

Financial Results for Fiscal 2015 and New Medium-Term Business Plan

May 13 , 2016
KYORIN Holdings, Inc.
President Minoru Hogawa



- **Outline of Consolidated Financial Results**
- **Consolidated Financial Results and Forecast**
- **Status of development pipeline**
- **Initiatives toward realization of the long-term vision “HOPE 100”**
 - **Medium-Term Business Plan**
HOPE 100 — Stage 1 — (Fiscal 2010~2015)
 - **New Medium-Term Business Plan**
HOPE 100 — Stage 2 — (Fiscal 2016~2019)

Outline of Consolidated Financial Results

Outline of Consolidated Financial Results for Fiscal 2015

(unit : ¥billion)

	FY2014	FY2015	Change	Change (%)	Change (original forecast)	Change (revised forecast)
Net Sales	113.1	119.5	+6.4	+5.6	-0.7	-0.7
Operating Income	14.7	19.6	+4.9	+33.2	+3.6	+0.2
Ordinary Income	15.5	20.0	+4.5	+29.1	+3.7	+0.3
Net Income	12.1	13.6	+1.5	+13.1	+2.1	+0.6

Record-high net sales and income (operating income, ordinary income and net income)

Segment Sales

(unit : ¥billion)

			FY2014	FY2015	Change	Change(%)	Change (original forecast)
Net Sales			113.1	119.5	+6.4	+5.6	-0.7
			111.8	118.2	+6.4	+5.8	-0.4
Ethical drugs business	Sales of new ethical drugs		92.1	98.3	+6.2	+6.7	+2.6
	Japan		91.1	92.7	+1.6	+1.8	-2.0
	Overseas		1.0	5.6	+4.6	+441.3	+4.6
	Generic drugs		15.5	15.5	0	-0.1	-2.7
	Over-the-counter drugs		4.2	4.5	+0.3	+7.3	0
Healthcare Business			1.3	1.2	-0.1	-7.8	-0.4

	change (y/y)	Explanation of Variances	change (original forecast)	Explanation of Variances
New ethical drugs (Japan)	+1.6	<ul style="list-style-type: none"> • Increase of Kipres, Fultiform • Decrease of Mucodyne, Pentasa 	-2.0	<ul style="list-style-type: none"> • Increase of Kipres, Mucodyne • Decrease of Fultiform, Pentasa
New ethical drugs (overseas)	+4.6	<ul style="list-style-type: none"> • increase of up front payment of FPR-2 agonists 	+4.6	<ul style="list-style-type: none"> • up front payment of FPR-2 agonists
Generic drugs	0	<ul style="list-style-type: none"> • Contract manufacturing's sales decreased • Health insurance pharmacy market's sales increased 	-2.7	<ul style="list-style-type: none"> • Contract manufacturing's sales and Health insurance pharmacy market's sales decreased

Breakdown of Gain and Loss

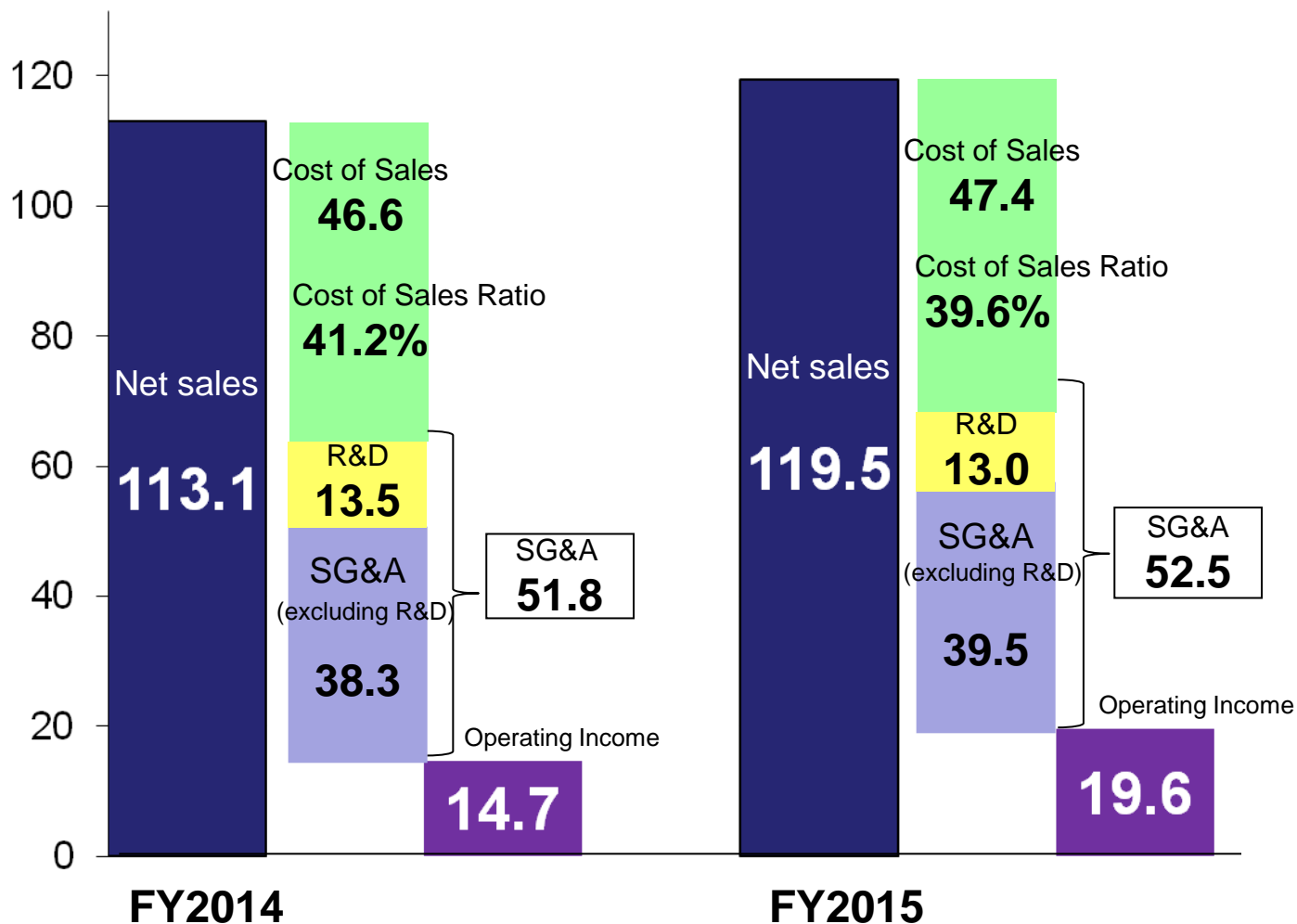
(unit : ¥billion)	FY2014	FY2015	Change	Change (%)	Change (original forecast)
Net Sales	113.1	119.5	+6.4	+5.6	-0.7
Cost of Sales	46.6	47.4	+0.8	+1.6	-
SG&A	51.8	52.5	+0.7	+1.4	-
R&D expenses	13.5	13.0	-0.5	-3.7	-0.4
SG&A expenses	38.3	39.5	+1.2	+3.1	-
Operating Income	14.7	19.6	+4.9	+33.2	+3.6
Ordinary Income	15.5	20.0	+4.5	+29.1	+3.7
Net Income	12.1	13.6	+1.5	+13.1	+2.1

	change (y/y)	Explanation of Variances	change (original forecast)	Explanation of Variances
Operating Income	+4.9	<ul style="list-style-type: none"> ➢ gross profit : increased ¥5.6bln • increase of Kipres, Fultiform, up front payment • cost of sales ratio decreased 1.6% ➢ R&D expense : decreased ¥0.5bln • increase cost of new WATARASE research center • decrease of KRP-114V costs ➢ SG&A (exclude R&D) expense: increased ¥1.2bln • increase of patent royalty, sales and general costs 	+3.6	<ul style="list-style-type: none"> ➢ Increase of gross profit • up front payment ➢ Decrease of R&D expense ¥0.4bln • decrease of KRP-114V cost due to co-development

- extraordinary income (1.9 billion yen) : 1.8 billion yen for the transfer of the land and building of the former Tokyo Branch building
- extraordinary losses (3.1 billion yen) : 2.7 billion yen for Okaya Plant closure.

