

Second Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2021

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November 5, 2020
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/2017	Sep/2018	Sep/2019	Sep/2020	% Y/Y	Mar/2021 (revise forecast)	% Y/Y	Mar/2021 (original forecast)	% Y/Y
Net Sales	50,758	50,360	48,299	47,735	-1.2%	108,000	-1.8%	115,500	+5.0%
Operating Income	1,443	2,852	783	1,502	-91.7%	7,800	+4.0%	9,700	+29.3%
Ordinary Income	1,693	3,183	1,076	1,813	-68.5%	8,400	+2.7%	10,200	+24.8%
Net Income	1,240	2,217	834	2,118	-154.0%	7,200	+17.1%	7,600	+23.6%

Second Quarter Consolidated Financial Results Ended September 30, 2020

[Net sales] Although "Beova" and "Desalex" grew, due to the negative growth of the ethical drug market caused by the spread of COVID-19, the delay in market penetration of the new drug groups due to the voluntary restriction on MR activities, etc. and a decrease in sales of long-listed products due to drug price revisions, sales of new ethical drugs, etc. (Japan) were 32,857 million yen, down from the same period of the previous year. On the other hand, sales of generic drugs increased due to the promotion of the AG strategy, but overall sales decreased by 563 million yen to 47,735 million yen (down 1.2% from the same period of the previous year).

[Profit] Despite a decrease in sales, gross profit increased 273 million yen year-on-year due to an improvement in the cost of sales ratio. SG&A decreased by 445 million yen compared to the same period of the previous year (including R & D expenses increased by 9 million yen) thanks to cost reduction and voluntary restriction on MR activities caused by the spread of COVID-19. Operating income was 1,502 million yen, an increase of 718 million yen (up 91.7% year-on-year).

Net income attributable to owners of the parent was 2,118 million yen (up 154.0% from the same period of the previous year). It includes the partial exemption of repayment obligations for long-term debt from JST * (1,073million yen) due to the termination of development of some development pipeline.

Consolidated Financial Results for the Fiscal Year Ending March 31, 2021(forecast)

*Japan Science and Technology Agency

The result forecasts for the fiscal year ending March 31, 2021 announced in the "Summary of Consolidated Financial Results (For the Fiscal Year Ended March 31, 2020)" on May 12, 2020 are revised as follows.

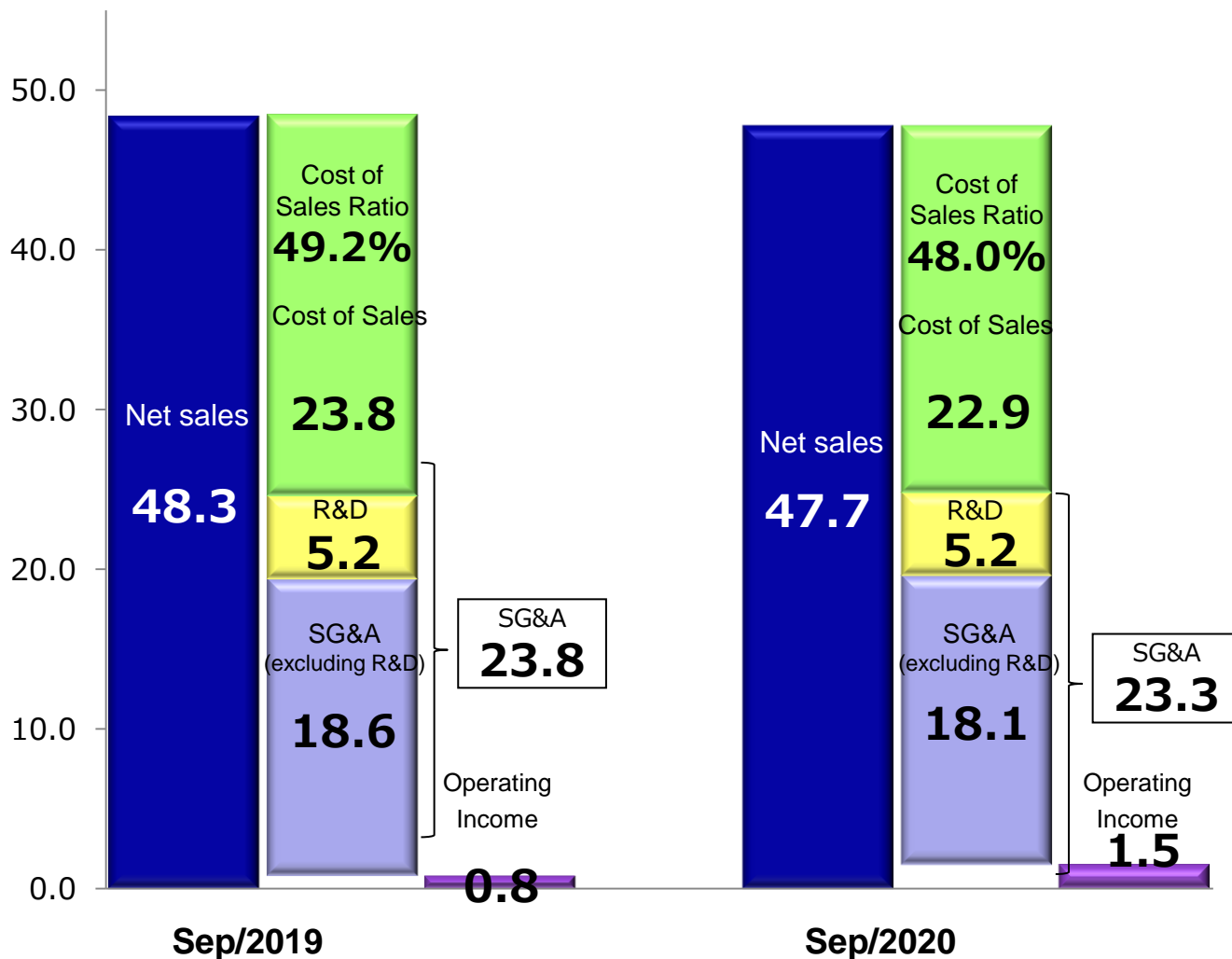
[Net sales] Based on the results for the first half of the consolidated cumulative period, sales have been revised downward, taking into account the impact of COVID-19 in the future.

