Third Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2015

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February 2, 2015

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, 2015

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(¥ million)	Dec/2011	Dec/2012	Dec/2013	Dec/2014	YoY change (%)
Net Sales	77,413	79,229	83,430	83,602	＋0.2%
Operating Income	11,668	13,711	13,503	10,691	－20.8%
Ordinary Income	12,358	14,288	13,961	11,181	－19.9%
Net Income	7,227	9,262	9,272	9,571	＋3.2%

Mar/2015 (forecast)	YoY change (%)
111,700	＋0.3%
13,800	－21.6%
14,300	－21.8%
11,600	－3.5%

Third Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2015

【 Net sales 】 Overall net sales increased 0.2% year on year to ¥83.6 billion. Sales growth was driven by year on year increased in a new product Flutiform (prescription limitation was lifted in Dec/2014) and generic drug sales, despite lower sales in the ethical drug due to drug price revision.

【 Net income 】 Gross profit declined ¥2.8 billion year on year due to a rise in the cost ratio, mainly reflecting the revision in the National Health Insurance drug pricing and changes in the product sales mix in the Ethical drugs Business. Operating income amounted to ¥10.6 billion (a decrease of 20.8% year on year) due to a fall in selling, general, and administrative expenses (including R&D expenses) . Net income increased at ¥9.5 billion (up 3.2% year on year) due to posting extraordinary income ¥4.5 billion and extraordinary loss ¥1.7 billion .

Consolidated Financial Results for the Fiscal Year Ending March 31, 2015 (forecast)

【Net sales, Net income】 We will not revise the full-year (consolidated) results forecast of Net sales and Net income announced on November 4, 2014 at this moment .
(degree of progress: Net sales: 74.8%, operating income: 77.5%)

Highlights of Business Performance

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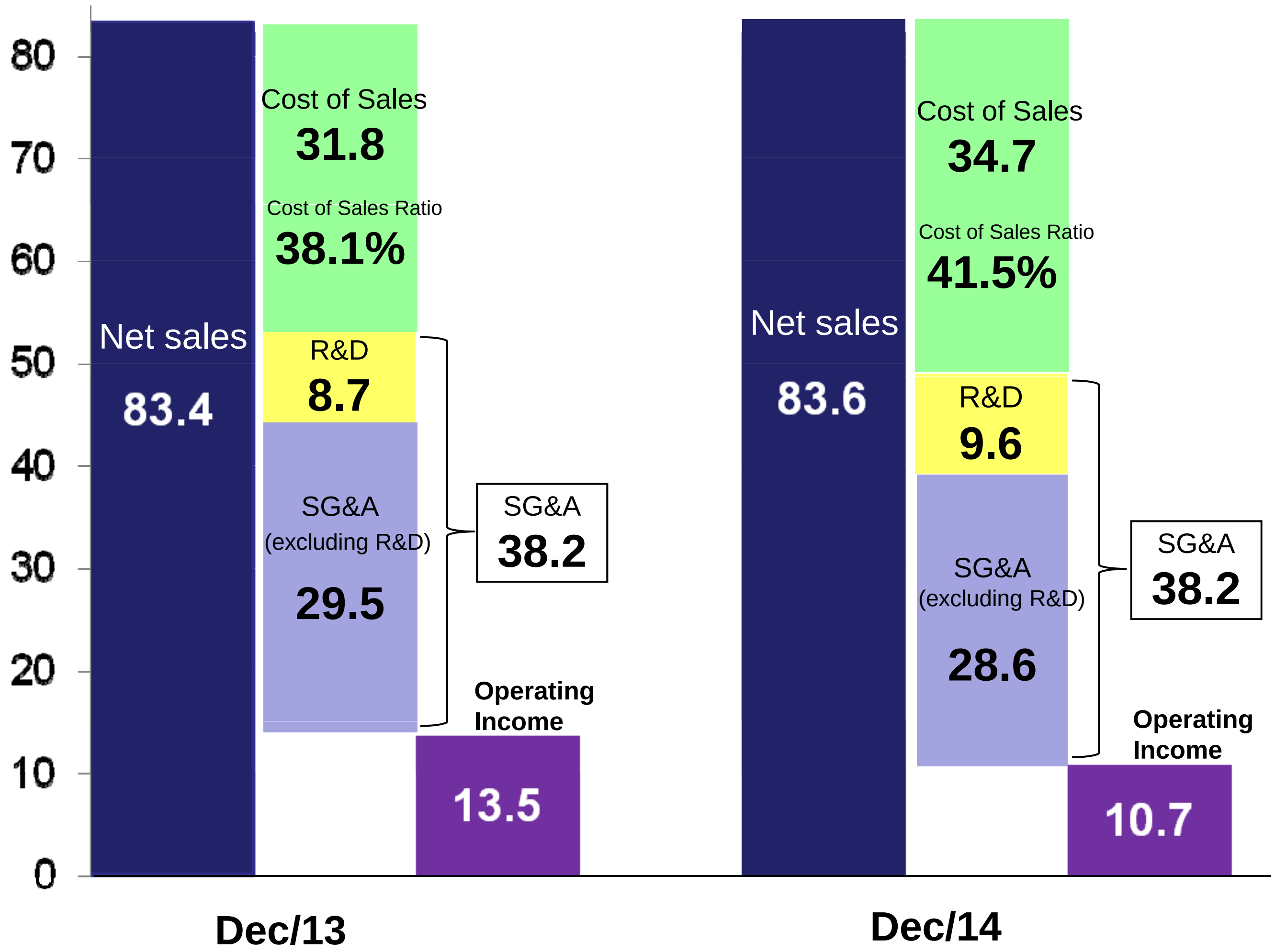
（ Units: ¥ billion ）



➢**Net Sales increased ¥0.2billion year on year.**
- decrease of new ethical drugs sales.
- increase of generic drugs sales.