Highlights of Business Performance

(Units: ¥ billion)



➤ **Net Sales increased ¥6.4billion year on year**
 • increase of Flutiform, Kipres sales
 • an upfront payment of a license agreement

➤ **Cost of sales ratio decreased 1.6%**

■ **Gross Profit increased ¥5.6billion year on year**

➤ **SG&A expenses increased ¥0.7billion year on year**
 • R&D expenses decreased ¥0.5billion
 • SG&A(excluding R&D) increased ¥1.2billion

■ **Operating Income increased ¥4.9billion year on year**

Mainstay Product Sales

(unit : ¥billion)

	FY2014	FY2015	Change	Change(%)	Change (original forecast)
Kipres	41.2	44.1	+2.9	+6.9	+2.3
Flutiform	3.6	7.2	+3.6	+99.8	-3.1
Uritos	7.3	7.5	+0.2	+2.8	-0.4
Mucodyne	14.0	13.0	-1.0	-7.3	+1.2
Pentasa	17.2	16.1	-1.1	-6.1	-1.0

Basic Policy(for Medium-Term Business Plan HOPE 100 – Stage 1 –)

The Company seeks to enhance its management base by balancing investments for growth and business continuity with shareholder returns. To this end, the Company aims for a consolidated payout ratio to shareholders of 30%.

Net Income

	FY2015 (forecast)	FY2015 (actual)
Net Income	¥11.5bln	¥13.6bln

Dividends

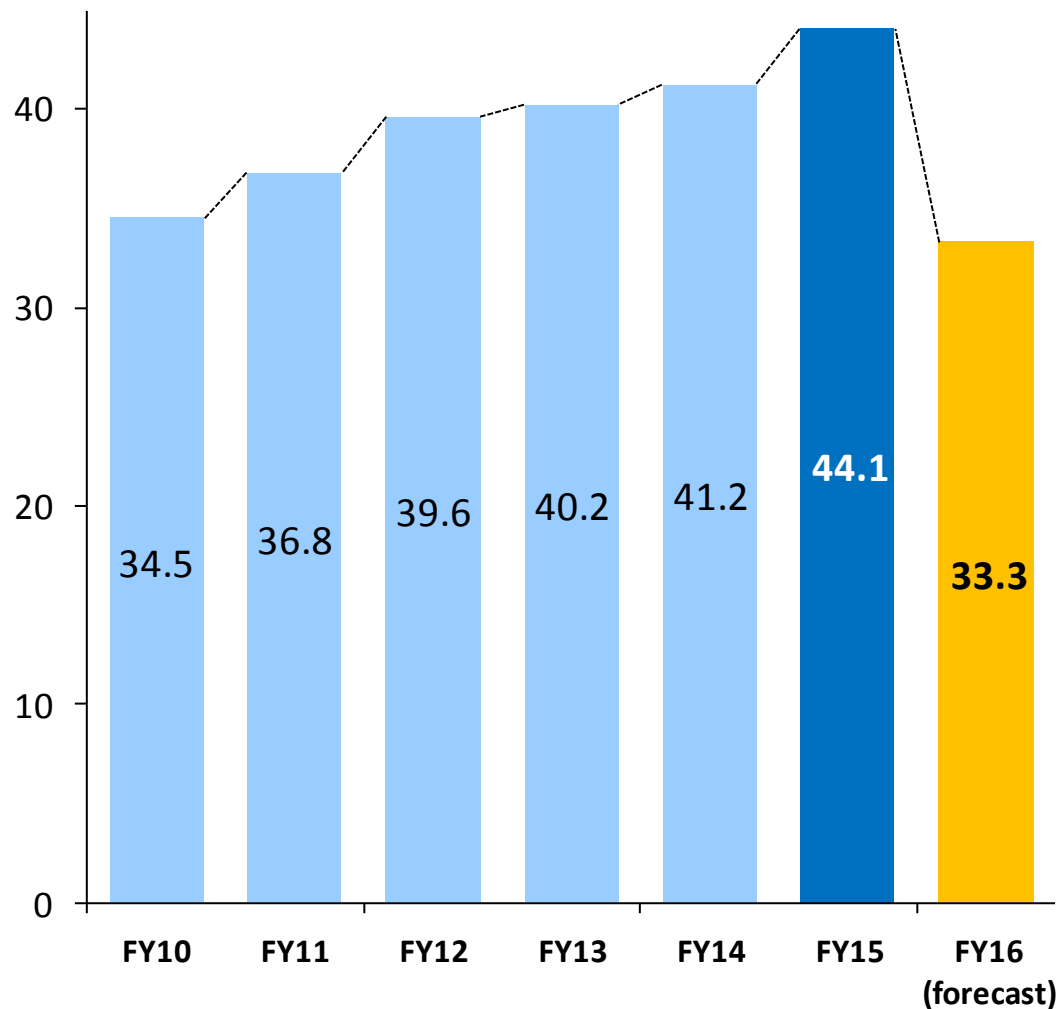
	FY2015 (forecast)	FY2015 (actual)
Dividend per share (Yen)	¥52.00 (interim ¥20.00)	¥58.00 (interim ¥20.00)
Consolidated payout ratio(%)	33.8%	31.8%

Trends of mainstay products

■ New drugs group

Kipres 【Bronchial asthma and allergic rhinitis treatment】

(unit : ¥billion)



■ status of FY2015

● LT antagonists market : expand 4.8%

¥ 126.2 (FY2014) ⇒ ¥132.2 (FY2015) ※1

● share of Kipres sales

37.6% (FY2014) ⇒ 38.6% (FY2015) ※2

■ effort for FY2016

● Launch of an authorized generic drug for KIPRES

- Upon expiry of the patent, generic drugs are expected to be released.