[Profit] Gross profit is expected to decrease as decrease in sales. In addition, while reducing SG&A (excluding R & D expenses), R & D expenses are expected to increase due to a lump-sum contract payment by a license agreement for development candidate product. As a result, operating income, ordinary income and net income attributable to owners of the parent have been revised downward.

[Dividends] There is no change to the dividend forecast announced on May 12, 2020 (annual dividend of 75 yen per share).

Highlights of Business Performance

(Units: ¥billion)



➤ **Net Sales decreased ¥0.6bln year on year.**

➤ **Cost of sales ratio decreased 1.2%.**

- Product mix
- Efforts to reduce costs(Raw material costs, etc.)

■ **Gross Profit increased ¥0.3bln year on year**

➤ **SG&A expenses decreased ¥0.5bln year on year.**

- R & D expenses flat
- SG&A(excluding R&D) decreased ¥0.5bln

■ **Operating Income increased ¥0.7bln year on year.**

Consolidated Financial Results

for the Second Quarter Ended September 30, 2020

(¥ billion)	Sep/ 2019	Sep/ 2020	Change
Net Sales	48.3	47.7	- 0.6
New ethical drugs, etc. (Japan)	33.7	32.9	- 0.8
New ethical drugs (Overseas)	0.4	0.5	+ 0.1
Generic drugs	14.2	14.4	+ 0.2

Operating Income	0.8	1.5	+ 0.7
Ordinary Income	1.1	1.8	+ 0.7
Net Income	0.8	2.1	+ 1.3

※ The classification of reporting segment ("Prescription drugs business" and "Healthcare business") was consolidated to a single segment from the first quarter consolidated financial results for the fiscal year ending March 31, 2021

Along with this, the classification of sales was changed to combine the existing "New ethical drugs (Japan)" and "healthcare business" to "New ethical drugs, etc. (Japan)".

There is no change in "New ethical drugs (overseas)" and "Generic drugs".

※ We released a revision to our second-quarter financial results forecast on November 2, 2020 but these comparisons with the forecast show differences from the forecast announced on May 12, 2020.

