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

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February 4, 2014

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

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(¥ million)	Dec/2010	Dec/2011	Dec/2012	**Dec/2013**	YoY change (%)	**Mar/2014 (forecast)**	YoY change (%)
Net Sales	75,821	77,413	79,229	**83,430**	**+5.3%**	**112,600**	**+5.2%**
Operating Income	11,312	11,668	13,711	**13,503**	**−1.5%**	**18,200**	**+1.4%**
Ordinary Income	11,848	12,358	14,288	**13,961**	**−2.3%**	**18,800**	**+0.7%**
Net Income	7,535	7,227	9,262	**9,272**	**+0.1%**	**12,400**	**−0.2%**

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

【 Net sales 】 Sales of main product, new product (Pentasa Suppositories , Flutiform), royalty (licensing out product) , KYORIN Pharmaceutical Facilities and generic drugs contributed to increase of net sales. As a result, consolidated net sales increased 5.3% year on year, to ¥83.4bln.

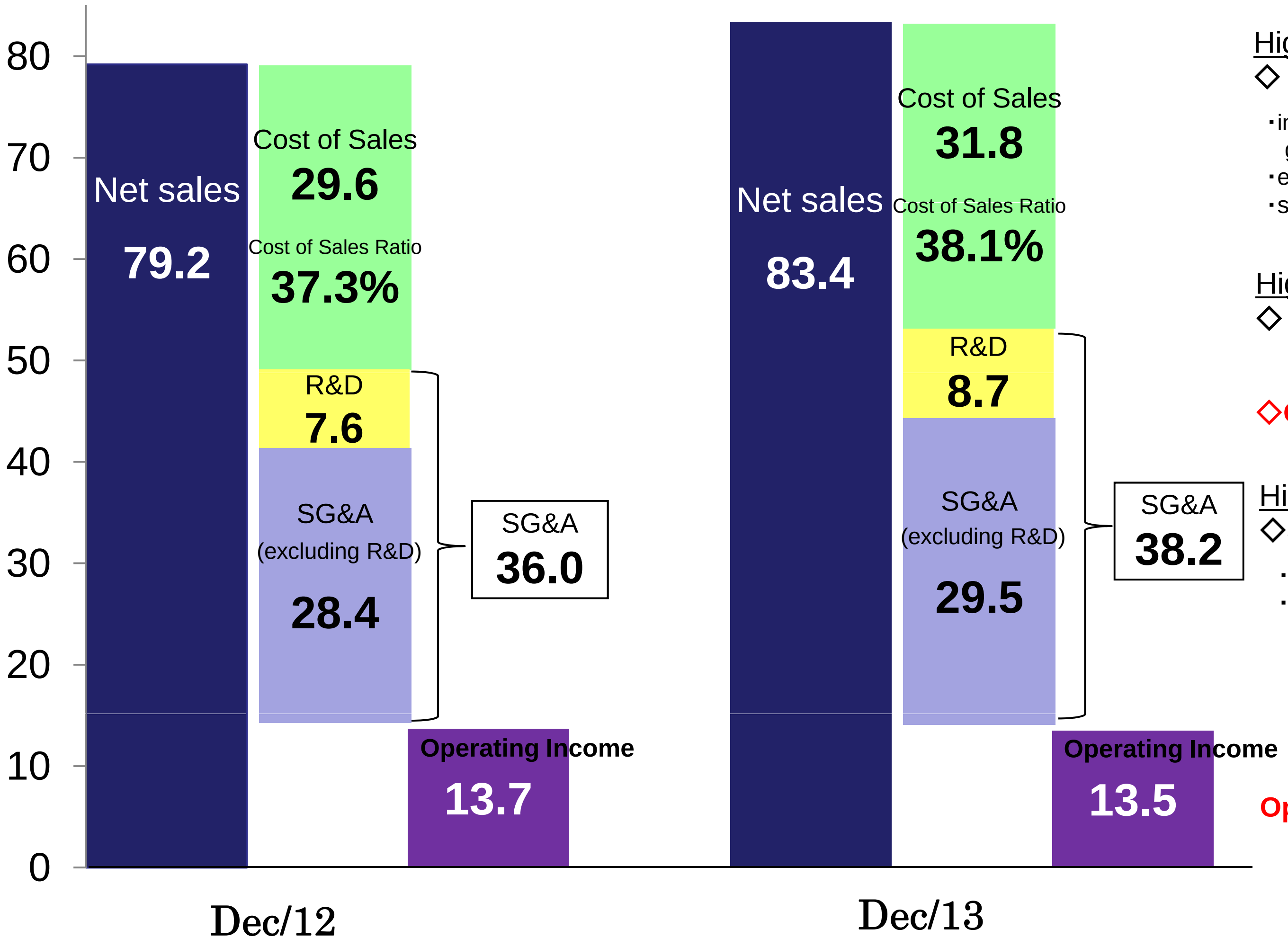
【 Net income 】 Gross profit rose due to the increase of Net sales. SG&A expenses increased due to mainly R&D expenses and general expenses. Consequently operating Income fell 1.5% year on year to ¥13.5bln, and Net Income rose 0.1%, year on year to ¥9.3bln.