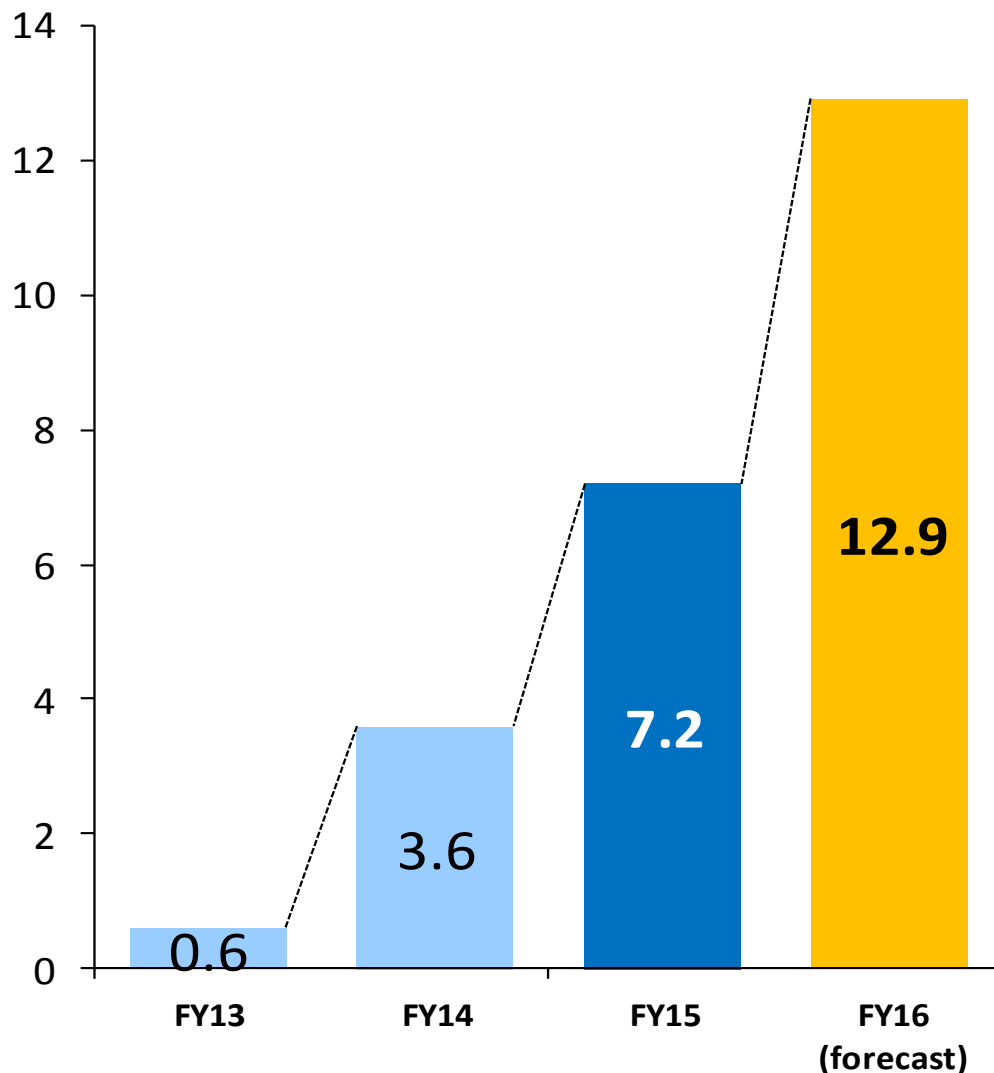
price revision rate ▲8.3%

※1,2 (Source : Copyright 2016 IMS JAPAN IMS -JPM. Unauthorized copying prohibited)

■ New drugs group

Flutiform【Anti-asthmatic】

(unit : ¥billion)



■ status of FY2015

● ICS/LABA market : expand 11.4%

¥97.1bln(FY2014) ⇒ ¥108.2(FY2015) ※1

● share of Flutiform sales

3.8%(FY2014) ⇒ 7.4%(FY2015) ※2

■ effort for FY2016

● Expand the share in new clients and clients with high demand

● Promote prescription to asthma patient with inadequate control

- Promotion of the advanced convenient pMDI device
- Information provision leading to improvement of adherence in taking medicine

pMDI : pressurized metered-dose inhaler

price revision rate ▲8.3%

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Antiallergic Agent「 Desloratadine」

- MSD Submits New Drug Application(October 2015)
- Aiming application and commercialization in FY2016

【 Details of application】

Features: second generation histamine H1-receptor antagonist

Compound: Desloratadine

Therapy area/Action: allergic rhinitis, hives, itching resulting from skin diseases (eczema/dermatitis, pruritus cutaneous)

Dosage and administration: Once daily

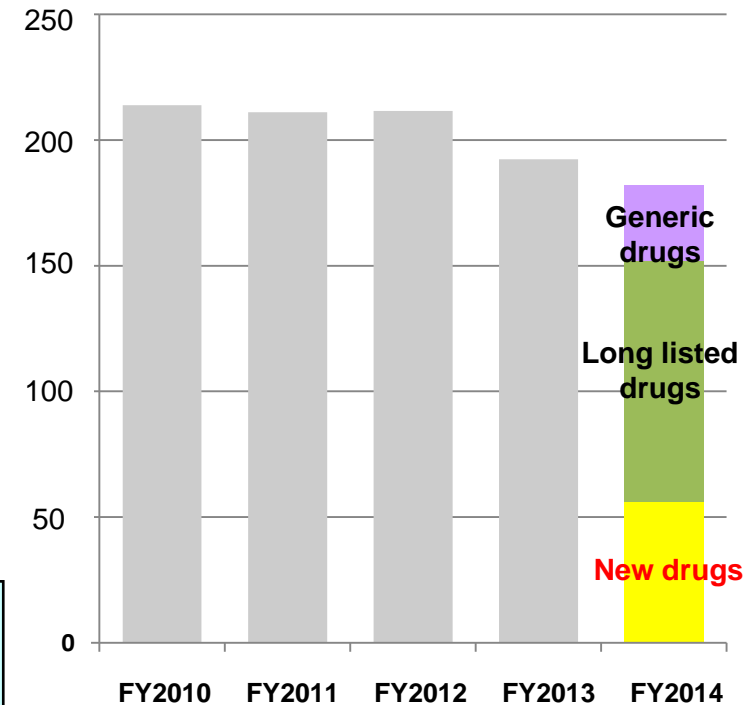
Marketing method : Co-Marketing for Japan with MSD K.K.

【Features】

- High affinity for a histamine receptor and low central nerve transition
- New 2nd-generation antihistamine drug with balanced efficacy and safety

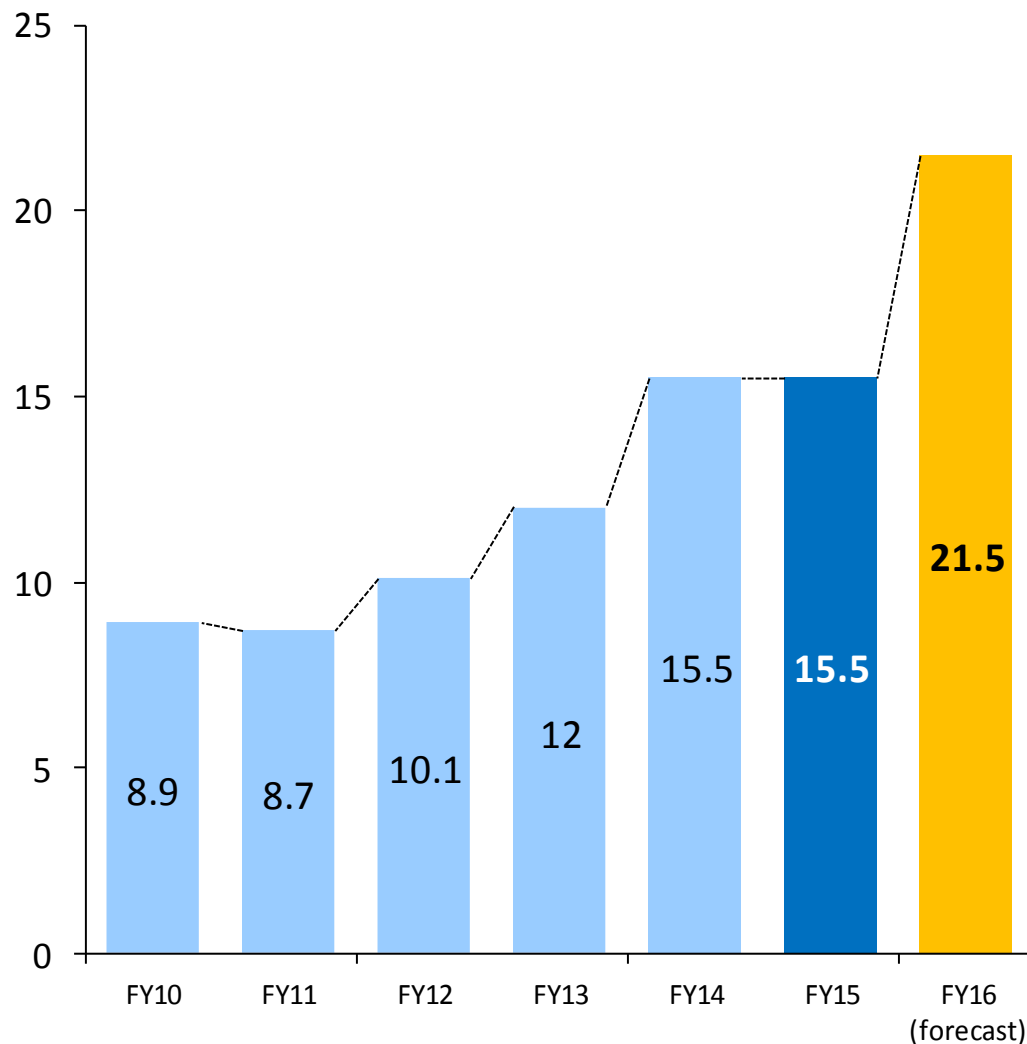
【 Antihistamine market】

(unit : ¥billion)



Generic drugs group Status of Generic Drugs

(unit : ¥billion)



■ status of FY2015

- **Increase of Health insurance pharmacy market's sales (+7%)**
 - ・launched 7 components ,15products in FY2015
- **Decrease of Contract manufacturing's sales**

■ effort for FY2016

● **Actions for Montelukast AG**

- ・Upon listing of the drug price in Japan (expected in June), release is scheduled as soon as the sales system is prepared.
- ・Aim to acquire the share of not less than 50% of the generic drugs market.