(Year on Year) ※(forecast)

■ Net Sales	47.7bln	(- 0.6)	(- 5.1)
● New ethical drug, etc.(Japan)	32.9bln	(- 0.8)	(- 3.9)
(billion)	<u>20.3 (2Q)</u>		<u>21.3 (2Q)</u>
• Flutiform	6.7 ⇒	6.4	(- 0.3)
• Desalex	0 ⇒	1.8	(+ 1.8)
• Beova	0.6 ⇒	3.8	(+ 3.2)
• Lasvic	- ⇒	0.2	(+ 0.2)
• Pentasa	6.8 ⇒	6.4	(- 0.4)
• Uritos	3.0 ⇒	1.6	(- 1.4)
• Nasonex	2.7 ⇒	0.6	(- 2.1)
• Kipres	5.4 ⇒	3.5	(- 1.9)
• Mucodyne	2.8 ⇒	1.4	(- 1.4)
● New ethical drugs (Overseas)	0.5bln	(+ 0.1)	(+ 0.2)
Transfer of intellectual property and APIs			
● Generic drugs	14.4bln	(+ 0.2)	(- 1.2)
Nasonex AG, Uritos AG and launch of new generic drugs contributed to sales increase			

■ Operating Income	1.5bln	(+ 0.7)	(- 0.9)
◆ Operating Income margin increased 1.5 percentage points to 3.1%			
● Cost of Sales Ratio : decreased 1.2 percentage points (49.2%⇒48.0%)			
• (Decrease factor)Product mix, Efforts to reduce costs(Raw material costs, etc.)			
• (Increase factor)Drug price revisions, Generic drugs sales increase etc.			
● R&D Ratio : increased 0.2 percentage points (10.7%⇒10.9%)			
• R & D expenses flat (¥5.2bln ⇒¥5.2bln)			
● SG&A Ratio(excluding R&D expenses) : decreased 0.5 percentage points 38.5%⇒38.0%			
• SG&A(excluding R&D) Decreased ¥0.5billion (¥18.6bln⇒¥18.1bln)			
Decrease of selling and general expenses			

■ Net Income	2.1bln	(+ 1.3)	(+ 0.2)
Due to the suspension of development of some development pipeline, partial exemption of repayment obligations for long-term debt from JST recorded debt exemption gain			

Consolidated Financial Results for the Second Quarter and full year forecast

(Units: ¥million)	Sep/ 2019	Sep/2020			Sep/2020 forecast	Change※	Mar/2020	Mar/2021 (revised forecast)	Change (forecast)
		Actual	Change	Change (%)					
Net sales (total)	48,299	47,735	-563	-1.2	52,800	-5,065	109,983	108,000	-7,500
New ethical drugs, etc. (Japan)	33,742	32,857	-885	-2.6	36,800	-3,943	77,535	73,800	-5,900
New ethical drugs (Overseas)	390	527	+136	+35.1	300	+227	1,490	1,100	+100
Generic drugs	14,166	14,351	+184	+1.3	15,600	-1,249	30,957	33,000	-1,900
Operating Income	783	1,502	+718	+91.7	2,400	-898	7,503	7,800	-1,900
Ordinary Income	1,076	1,813	+736	+68.5	2,600	-787	8,175	8,400	-1,800
Net Income	834	2,118	+1,284	+154.0	1,900	+218	6,149	7,200	-400

※ We released a revision to our second-quarter financial results forecast on November 2, 2020 but these comparisons with the forecast show differences from the forecast announced on May 12, 2020.

The classification of reporting segment ("Prescription drugs business" and "Healthcare business") was consolidated to a single segment from the first quarter consolidated financial results for the fiscal year ending March 31, 2021. Along with this, the classification of sales was changed to combine the existing "New ethical drugs (Japan)" and "healthcare business" to "New ethical drugs, etc. (Japan)". There is no change in "New ethical drugs (overseas)" and "Generic drugs".