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

【Net sales, Net income】 We will not revise the full-year (consolidated) results forecast of Net sales and Net income announced on November 5, 2013 at this moment .
(degree of progress: Net sales: 74.1%, operating income: 74.2%)

Highlights of Business Performance

(Units: ¥ billion)



Highlight ①

◇ Net Sales increased ¥4.2billion

- increase of Japan new ethical drugs and generic drugs sales
- effect of KYORIN pharmaceutical Facilities sales
- sales of royalty (licensing out product)

Highlight ②

◇ Cost of Sales ratio increased 0.8 percentage points

◇Gross Profit increased ¥2.0billion

Highlight ③

◇SG&A expenses increased ¥2.2billion

- R&D expenses increased ¥1.1billion
- SG&A(excluding R&D) increased ¥1.1billion

Operating Income decreased ¥0.2billion

Consolidated Financial Results
for the Third Quarter ending March 31, 2014

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Year onYear

(¥ billion)	Dec/2012	Dec/2013	change
Net Sales (total)	79.2	**83.4**	+4.2
Ethical drugs Business	77.8	**82.2**	+4.4
◆Sales of new ethical drugs	66.8	**70.3**	+3.5
●Japan	65.1	**68.8**	+3.7
●Overseas	1.7	**1.4**	−0.3
◆Generic drugs	7.7	**8.8**	+1.1
◆Over-the-counter drugs	3.4	**3.1**	−0.3
Healthcare (Skin care) Business	1.4	**1.2**	−0.2
Operating Income	13.7	**13.5**	−0.2
Ordinary Income	14.3	**14.0**	−0.3
Net Income	9.3	**9.3**	0.0

■Net Sales ¥83.4bln (+ 4.2)

◆Ethical drugs business ¥82.2bln (+ 4.4)

● Sales of new ethical drugs ¥68.8bln (+ 3.7)

Dec/2012⇒Dec/2013

- Kipres 28.4 ⇒ 29.6 (+ 1.2)
- Mucodyne 14.6 ⇒ 14.0 (- 0.6)
- Pentasa 13.8 ⇒ 14.5 (+ 0.7)
- Uritos 5.7 ⇒ 5.9 (+ 0.2)
- New product (Pentasa Suppositories , Flutiform) , Sales of KYORIN Pharmaceutical Facilities , Sales of royalty (licensing out product)

●Sales of new ethical drugs in Overseas ¥1.4bln (- 0.3)

- Gatifloxacin 1.4 ⇒ 1.2 (- 0.2)

●Sales of Generic drugs ¥8.8bln (+ 1.1)

- Health insurance pharmacy market's sales and contract manufacturing's sales increased.

●Sales of Over-the-counter drugs ¥3.1bln (- 0.3)

◆Healthcare (Skin care) Business ¥1.2bln (- 0.2)

■Operating Income ¥13.5bln (- 0.2)

◆Operating Income margin decreased 1.1 percentage points to 16.2%

●Cost of Sales Ratio : 37.3%⇒38.1% increased 0.8 percentage points

【increase】effect of of KYORIN pharmaceutical Facilities , exchange rate
【decrease】increase of royalty(licensing out product)

●R&D Ratio : 9.5%⇒10.4% increased 0.9 percentage points

＊¥7.6bln⇒¥8.7bln（+¥1.1bln） progress of the pipeline(KRP-209 Ph2a)

●SG&A Ratio : 35.9%⇒35.4% decreased 0.5 percentage

＊¥28.4bln⇒¥29.5bln（+¥1.1bln）
increase of general expenses (head office relocation expense , patent royalty etc.)

■Net Income ¥9.3bln (0)

Actual and Forecast of Main Subsidiary Companies

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（unit : ¥billion）

KYORIN pharmaceutical	Dec/2012	Dec/2013	Mar/2013	Mar/2014 (forecast)
Sales	71.3	**73.6**	95.9	**99.5**
Operating Income	13.2	**12.1**	17.1	**17.0**
Net Income	9.2	**8.6**	11.9	**11.9**

KYORIN Rimedio	Dec/2012	Dec/2013	Mar/2013	Mar/2014 (forecast)
Sales	7.8	**9.1**	10.4	**11.8**
Operating Income	0.1	**0.5**	0.4	**0.4**
Net Income	0.1	**0.3**	0.5	**0.2**

Dr. Program	Dec/2012	Dec/2013	Mar/2013	Mar/2014 (forecast)
Sales	1.4	**1.2**	1.9	**1.7**
Operating Income	−0.2	**0.1**	−0.2	**0.1**
Net Income	−0.2	**0.1**	−0.3	**0.1**