● **Expand sales of strategic products and Supplementary Items**

【2016 June supplementary Item】 Olanzapine etc.

● **promotion of collaborative development**

Forecast of Mainstay Product Sales

(unit : ¥billion)

	FY2015	FY2016 Forecast	Change	Change(%)
Kipres	44.1	33.3	-10.8	-24.3
Flutiform	7.2	12.9	+5.7	+78.4
Uritos	7.5	7.8	+0.3	+5.0
Mucodyne	13.0	10.8	-2.2	-16.7
Pentasa	16.1	15.8	-0.3	-1.7
Desloratadine	—	1.9	+1.9	—
Generic drugs	15.5	21.5	+6.0	+39.0

Consolidated Financial Results and Forecast

Consolidated Financial Results Forecast for the Year Ending March 31, 2017

(unit : ¥billion)

		FY2015	FY2016 forecast	Y/Y		
				Change	Change(%)	
Net sales		119.5	120.0	+0.5	+0.4	
		114.0	114.0	0	+0.0	
Ethical drugs business ※	Sales of new ethical drugs	98.5	92.4	-6.1	-6.2	
		Japan	92.9	88.5	-4.4	-4.8
		Overseas	5.6	3.8	-1.8	-32.0
	Generic drugs	15.5	21.5	+6.0	+39.0	
Healthcare Business ※		5.5	6.0	+0.5	+8.9	
Operating Income		19.6	14.5	-5.1	-26.2	
Ordinary Income		20.0	14.9	-5.1	-25.5	
Net Income		13.6	10.7	-2.9	-21.5	

※The details of the Sales Segment have been changed from the year ending March 31, 2017.

Following the change, the Pharmaceutical Business comprises New Drugs and Generic Drugs, while the Health Care Business comprises Skincare, Environmental Hygiene and Over the Counter Drugs and Others.





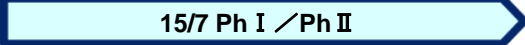
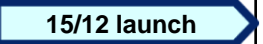









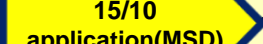

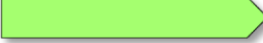


【for reference: year on year】

①Cost of sales ratio : increase 3% points , SG&A ratio(include R&D expense): increased1% points

②forecast for R&D expense in FY2107 : ¥13.5bln

Status of development pipeline

Drug Development Pipeline: Progress in FY2015, schedule of FY2016

	Product & development code	Ph I	Ph II	Ph III	application	Approval/ Launch
Respiratory	Eklira Genuair					 15/5 launch
	Ad-SGE-REIC	 15/7 Ph I / Ph II				
	Kipres OD					 15/12 launch
Infections	KRP-AM1977X			 15/4 Ph III		
	KRP-AM1977Y			 16/3 Ph III		
Otolaryngological	KRP-209		 15/8 Ph II			
	Desloratadine <small>(Co-Marketing Agreement for Japan with MSD K.K. affiliate.)</small>				 15/10 application(MSD)	 launch
Urological	KRP-114V					
IBD	Pentasa Granules					 15/12 launch
	KRP-203	 Novartis has decided to proceed with development of KRP-203 for GvHD.		discontinued of IBD		

※FPR-2 agonists : License agreement with BMS (12/2015)

※KRP-AB1102F : A license agreement for KRP-AB1102F with AstraZeneca was terminated and Kyorin reached the conclusion that the rights should be returned to AstraZeneca.(2/2016).



progress in FY15



schedule of FY16

< FPR2 (Formyl peptide receptor) agonist program >

■ **Mode of action:** G protein-coupled receptor. FPR-2 agonists mainly inhibit the migration of neutrophils and exhibit anti-inflammatory action.

■ **Business partner : BMS**(License agreement executed on December 2015)

Kyorin Pharmaceutical grants Bristol-Myers Squibb exclusive worldwide license to develop, manufacture and commercialize products within the program. Bristol-Myers Squibb is committed to the development of Kyorin's promising novel therapeutics against this target for undisclosed indications so as to rapidly introduce the same to the global markets.

■ **Terms of Agreement:**

- Received an upfront payment of US\$35 million of a license agreement.
- Kyorin Pharmaceutical will be also eligible to receive up to US\$370 million in development and regulatory milestones, along with royalties on net sales and sales based milestones.

< KRP-203 >

■ **Mode of action :** Sphingosine-1-Phosphate Receptor Agonist

■ **Business partner : Novartis** (License agreement executed on February 2006)

Based on the data in the various clinical trials conducted worldwide, the competing products and the priorities in our pipeline, we decided to focus on the development in GvHD indication.

■ **State of clinical trials:**

Currently Phase I trial is under way directed at patients undergoing stem cell transplant for hematological malignancies. Based on the assumption that the number of participants is thirty in total, safety, efficacy and pharmacokinetics of KRP-203 are evaluated.

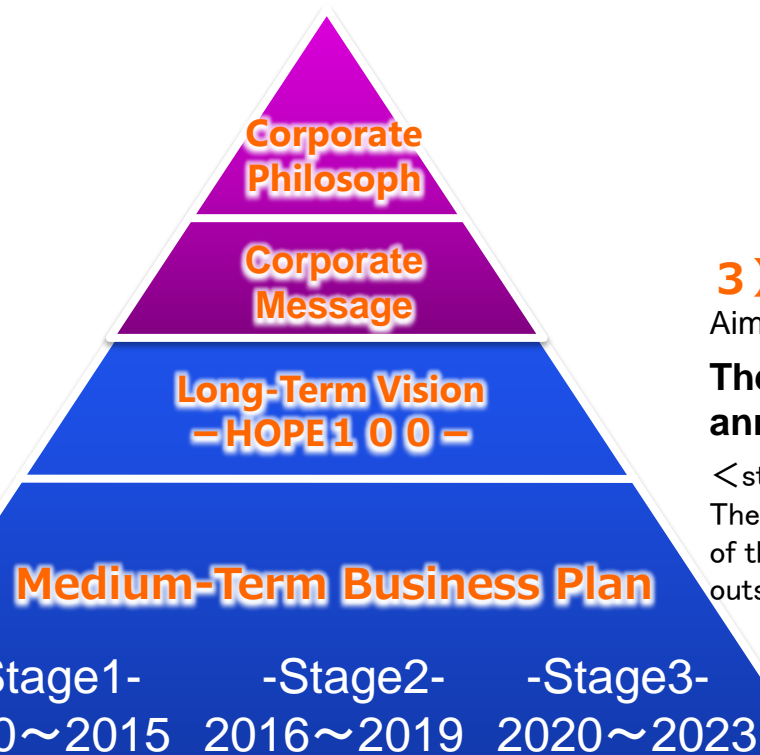
Medium-Term Business Plan
HOPE 100 –Stage 1– (Fiscal 2010~2015)

1) Corporate Philosoph

Kyorin continues to fulfill its mission of cherishing life, and benefiting society by contributing to better health.

2) Corporate Message

Your Health is Kyorin's Mission.



3) Long-Term Vision – HOPE 1 0 0 –

Aim for HHealth OOf PPeople and our EEnterprises

The future of the Group looking forward to 2023, the 100th anniversary of the founding of Kyorin

<statement>

The Kyorin Group will promote diversified business expansion and the development of the consumer healthcare business, and by 2023, will be recognized within and outside the Group as a company that supports sound and healthy lifestyles.