Main Product Sales Update

(Units: ¥billion)		Sep/ 2018	Sep/ 2019	Sep/2020			Sep/20		Mar/2020	Mar/2021 (revised forecast)	Change (forecast)
				Actual	Change	Change(%)	forecast	Change ※			
New ethical drugs, etc.(Jap an)	Flutiform (Combination drug for asthma treatment)	6.1	6.7	6.4	-0.3	-5.6%	7.0	-0.6	14.6	14.5	-0.5
	Desalex (Antiallergic Agent)	2.8	0	1.8	+1.8	-	3.1	-1.3	2.6	7.5	-1.3
	Beova (β3 adrenergic receptor agonist overactive bladder therapeutics)	-	0.6	3.8	+3.2	+496.9%	3.5	+0.3	4.3	7.3	+0.3
	Lasvic tablets (Oral new quinolone synthetic antibacterial agent)	-	-	0.2	+0.2	-	1.4	-1.2	1.1	1.7	-2.4
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	7.1	6.8	6.4	-0.4	-6.0%	5.9	+0.5	13.3	12.5	+0.8
	Uritos (Kyorin) (Therapeutic agent for overactive bladder)	3.5	3.0	1.6	-1.4	-47.3%	1.8	-0.2	5.8	2.2	-0.5
	Nasonex (Spray type allergic rhinitis remedy)	1.3	2.7	0.6	-2.1	-76.4%	0.6	0	6.0	2.4	-0.2
	Kipres for adult (Leukotriene Receptor Antagonist)	2.9	2.4	1.7	-0.7	-30.5%	1.8	-0.1	5.3	3.8	-0.4
	for children	3.3	3.0	1.8	-1.2	-38.9%	2.2	-0.4	6.5	4.3	-1.0
	Mucodyne (Mucoregulant)	3.1	2.8	1.4	-1.4	-48.0%	2.2	-0.8	5.8	3.3	-1.6
	Milton (Disinfectant)	1.1	1.1	1.1	0	+0.9%	1.1	0	2.4	2.3	+0.1
	Rubysta (Disinfectant)	0.6	0.6	1.0	+0.4	+64.5%	0.6	+0.4	1.5	2.1	+0.7
Generic drugs	Montelukast tablets "KM"	5.3	5.4	4.5	-0.9	-16.8%	4.7	-0.2	11.5	10.2	-0.5
	Mometasone Nasal 50mg "KYORIN"	-	0.4	0.9	+0.5	+142.8	0.9	0	2.8	3.5	0
	Imidafenacin tablets & OD "KYORIN"	-	-	0.3	+0.3	-	0.4	-0.1	-	0.8	-0.2

※ We released a revision to our second-quarter financial results forecast on November 2, 2020 but these comparisons with the forecast show differences from the forecast announced on May 12, 2020.

R&D Expenses, Capex & Depreciation

(unit : ¥million)	Sep/2017	Sep/2018	Sep/2019	Sep/2020	change
R&D expenses	7,179	5,030	5,191	5,200	+0.2
Capital expenditure	1,989	949	1,367	1,858	+35.9
Depreciation expense	1,710	1,395	1,566	1,716	+9.6

Mar/2020	Mar/2021 (revised forecast)
10,987	10,000
3,590	5,100
3,221	3,800

<Capital expenditure (Actual/Forecast)>

(unit : ¥billion)	Sep/2019	Sep/2020
Plant facilities	0.8	1.3
Equipment for control, sales activities	0.3	0.2
Equipment for research	0.2	0.3

Mar/2020	Mar/2021 (forecast)
2.7	3.8
0.4	0.4
0.5	0.9

Main R&D Activities -1 (as of November 5 2020)

Ph III ~ Application submitted

※Changes from the previous announcement (Aug 3 2020)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
Application (10 / 2019)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house	A novel quinolone injection developed specifically for the treatment of lower respiratory tract infections 1. Highly distributed in the lung, showing strong antibacterial activity against pathogenic bacteria of respiratory tract infection 2. Effective against both aerobic and anaerobic bacteria, and able to administer once a day 3. Showed effectiveness against aspiration pneumonia, pulmonary suppuration, and lung abscess	
Application (3 / 2020)		KRP-116D	Interstitial cystitis	—	Evaluation committee on unapproved or off-labeled drugs with high medical needs "Dimethyl sulfoxide(DMSO)"	

•MK-7264, a drug for chronic coughing: MSD is working on Phase III development. Concluded a memorandum of understanding for sales collaboration (May 2019).

KPR-108P(Expand the indication of Flutiform anti-asthmatic to pediatric patients) : Approved in 06/2020

POC Project (Ph I ~ Ph II)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
Ph I (7/2020)	Ph I b/ II a (aTyr pharma)	KRP-R120	Interstitial lung disease : ILD (pulmonary sarcoidosis)	aTyr pharma	It is a fusion protein drug having the action to suppress, by binding to neuropilin-2 (NRP2) receptor, the excessive activation of immune cells, and is a potential first-in-class therapy to treat inflammatory diseases such as pulmonary sarcoidosis.	