Main Product Sales Update

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（ Units: ¥ billion ）

Product name		Interim term		Third quarter				Full term	
		Sep/2012	Sep/2013	Dec/2012	**Dec/2013**	Change	Progress to full term forecast(%)	Mar/2013	**Mar/2014 (forecast)**
Sales of new ethical drugs (Japan)	**Kipres**（LT receptor antagonist）	16.3	17.1	28.4	**29.6**	＋4.3%	73.5%	39.6	**40.3**
	Mucodyne（Mucoregulant）	8.3	8.2	14.6	**14.0**	−3.8%	74.3%	19.1	**18.8**
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.0	9.4	13.8	**14.5**	＋4.9%	78.2%	17.6	**18.5**
	Uritos（Kyorin） (Overactive bladder)	3.6	3.7	5.7	**5.9**	＋3.2%	73.8%	7.5	**8.0**
	Ketas (For bronchial asthma and cerebrovasculas disorders)	1.5	1.5	2.3	**2.2**	−2.7%	77.1%	3.0	**2.9**
Sales of new ethical drugs (over seas)	**Gatifloxacin** (Bulk・Royalty)	0.9	1.0	1.4	**1.2**	−14.2%	66.6%	1.6	**1.8**
Over-the-counter drugs	**Milton** (Disinfectant)	1.0	1.0	1.6	**1.6**	−3.0%	75.8%	2.0	**2.0**

Main R&D Activities -1 (Feb 4 , 2014 Release)

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Ph III ~ Application submitted

※Changes from the previous announcement(Nov 5 2013)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
PhⅢ (9/2012)	(Europe) Almirall : Launched(9/2012) (US) Forest Pharmaceuticals : Launched (12/2012)	KRP-AB1102 （Inhaled drug）	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	- New Chemical Entity: Aclidinium Bromide - Long Acting Muscarinic Agonist (LAMA) - Twice Daily administration -Onset of Action on the first day 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)
PhⅢ (4/2013)		KIPRES （Chewable、 Oral Granules）	Bronchial Asthma	Merck	For pediatric patient：Allergic Rhinitis	･Additional indication ･Co-development with MSD K.K.
PhⅢ (8/2013)	(Europe) Almirall : Application submitted (10/2013) (US) Forest Laboratories : PhⅢ	KRP-AB1102F (Fixed dose combination inhaled drug)	Chronic Obstructive Pulmonary Disease (COPD)	Almirall	Combination of aclidinium 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.	

※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.)
※Flutiform , a combination drug for asthma treatment : launched November/2013

Main R&D Activities -2 (Feb 4 , 2014 Release)

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POC Project (Pre-clinical ~ Ph II)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
PhⅡ (8/2011)	PhⅢ 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)
PhⅡ (3/2013)	PhⅡ (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)
PhⅡ (9/2013)		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	
PhⅠ (7/2012)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house		
PhⅠ (10/2013)		KRP-EPA605	Overactive bladder	In-house	KRP-EPA605 is a novel selective prostaglandin EP1 receptor, and expected to improve urinary frequency by suppressing detrusor overactivity of the bladder	・Co-development with KISSEI PHARMACEUTICAL CO., LTD.

Reference

Segment information
for the Third Quarter Ending March 31, 2014

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Sales, Profit or Loss of each report segment

（ Units: ¥ billion ）

	Sales	change Y/Y	Profit	change Y/Y
Net Sales (total)	83.4	＋4.2	13.5	－0.2
Ethical drugs business	82.2	＋4.4	13.0	－0.8
◆Sales of new ethical drugs	70.3	＋3.5		
〇Japan	68.8	＋3.7		
〇Overseas	1.4	－0.3		
◆Generic drugs	8.8	＋1.1		
◆Over-the-counter drugs	3.1	－0.3		
Healthcare(Skincare) business	1.2	－0.2	0.1	＋0.3
Amount of adjustment	－	－	0.4	＋0.3

(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.

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(unit : ¥million)	Interim term		Third quarter					Full term	
	Sep/2012	Sep/2013	Dec/2012	**Dec/2013**	Change	% Y/Y	Progress to full term forecast(%)	Mar/2013	**Mar/2014 (forecast)**
Sales	47,954	50,851	79,229	**83,430**	+4,200	+5.3%	74.1%	107,031	**112,600**
Ethical drugs business	47,034	50,040	77,845	**82,223**	+4,378	+5.6%	74.1%	105,162	**110,900**
◆Sales of new ethical drugs	39,684	42,858	66,755	**70,276**	+3,520	+5.3%	73.9%	90,686	**95,100**
●Japan	38,661	41,697	65,063	**68,843**	+3,779	+5.8%	74.2%	88,286	**92,800**
●Overseas	1,023	1,160	1,691	**1,433**	−258	−15.3%	62.3%	2,400	**2,300**
◆Generic drugs	5,056	5,184	7,707	**8,806**	+1,099	+14.3%	77.3%	10,095	**11,400**
◆OTC drugs and others	2,292	1,997	3,382	**3,140**	−242	−7.2%	73.0%	4,379	**4,300**
Consumer healthcare business	920	810	1,383	**1,206**	−177	−12.8%	71.0%	1,869	**1,700**
Operating income	6,269	6,213	13,711	**13,503**	−207	−1.5%	74.2%	17,948	**18,200**
Ordinary income	6,609	6,531	14,288	**13,961**	−326	−2.3%	74.3%	18,676	**18,800**
Net income	4,295	4,397	9,262	**9,272**	+10	+0.1%	74.8%	12,422	**12,400**