,023</b>	<b>1,200</b>	2,400	<b>2,100</b>	<b>745</b>	<b>633</b>	-112	-15.1%	52.8%	30.2%
◆Generic drugs	<b>5,056</b>	<b>5,100</b>	10,095	<b>11,100</b>	<b>2,635</b>	<b>2,686</b>	+51	+1.9%	52.7%	24.2%
◆OTC drugs and others	<b>2,292</b>	<b>2,200</b>	4,379	<b>4,600</b>	<b>953</b>	<b>899</b>	-54	-5.7%	40.9%	19.6%
<b>Consumer healthcare business</b>	<b>920</b>	<b>700</b>	1,869	<b>1,700</b>	<b>501</b>	<b>438</b>	-63	-12.7%	62.6%	25.8%
<b>Operating income</b>	<b>6,269</b>	<b>6,700</b>	17,948	<b>18,600</b>	<b>4,080</b>	<b>4,465</b>	+385	+9.4%	66.6%	24.0%
<b>Ordinary income</b>	<b>6,609</b>	<b>7,000</b>	18,676	<b>19,200</b>	<b>4,351</b>	<b>4,681</b>	+330	+7.6%	66.9%	24.4%
<b>Net income</b>	<b>4,295</b>	<b>4,600</b>	12,422	<b>12,700</b>	<b>2,838</b>	<b>2,996</b>	+158	+5.6%	65.2%	23.6%