➢**Cost of Sales increased ¥2.9 billion.**
(Cost of sales ratio increased 3.4%)
- Drug price revisions
- Sales of generic drugs increased
- Sales of ethical drug overseas decreased

■**Gross Profit decreased ¥2.8billion year on year**

➢**SG&A expenses remained same level.**
- R&D expenses increased ¥0.9billion （up front payment）
- SG&A(excluding R&D) decreased ¥0.9billion

■**Operating Income decreased ¥2.8billion year on year.**

Consolidated Financial Results
for the Third Quarter ending March 31, 2015

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（unit : ¥ billion）

	Dec/2013	Dec/2014	change
Net Sales (total)	83.4	**83.6**	＋0.2
Ethical drugs Business	82.2	**82.6**	＋0.4
◆Sales of new ethical drugs	70.3	**67.6**	−2.7
●Japan	68.8	**67.0**	−1.8
●Overseas	1.4	**0.6**	−0.8
◆Generic drugs	8.8	**11.9**	＋3.1
◆Over-the-counter drugs	3.1	**3.2**	＋0.1
Healthcare (Skin care) Business	1.2	**1.0**	−0.2
Operating Income	13.5	**10.7**	−2.8
Ordinary Income	14.0	**11.2**	−2.8
Net Income	9.3	**9.6**	＋0.3

Year on Year

■Net Sales ¥83.6bln (+ 0.2)

◆Ethical drugs business ¥82.6bln (+ 0.4)

● Sales of new ethical drugs ¥67.0bln (- 1.8)

Dec/2013⇒Dec/2014

・Kipres	29.6	⇒	29.3	(−0.3)
・Mucodyne	14.0	⇒	10.6	(−3.4)
・Pentasa	14.5	⇒	13.4	(−1.1)
・Uritos	5.9	⇒	5.5	(−0.4)
・Flutiform	0.3	⇒	2.6	(＋2.3)

●Sales of new ethical drugs in Overseas ¥0.6bln (- 0.8)

・Gatifloxacin 1.2 ⇒ 0.3 (−0.9)

●Sales of Generic drugs ¥11.9bln (+ 3.1)

・Contract manufacturing's sales and Health insurance pharmacy market's sales increased

●Sales of Over-the-counter drugs ¥3.2bln (+ 0.1)

◆Healthcare (Skin care) Business ¥1.0bln (- 0.2)

■Operating Income ¥10.7bln (- 2.8)

◆Operating Income margin decreased 3.4 percentage points to 12.8%

●Cost of Sales Ratio : 38.1%⇒41.5% increased 3.4 percentage points

・Drug price revisions (in the 6%range for KYORIN Pharmaceutical).

・Sales of generic drugs increased. ・Sales of Gatifloxacin decreased.

●R&D Ratio : 10.4%⇒11.5% increased 0.9 percentage points

＊¥8.7bln⇒¥9.6bln（＋¥0.9bln） up front payment of KRP-114V

●SG&A Ratio : 35.4%⇒34.2% decreased 1.2 percentage

＊¥29.5bln⇒¥28.6bln（−¥0.9bln）

decrease of sales costs, labor costs, general expenses

■Net Income ¥9.6bln (+ 0.3)

・extraordinary income : 4.5 billion yen for the transfer of the land and building of the former head office building

・extraordinary losses : 1.7 billion yen for the use of the vacant lot of the Pharmaceutical Discovery Research Laboratories

Actual and Forecast of Main Subsidiary Companies

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（unit : ¥billion）

KYORIN pharmaceutical	Dec/2013	Dec/2014	Mar/2014	Mar/2015 (forecast)
Sales	73.6	**72.6**	97.7	**97.1**
Operating Income	12.1	**8.8**	15.4	**11.5**
Net Income	8.6	**8.4**	10.8	**10.2**

KYORIN Rimedio	Dec/2013	Dec/2014	Mar/2014	Mar/2015 (forecast)
Sales	9.1	**12.2**	12.4	**15.3**
Operating Income	0.5	**1.5**	1.0	**1.6**
Net Income	0.3	**1.0**	0.6	**1.0**

Dr. Program	Dec/2013	Dec/2014	Mar/2014	Mar/2015 (forecast)
Sales	1.2	**1.0**	1.8	**1.6**
Operating Income	0.1	**−0.1**	0.2	**0.0**
Net Income	0.1	**−0.1**	0.2	**0.0**