4) Medium-Term Business Plan

"Stage 1" Statement

Improvement of the ability to realize reorganization and establish the system for promotion of individual businesses toward achievement of the long-term vision

[Business Strategies]

- **Establishment and promotion of new ethical drug business model concurrently offering a variety of medical drugs (PC model: Pharma Complex Model)**
 - Consolidation of the inquiry, research, study and development and utilization of collective strength by opening the WATARASE Research Center (in July 2015)
 - Release of new products: Flutiform (November 2013), Eklira (May 2015)
 - License: license of FPR2 agonist program to BMS (December 2015); as for KRP-203 (Novartis), concentration on development at GvHD (November 2015)
 - License: Aclidinium (February 2011), KRP-114V (July 2014), Desloratadine (November 2014)
 - Transfer of the production functions of the Okaya Plant to KYORIN Pharmaceutical Facilities Co., Ltd. (Okaya Plant scheduled to be closed in September 2016)
 - Maximization of spread of the mainstay products by deeply developing the franchise customer (FC) strategies
 - Growth of Kipres and Uritos
 - Growth of the generic drugs business through increase of contract manufacturing's sales by promotion of joint development on its own initiative and health insurance pharmacy market's sales expansion
- **Attempt on business diversification through development and reorganization of the healthcare business and creation of new businesses**
 - Entry into the environmental hygiene business (April 2011), release of Rubysta (July 2012)

[Organization Strategies]

- **Creation of a corporation which gives the group companies' employees the best worthwhileness of work**

[Performance Goals]

- **Ensuring sound management and meeting the expectations of stakeholders**
 - Well-balanced implementation of investment for growth, investment for business continuation and return to shareholders
 - Payment of dividends at the payout ratio of about 30%

The results of the Medium-Term Business Plan "HOPE 100 Stage 1"

(unit : ¥billion)

	FY2009
	Actual
Sales	99.8
Ethical Drugs business	91.0
Sales of new Drugs	32.9
Sales of Original Drugs	49.5
Sales of Generic Drugs	8.6
Consumer Healthcare Business ※1	8.7
Operating Income	13.3

FY2015		
forecast	Actual	Change
140.0	119.5	-20.5
120.0	114.0	-6.0
50.0	58.9	+8.9
50.0	39.6	-10.4
20.0	15.5	-4.5
20.0	5.5	-14.5
20.0	19.6	-0.4

※1 the Health Care Business comprises Skincare, Environmental Hygiene and Over the Counter Drugs and Others.

<Dividends >

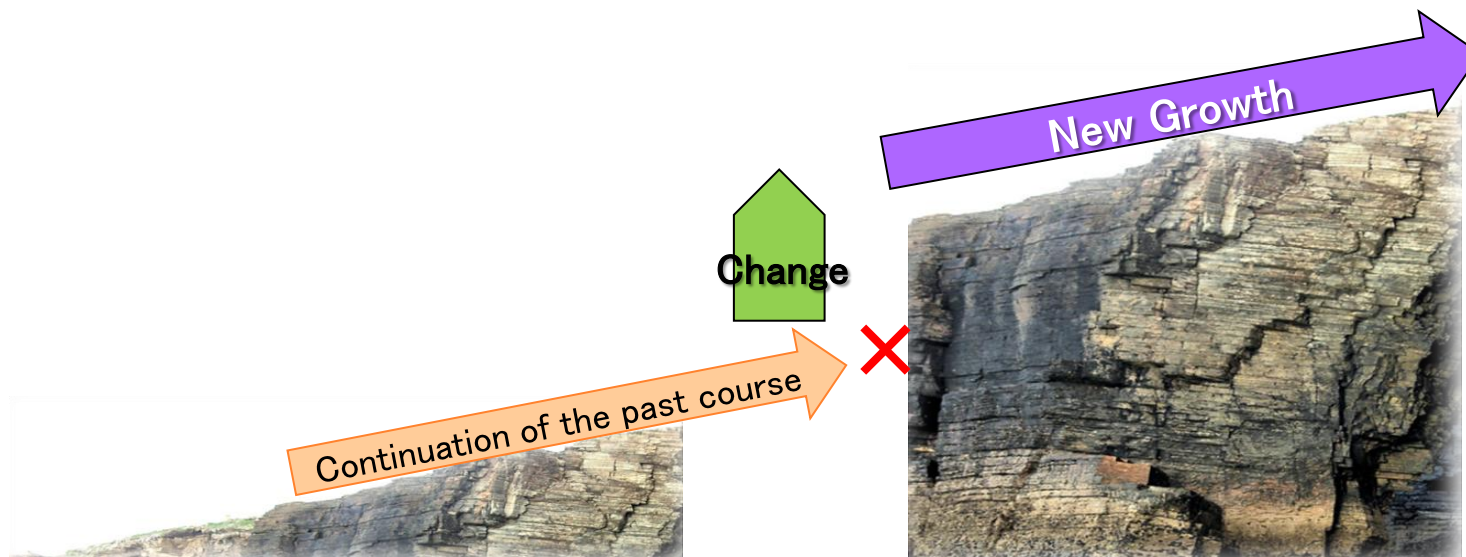
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Dividend per share (Yen)	¥45.00 (interim¥10.00)	¥45.00 (interim¥10.00)	¥50.00 (interim¥10.00)	¥52.00 (interim¥10.00)	¥52.00 (interim¥20.00)	¥58.00 (interim¥20.00)
Consolidated payout ratio(%)	30.8%	36.4%	30.1%	32.3%	32.2%	31.8%

New Medium-Term Business Plan
HOPE 100 –Stage 2– (Fiscal 2016~2019)

- Coming of the age with the ratio of generic drugs being 80%
- Possibility of drug price revisions for three consecutive years
- The Company Group will face the patent cliff for Kipres.

Substantial change not experienced before will draw near at a very high speed.

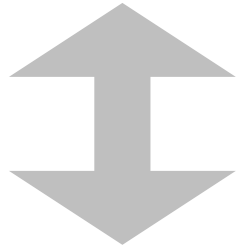
To overcome these obstacles, commit to “Change” for new growth, rather than taking the same course as the past.



"Stage 2" Statement

Commit to change (reform and renovation) toward realization of the long-term vision and maintain sustainable growth

Strategy



Performance

Organization

Initiatives for first-in-class new drug discovery

■ Establishment of the system for continual generation of innovative new drugs

- Discovery of novel targets for new drug discovery in the FC (franchise customer) field*
- Creation of first-in-class new drugs by utilizing the existing platform for new drug discovery based on low molecular (kinase, receptor) and the new technologies (peptides, gene therapy, etc.)
- Aim to form a tie-up with global partners early to accelerate global offering and development of original new drugs

*FC (franchise customer) field: respiratory, otorhinology, urology

Substantial increase in the ratio of new drugs group by maximizing spread of new drugs group

- The ratio shall be raised to "50% or more" for fiscal 2019 by strengthening the actions for new drugs group.

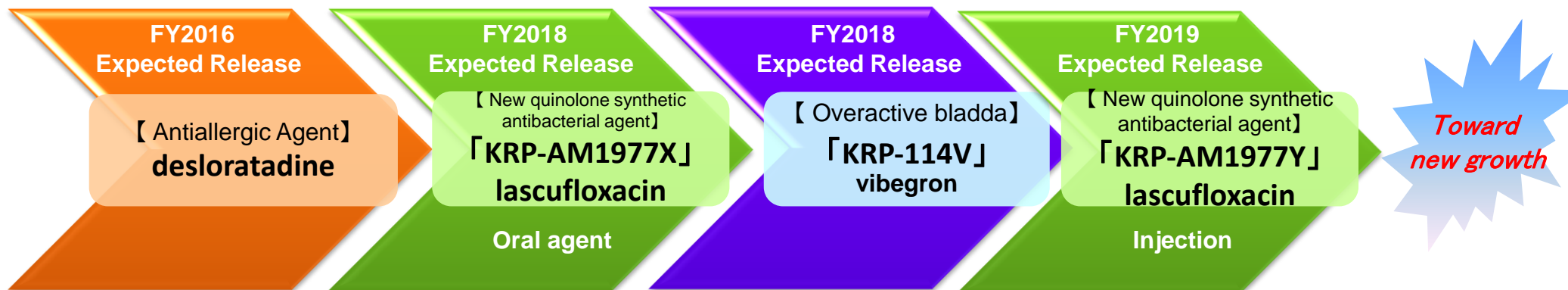
■ Overcome the factors for revenue decrease by growth of new drugs group

- Aim for maximization of products spread by launch of four products (Desloratadine, KRP-AM1977X/Y, KRP-114V) together with Fultiform

■ Restructuring of the sales structure

- Engage in restructuring of area management based on the FC strategy

Aim the launch of 4 products in "Stage 2"



desloratadine

second generation histamine H1-receptor antagonist

- High affinity for a histamine receptor and low central nerve transition.
- New 2nd-generation antihistamine drug with balanced efficacy and safety

Antihistamine market
¥ 180 billion

lascefloxacin

New quinolone synthetic antibacterial agent

- 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
- High degree of safety expected since safety hurdles cleared prior to clinical trials

Antibacterial agent market
Oral agent Injection
¥ 190 billion ¥ 130 billion

vibegron

Selective β 3 Adrenergic Receptor Agonist

- 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.