Main Product Sales Update

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（Units: ¥ billion）

Product name		Interim term		Third quarter				Full term	
		Sep/2013	**Sep/2014**	Dec/2013	**Dec/2014**	Change	Progress to full term forecast(%)	Mar/2014	**Mar/2015 (forecast)**
Sales of new ethical drugs (Japan)	**Kipres**（LT receptor antagonist）	17.1	**17.4**	29.6	**29.3**	−1.1%	72.9%	40.2	**40.2**
	Mucodyne（Mucoregulant）	8.2	**6.2**	14.0	**10.6**	−24.6%	76.2%	18.4	**13.8**
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	9.4	**8.6**	14.5	**13.4**	−7.3%	80.3%	18.6	**16.7**
	Uritos（Kyorin） (Overactive bladder)	3.7	**3.4**	5.9	**5.5**	−7.5%	72.6%	8.1	**7.5**
	Ketas (For bronchial asthma and cerebrovasculas disorders)	1.5	**1.1**	2.2	**1.6**	−26.8%	76.5%	2.8	**2.1**
	Flutiform（Combination drug for asthma treatment）	—	**0.9**	0.3	**2.6**	+641.6%	64.2%	0.6	**3.9**
Sales of new ethical drugs (over seas)	**Gatifloxacin** (Bulk・Royalty)	1.0	**0.1**	1.2	**0.3**	−75.1%	57.4%	1.5	**0.5**
Over-the-counter drugs	**Milton** (Disinfectant)	1.0	**1.0**	1.6	**1.5**	−2.4%	76.9%	2.1	**1.9**

Main R&D Activities -1 (Feb 2 , 2015 Release)

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Ph III ~ Application submitted

※Changes from the previous announcement (Nov 4 2014)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Application submitted (3/2014)	(Europe) AstraZeneca : Launched(9/2012) (US) Actavis : 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 (8/2013)	(Europe) AstraZeneca : Approval (11/2014) (US) Actavis : 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.	
※PhⅢ (1/2015)	PhⅡ clinical trial end Merck & Co.,	KRP-114V	Overactive bladder	Merck & Co.,	KRP-114V is expected to improve urinary frequency through stimulation of the beta 3 receptor in bladder which improves bladder muscle relaxation.	License agreement with Merck & Co., Inc.,(7/2014)

Main R&D Activities -2 (Feb 2 , 2015 Release)

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POC Project (Pre-clinical ~ Ph II)

※Changes from the previous announcement (Nov 4 2014)

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	
PhⅡ (6/2014)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house		

for reference

Stage	Compound/ Code	Therapy area/Action	Features	Comments
under development by MSD K.K.	Desloratadine	allergic rhinitis, hives, itching resulting from skin diseases (eczema/dermatitis, pruritus cutaneous)	second generation histamine H1-receptor antagonist	Co-Marketing Agreement for Japan with MSD K.K. affiliate (11/2014)

Reference

Segment information
for the Third Quarter Ending March 31, 2015

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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)	83.6	＋0.2	10.7	－2.8
Ethical drugs business	82.6	＋0.4	10.6	－2.4
◆Sales of new ethical drugs	67.6	－2.7		
〇Japan	67.0	－1.8		
〇Overseas	0.6	－0.8		
◆Generic drugs	11.9	＋3.1		
◆Over-the-counter drugs	3.2	＋0.1		
Healthcare(Skincare) business	1.0	－0.2	－0.1	－0.2
Amount of adjustment	－	－	0.2	－0.2

(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 Third Quarter ending March 31, 2015

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（unit : ¥million）	Interim term		Third quarter					Full term	
	Sep/2013	Sep/2014	Dec/2013	**Dec/2014**	Change	% Y/Y	Progress to full term forecast(%)	Mar/2014	**Mar/2015 (forecast)**
Sales	50,851	51,112	83,430	**83,602**	＋172	＋0.2%	74.8%	111,400	**111,700**
Ethical drugs business	50,040	50,518	82,223	**82,629**	＋406	＋0.5%	75.1%	109,678	**110,000**
◆Sales of new ethical drugs	42,858	40,755	70,276	**67,564**	−2,711	−3.9%	74.4%	93,518	**90,800**
●Japan	41,697	40,422	68,843	**66,986**	−1,856	−2.7%	74.7%	91,668	**89,700**
●Overseas	1,160	332	1,433	**577**	−855	−59.7%	57.8%	1,849	**1,000**
◆Generic drugs	5,184	7,790	8,806	**11,873**	＋3,066	＋34.8%	79.2%	11,987	**15,000**
◆OTC drugs and others	1,997	1,972	3,140	**3,191**	＋51	＋1.6%	76.0%	4,172	**4,200**
Consumer healthcare business	810	593	1,206	**972**	−234	−19.4%	60.8%	1,721	**1,600**
Operating income	6,213	4,587	13,503	**10,691**	−2,812	−20.8%	77.5%	17,607	**13,800**
Ordinary income	6,531	4,898	13,961	**11,181**	−2,779	−19.9%	78.2%	18,281	**14,300**
Net income	4,397	3,495	9,272	**9,571**	＋298	＋3.2%	82.5%	12,025	**11,600**