OAB market
¥ 80 billion

Directly engage in development, production and sales and take advantage of the handling of new drugs within the Group for flexible business operations

■ **Active involvement in authorized generics (AG)**

- Aim to secure high share of Montelukast AG in the generic drugs market.
- Consider acquisition of new AGs following Montelukast AG

■ **Strengthening of the ability of KYORIN Rimedio Co., Ltd. to perform business**

- Strengthening of the health insurance pharmacy market's sales capability
- Strengthening of the pharmaceutical development capability
- Strengthening of the production system

Change of the cost structure by ensuring optimization within the Group

Overall optimization through cooperation in production within the Group

- Production at an appropriate place beyond the boundaries of new drugs group, original products group and generic products group (beyond the boundaries of companies)
- Leveling of the rate of plant operation and efficient use of assets

Group production bases

KYORIN Pharmaceutical
Noshiro Plant
(Akita Pref.)



New drugs, original drugs, generic drugs

KYORIN Rimedio
Inami Plant
(Toyama Pref.)



KYORIN Pharmaceutical
Facilities
(Shiga Pref.)



KYORIN Pharmaceutical
Okaya Plant
(Akita Pref.)



All the production functions to be transferred, scheduled to be closed (in September 2016)

■ Overseas Expansion

- Through partnering, promote global expansion with innovative new drugs which the company creates by itself (early license in Europe and the US) to secure overseas sales.
- Through collaboration with other companies, establish the foundation for future direct expansion into Asia and other regions (in medical drugs and healthcare businesses).

■ Healthcare Business

- Establish the core business by ensuring growth of the environmental hygiene business and strengthening the link with the existing businesses.

Aim for a cooperation where the employees can feel the best worthwhileness of work.

■ Establishment and operation of the system for management of human resources

- Establish and operate the new system for management of human resources based on the principle of mutual cooperation and coexistence between employees and the company for a long term.

■ Strengthening of human resources development

- Take actions to strengthen the management capability*

*Management in a broad sense: actions to bring out the best in the employees through work

■ Target Figures

- Aim to achieve the average annual growth rate of 3% or more for the consolidated net sales and the consolidated operating income margin of 15% or more.

■ Capital Policy

- While maintaining the sound financial base, adopt the capital policy ensuring both growth investment and stable return to shareholders.

- In shareholders return, aim for stable dividends.

Dividend per share for fiscal 2016 (estimate): ¥58 (including interim dividend of ¥20)

- 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.

Reference

【reference】

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P&L Summary: Consolidated Results – (1)

(Units: ¥ million)

	FY2014		FY2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	113,121	100.0%	119,483	100.0%	+5.6	+6,362
■ Ethical Drugs business	111,771	98.8%	118,238	99.0%	+5.8	+6,467
◆ Sales of new Ethical Drugs	92,111	81.4%	98,282	82.3%	+6.7	+6,171
○ Japan	91,079	80.5%	92,695	77.6%	+1.8	+1,616
○ Overseas	1,032	0.9%	5,586	4.7%	+441.3	+4,554
◆ Generic Drugs	15,477	13.7%	15,465	12.9%	-0.1	-12
◆ Over-the-counter Drugs and Others	4,183	3.7%	4,490	3.8%	+7.3	+307
■ Consumer Healthcare Business	1,349	1.2%	1,244	1.0%	-7.8	-105

< Breakdown >

■ Sales	119,483	(+6,362)
● Ethical drug sales in Japan	92,695	(+1,616)
	FY14	FY15 (¥:billion)
• Kipres	41.2 ⇒	44.1 (+2.9)
• Flutiform	3.6 ⇒	7.2 (+3.6)
• Uritos	7.3 ⇒	7.5 (+0.2)
• Mucodine	14.0 ⇒	13.0 (-1.0)
• Pentasa	17.2 ⇒	16.1 (-1.1)
● Ethical drug sales overseas	5,586	(+4,554)
• Gatifloxacin	0.6 ⇒	0.8 (+0.2)
• Received an up front payment of FPR-2 agonists		
● Generic Drugs	15,465	(-12)
• increase of Health insurance pharmacy market's sales		
• decrease of Contract manufacturing's sales		
● Over-the-counter Drugs and Others	4,490	(+307)
● Consumer Healthcare Business	1,244	(-105)

<Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (8) :

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

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

P&L Summary: Consolidated Results – (2)

(Units: ¥ million)

	FY2014		FY2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	113,121	100.0%	119,483	100.0%	+5.6%	+6,362
Cost of Sales	46,598	41.2%	47,360	39.6%	+1.6%	+762
Gross Profit	66,522	58.8%	72,122	60.4%	+8.4%	+5,600
SG&A (Incl. R&D expenses)	51,785 (13,514)	45.8% 11.9%	52,486 (13,019)	43.9% 10.9%	+1.4% -3.7%	+701 -495
Operating Income	14,737	13.0%	19,636	16.4%	+33.2%	+4,899
Non-Operating Income	768	0.7%	531	0.4%	-30.9	-237
Non-Operating Expenses	16	0.0%	172	0.1%	+975.0%	+156
Ordinary Income	15,490	13.7%	19,995	16.7%	+29.1%	+4,505
Extraordinary Profits	4,505	4.0%	1,940	1.6%	-56.9%	-2,565
Extraordinary Losses	2,434	2.2%	3,120	2.6%	+28.2%	+686
Income before income taxes	17,561	15.5%	18,815	15.7%	+7.1%	+1,254
Corporate, inhabitants and enterprise taxes	4,712	4.2%	5,191	4.3%	+10.2%	+479
Tax adjustments	785	0.7%	-15	-0.0%	-	-800
Net Income	12,064	10.7%	13,639	11.4%	+13.1%	+1,575

< Breakdown >

- ◆ Cost of Sales Ratio : -1.6 percentage points
(41.2 %→39.6%)
 ・ up front payment of FPR-2 agonists
- ◆ R&D Ratio : -1.0 percentage points
(11.9%→10.9%)
 * ¥13.5bln→¥13.0bln(decrease ¥0.5bln)
 ・ increase of new WATARASE research center costs,
 ・ decrease of KRP-114V costs.
- ◆ SG&A (exclude R&D) Expenses : -0.8 percentage points
(33.8%→33.0%)
 * ¥38.3bln→¥39.5bln (+¥1.2bln)
 increase of patent royalty, sales costs.
- Operating Income ¥19,636(+¥4,899)
 * Operating Income margin increased 3.4percentage points to 16.4%
- Net Income ¥13,639(+¥1,575)
- Dividend per share ¥58.00
 * Consolidated payout ratio 31.8%

BS Summary: Consolidated Results

(Units: ¥ million)	FY2014	
	Actual	%total
Current Assets	129,064	70.4%
Cash, deposits	30,652	
Notes and accounts receivable	47,007	
Mk securities	17,867	—
Inventory	25,929	
Other	7,607	
Fixed Assets	54,318	29.6%
Tangible assets	19,374	
Intangible assets	1,184	—
Investments	33,760	
Total Assets	183,383	100.0%

FY2015		
Actual	% total	change
138,483	70.0%	+9,419
45,712		
48,296		
5,989	—	—
27,665		
10,818		
59,342	30.0%	+5,024
22,788		
1,201	—	—
35,353		
197,825	100.0%	+14,442

Current Liabilities	27,773	15.1%
Notes payable	11,259	—
Other	16,513	
Non-Current Liabilities	7,009	3.8%
Total Liabilities	34,782	19.0%
Owner's Equity	140,518	76.6%
Other Comprehensive Income	8,082	4.4%
Unrealized holding gain (loss) on securities	7,798	
Foreign currency translation adjustments	168	—
	115	
Total Equity	148,600	81.0%
Total Liabilities and Equity	183,383	100.0%

28,052	14.2%	+279
11,792	—	—
16,259		
12,723	6.4%	+5,714
40,776	20.6%	+5,994
149,808	75.7%	+9,290
7,241	3.7%	−841
10,372		
160	—	—
−3,292		
157,049	79.4%	+8,449
197,825	100.0%	+14,442

< Breakdown >

■ Current Asset : +9,419

- Cash, deposits (+15,060)
- Notes and accounts receivable (+1,289)
- Mk securities (−11,878)
- Inventory (+1,736)

■ Fixed Assets : +5,024

- Tangible Assets (+3,414)
- Intangible Assets (+17)
- Investments (+1,593)

■ Current Liabi: +279

- Notes Payable (+533)
- Other (−254)

■ Non-Current Liabilities : +5,714

Financial summary (Consolidated)

(¥ million)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Sales (Exports)	103,232 (2,015)	107,031 (2,400)	111,400 (1,849)	113,121 (1,032)	119,483 (5,586)	120,000 (3,800)
Cost of Sales (cost of Sales Ratio) (%)	36,926 (35.8%)	40,133 (37.5%)	43,047 (38.6%)	46,598 (41.2%)	47,360 (39.6%)	—
SG&A Ratio to Sales (%)	51,842 (50.2%)	48,949 (45.7%)	50,744 (45.6%)	51,785 (45.8%)	52,486 (43.9%)	—
R&D Expenses Ratio to Sales (%)	13,964 (13.5%)	11,059 (10.3%)	11,359 (10.2%)	13,514 (11.9%)	13,019 (10.9%)	13,500 (11.3%)
Operating Income Ratio to Sales (%)	14,464 (14.0%)	17,948 (16.8%)	17,607 (15.8%)	14,737 (13.0%)	19,636 (16.4%)	14,500 (12.1%)
Ordinary Income Ratio to Sales (%)	15,275 (14.8%)	18,676 (17.4%)	18,281 (16.4%)	15,490 (13.7%)	19,995 (16.7%)	14,900 (12.4%)
Net Income Ratio to Sales (%)	9,231 (8.9%)	12,422 (11.6%)	12,025 (10.8%)	12,064 (10.7%)	13,639 (11.4%)	10,700 (8.9%)
EPS (¥)	¥123.54	¥166.25	¥160.95	¥161.63	¥184.28	¥145.23
Capital	700	700	700	700	700	—
Assets	145,673	154,968	169,378	183,383	197,825	—
shareholder's equity	117,931	126,985	135,273	140,518	149,808	—
Total Equity	118,201	129,099	137,821	148,600	157,049	—
BPS (¥)	¥1,581.94	¥1,727.86	¥1,844.61	¥2,009.45	¥2,131.67	—
ROE (%)	8.0%	10.0%	9.0%	8.4%	8.9%	—
Equity Ratio (%)	81.1%	83.3%	81.4%	81.0%	79.4%	—
Employees	2,297	2,444	2,452	2,445	2,420	—
Capital Expenditure	1,952	6,576	6,500	2,655	7,218	4,700
Depreciation Expense	2,363	2,738	3,153	3,053	3,730	3,900

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

(Units: ¥ million)

< Breakdown >

	FY2014		FY2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	98,452	100.0%	106,390	100.0%	+8.1%	+7,938
■ Ethical Drugs business	98,452	100.0%	106,390	100.0%	+8.1%	+7,938
◆ Sales of new Ethical Drugs	88,852	90.2%	95,824	90.1%	+7.8%	+6,972
○ Japan	88,012	89.4%	90,480	85.0%	+2.8%	+2,468
○ Overseas	840	0.9%	5,343	5.0%	+536.1%	+4,503
◆ Generic Drugs	6,404	6.5%	6,878	6.5%	+7.4%	+474
◆ Over-the-counter Drugs and Others	3,195	3.2%	3,686	3.5%	+15.4%	+491

■ Sales	106,390	(+7,938)
● Ethical drug sales in Japan	90,480	(+2,468)
	FY14	FY15 (¥:billion)
・ Kipres	41.2 ⇒	44.1 (+2.9)
・ Flutiform	3.6 ⇒	7.2 (+3.6)
・ Uritos	7.3 ⇒	7.5 (+0.2)
・ Mucodine	14.0 ⇒	13.0 (-1.0)
・ Pentasa	17.2 ⇒	16.1 (-1.1)
● Ethical drug sales overseas	5,343	(+4,503)
・ Gatifloxacin	0.6 ⇒	0.8 (+0.2)
● Generic Drugs	6,878	(+474)
	* increase of Kyorin Rimedio product sales	
● Over-the-counter Drugs and Others	3,686	(+491)
・ Milton	2.0 ⇒	2.1 (+0.1)
・ Rubysta	0.5 ⇒	0.8 (+0.3)

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

(Units: ¥ million)

< Breakdown >

	FY2014		FY2015			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	98,452	100.0%	106,390	100.0%	+8.1%	+7,938
Cost of Sales	38,951	39.6%	40,798	38.3%	+4.7%	+1,847
Gross Profit	59,501	60.4%	65,591	61.7%	+10.2%	+6,090
SG&A (R&D Expenses)	47,349 (12,843)	48.1% (13.0%)	48,129 (12,421)	45.2% (11.7%)	+1.7% -3.3%	+780 -422
Operating Income	12,151	12.3%	17,461	16.4%	+43.7%	+5,310
Non-Operating Income	964	1.0%	652	0.6%	-32.4%	-312
Non-operating Expenses	0	0.0%	127	0.1%	-	+127
Ordinary Income	13,115	13.3%	17,985	16.9%	+37.1%	+4,870
Extraordinary Profits	4,505	4.6%	1,828	1.7%	-59.4%	-2,677
Extraordinary Losses	2,405	2.4%	3,037	2.9%	+26.3%	+632
Income before Income taxes	15,215	15.5%	16,776	15.8%	+10.3%	+1,561
Corporate, inhabitants and enterprise taxes	3,998	4.1%	4,600	4.3%	+15.1%	+602
Tax adjustments	804	0.8%	62	0.1%	-92.3%	-742
Net Income	10,412	10.6%	12,113	11.4%	+16.3%	+1,701

◆ Cost of Sales Ratio : -1.3percentage points
(39.6%→38.3%)

・ up front payment of FPR-2 agonists

◆ R&D Ratio : : -1.3 percentage points
(13.0%→11.7%)

* ¥12.8bln→¥12.4bln (-¥0.4bln)

・ increase of new WATARASE research center costs,
・ decrease of KRP-114V costs.

◆ SG&A (exclude R&D) Expenses :
-1.4 percentage Points (35.0%→33.6%)

■ Operating Income **17,461 (+5,310)**

* Operating Income margin increased 4.1percentage points to 16.4%

■ Net Income **12,113 (+1,701)**

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(Units: ¥ million)

	FY2014	
	Actual	% total
Current Assets	97,822	68.4%
Cash, deposits	14,587	
Accounts receivable	43,220	
Mk securities	12,804	—
Inventory	21,763	
Other	5,447	
Fixed Assets	45,145	31.6%
Tangible assets	12,324	
Intangible assets	376	—
Investments	32,444	
Total Assets	142,967	100.0%

FY2015		
Actual	% total	change
102,859	66.1%	+5,037
22,326		
44,374		
5,905	—	—
21,774		
8,477		
52,778	33.9%	+7,633
14,866		
486	—	—
37,424		
155,637	100.0%	+12,670

< Breakdown >

■ Current Assets : **+5,037**

- ・ Cash, deposits (+7,739)
- ・ Accounts receivable (+1,154)
- ・ Mk securities (-6,899)
- ・ Inventory (+11)

■ Fixed Assets **+7,633**

- ・ Tangible Assets (+2,542)
- ・ Intangible Assets (+110)
- ・ Investments (+4,980)

Current Liabilities	20,958	14.7%
Notes Payable	8,323	—
Other	12,635	—
Non-Current Liabilities	3,762	2.6%
Total Liabilities	24,720	17.3%
Owner's Equity	110,534	77.3%
Valuation and translation adjustments	7,712	5.4%
Total Equity	118,246	82.7%
Total Liabilities and Equity	142,967	100.0%

20,102	12.9%	-856
7,673		
12,428	—	—
7,925	5.1%	+4,163
28,027	18.0%	+3,307
117,300	75.4%	+6,766
10,309	6.6%	+2,597
127,610	82.0%	+9,364
155,637	100.0%	+12,670

■ Current Liabilities : **-856**

- ・ Notes Payable (-650)

■ Non-Current Liabilities : **+4,163**

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(¥ million)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Sales (Exports)	93,697 (1,904)	95,894 (2,277)	97,662 (1,650)	98,452 (840)	106,390 (5,343)	106,400 (3,600)
Cost of Sales (cost of sales ratio)%	32,046 (34.2%)	33,868 (35.3%)	35,119 (36.0%)	38,951 (39.6%)	40,798 (38.3%)	—
SG&A Ratio to Sales (%)	47,679 (50.9%)	44,898 (46.8%)	47,175 (48.3%)	47,349 (48.1%)	48,129 (45.2%)	—
R&D Expenses Ratio to Sales (%)	13,472 (14.4%)	10,733 (11.2%)	11,064 (11.3%)	12,843 (13.0%)	12,421 (11.7%)	12,900 (12.1%)
Operating Income Ratio to Sales (%)	13,971 (14.9%)	17,127 (17.9%)	15,368 (15.7%)	12,151 (12.3%)	17,461 (16.4%)	11,700 (11.0%)
Ordinary Income Ratio to Sales (%)	15,126 (16.1%)	18,209 (19.0%)	16,230 (16.6%)	13,115 (13.3%)	17,985 (16.9%)	12,200 (11.5%)
Net Income Ratio to Sales (%)	9,274 (9.9%)	11,931 (12.4%)	10,823 (11.1%)	10,412 (10.6%)	12,113 (11.4%)	8,900 (8.4%)
EPS (¥)	¥124.88	¥160.66	¥145.74	¥140.20	¥163.11	—
Capital	4,317	4,317	4,317	4,317	4,317	—
Assets	121,985	121,881	130,997	142,967	155,637	—
shareholder's equity	101,652	100,586	106,211	110,534	117,300	—
Total Equity	102,177	102,844	109,606	118,246	127,610	—
BPS (¥)	¥1,375.79	¥1,384.77	¥1,475.82	¥1,592.16	¥1718.23	—
ROE (%)	9.4%	11.6%	10.2%	9.1%	9.9%	—
Equity Ratio (%)	83.8%	84.4%	83.7%	82.7%	82.0%	—
Employees	1,798	1,797	1,780	1,771	1,731	—
Capital Expenditure	1,425	1,507	4,763	1,125	5,059	1,800
Depreciation Expense	1,790	1,743	1,743	1,667	2,241	2,300

Sales, Profit or Loss of each report segment

(Units: ¥ billion)

	Sales	change	Profit	Change
Net Sales (total)	119.5	+6.4	19.6	+4.9
Ethical drugs business	118.2	+6.4	19.5	+4.9
◆Sales of new ethical drugs	98.3	+6.2		
○Japan	92.7	+1.6		
○Overseas	5.6	+4.6		
◆Generic drugs	15.5	0		
◆Over-the-counter drugs	4.5	+0.3		
Healthcare(Skincare) business	1.2	-0.1	-0.1	-0.1
Amount of adjustment	-	-	0.2	0

(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 and full year forecast

(Units: ¥ million)

	FY2015	FY2016 (forecast)	Year on year	
			change	change(%)
Sales	119,483	120,000	+517	+0.4
■ Ethical Drugs business	113,970	114,000	+30	+0.0
◆ Sales of new Ethical Drugs	98,506	92,400	-6,105	-6.2
○ Japan	92,920	88,500	-4,419	-4.8
○ Overseas	5,586	3,800	-1,786	-32.0
◆ Sales of Generic drugs	15,465	21,500	+6,035	+39.0
■ Consumer Healthcare Business	5,512	6,000	+488	+8.9
Operating Income	19,636	14,500	-5,136	-26.2
Ordinary Income	19,995	14,900	-5,095	-25.5
Net Income	13,639	10,700	-2,939	-21.6

※The details of the Sales Segment have been changed from the year ending March 31, 2017.

Following the change, the Pharmaceutical Business comprises New Drugs and Generic Drugs, while the Health Care Business comprises Skincare, Environmental Hygiene and Over the Counter Drugs and Others.

Main Product Sales Update

(Units: ¥ billion)

		FY2011	FY2012	FY2013	FY2014	FY2015		FY2016 (forecast)
						actual	Change(%)	
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	36.8	39.6	40.2	41.2	44.1	+6.9	33.3
	Flutiform (Anti-asthmatic)	—	—	0.6	3.6	7.2	+99.8	12.9
	Uritos (Kyorin) (Overactive bladder)	6.3	7.5	8.1	7.3	7.5	+2.8	7.8
	Mucodyne (Mucoregulant)	21.5	19.1	18.4	14.0	13.0	-7.3	10.8
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	18.0	17.6	18.6	17.2	16.1	-6.1	15.8
	Desloratadine(INN) (allergic rhinitis)	—	—	—	—	—	—	1.9
Over-the- counter drugs	Milton (Disinfectant)	1.9	2.0	2.1	2.0	2.1	+5.2	2.1

R&D Expenses, Capex & Depreciation

(Units: ¥ million)

	FY2011	FY2012	FY2013	FY2014	FY2015		FY2016 (forecast)
					actual	Change	
R&D expenses	13,964	11,059	11,359	13,514	13,019	-3.7%	13,500
Capital expenditure	1,952	6,576	6,500	2,655	7,218	+171.8%	4,700
Depreciation expense	2,363	2,738	3,153	3,053	3,730	+22.1%	3,900

<Capital expenditure (Actual/Forecast)>

(Units: ¥ billion)

	FY2014	FY2015	FY2016 (forecast)
Plant facilities	1.5	2.4	2.6
Equipment for control, sales activities	0.3	0.4	0.5
Equipment for research	0.8	4.4	1.6

Main R&D Activities -1 (May 12 , 2016 Release)

Ph III ~ Application submitted

※Changes from the previous announcement(Feb 3 2016)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph III (1/2015)	Ph II 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) ※ Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate . (3/2016)
Ph III (4/2015)		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 III (3/2016)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house		

for reference

Stage	Compound/ Code	Therapy area/Action	Features	Comments
Application submitted by MSD K.K. (10/2016)	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)

Main R&D Activities -2 (May 12 , 2016 Release)

POC Project (Ph I ~ Ph II)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
Ph II (8/2015)	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 I , II (7/2015)	(US) Momotaro-Gene prostate cancer (5/2014)	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)

Main R&D Activities -3 (May 12 , 2016 Release)

Licensing development (preclinical)

Stage/ Overseas	Compound/ Code	Licensee / Collaborative research	Therapy area/Action	Origin	Features	Comments
Ph I	KRP-203	Novartis	GVHD	In-house	Sphingosine-1-Phosphate Receptor Agonist . immunomodulatory drug.	License agreement with Novartis (2/2006) Novartis has decided to proceed with development of KRP-203 for GvHD.
Preclinical	-	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)