※Regarding the gene therapy agent "Ad-SGE-REIC", we decided it would be difficult to realize the product profile initially set and terminated its development.

Main R&D Activities -1 (as of November 5 2020)

Licensing development (License-in)

※Changes from the previous announcement (Aug 3 2020)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
Ph II (12/2019) ASKA Pharmaceutical		AKP-009※	Benign Prostatic Hyperplasia	ASKA Pharmaceutical	Novel androgen receptor modulator mode of action with the potential to exhibit prostatic shrinkage and to improve urinary function as a novel therapeutic agent for Benign Prostatic Hyperplasia	ASKA Pharmaceutical granted KYORIN Pharmaceutical the joint development and commercialization rights for AKP-009 within Japan (09/2020)

Licensing development (License-out)

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※	Priothera		In-house	Sphingosine-1-Phosphate Receptor Agonist	Transfer of intellectual property(patents and data required for the development and sale) and APIs (9/2020)
Nonclinical	Compound for Sensorineural Hearing Loss	Otonomy		In-house	Candidate compound for sensorineural hearing loss	Grant a global exclusive license to develop, manufacture and commercialize the therapeutic agent for the treatment of otic disorders such as hearing loss(8/2020) Kyorin Pharmaceutical reserves a commercialization right of the therapeutic agent in Japan Otonomy's Code: OTO-6XX

Reference

P&L Summary: Consolidated Results – (1)

(unit : ¥million)	Sep/2019		Sep/2020			
	Actual	% Sales	Actual	% Sales	% Change	Change
Net sales (total)	48,299	100.0%	47,735	100.0%	-1.2%	-563
New ethical drugs, etc. (Japan)	33,742	69.9%	32,857	68.8%	-2.6%	-885
New ethical drugs (Overseas)	390	0.8%	527	1.1%	+35.1%	+136
Generic drugs	14,166	29.3%	14,351	30.1%	+1.3%	+184

<Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (5) :

- KYORIN Pharmaceutical Co., Ltd.
- Kyorin Europe GmbH
- ActivX Biosciences, Inc.
- KYORIN Rimedio Co., Ltd.
- KYORIN Pharmaceutical Group Facilities Co., Ltd.

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

< Breakdown >

	Year on Year	
■ Sales	¥47,735mil	(-¥563mil)
● New ethical drug, etc. (Japan)	¥32,857mil	(-¥885mil)
(¥billion)	<u>20.3 (20)</u>	<u>21.3 (20)</u>
• Flutiform	6.7 ⇒	6.4 (-0.3)
• Desalex	0 ⇒	1.8 (+1.8)
• Beova	0.6 ⇒	3.8 (+3.2)
• Lasvic	- ⇒	0.2 (+0.2)
• Pentasa	6.8 ⇒	6.4 (-0.4)
• Uritos	3.0 ⇒	1.6 (-1.4)
• Nasonex	2.7 ⇒	0.6 (-2.1)
• Kipres	5.4 ⇒	3.5 (-1.9)
• Mucodyne	2.8 ⇒	1.4 (-1.4)
● New ethical drug sales (Overseas)	¥527mil	(+ ¥136mil)
• Transfer of intellectual property and APIs (KRP-203)		
● Generic drugs	¥14,351mil	(+¥184mil)
• Although sales declined due to drug price revisions, Nasonex AG, Uritos AG and launch of new generic drugs in June, contracts manufacturing from other companies, etc. contributed to sales		

P&L Summary: Consolidated Results – (2)

(unit : ¥million)	Sep/2019		Sep/2020			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	48,299	100.0%	47,735	100.0%	-1.2%	-563
Cost of Sales	23,750	49.2%	22,913	48.0%	-3.5%	-837
Gross Profit	24,549	50.8%	24,822	52.0%	+1.1%	+273
SG&A (Incl. R&D expenses)	23,765 (5,191)	49.2% (10.7%)	23,320 (5,200)	48.9% (10.9%)	-1.9% (+0.2%)	-445 (+9)
Operating Income	783	1.6%	1,502	3.1%	+91.7%	+718
Non-Operating Income	351	0.7%	356	0.7%	+1.4%	+4
Non-Operating Expenses	59	0.1%	45	0.1%	-23.2%	-13
Ordinary Income	1,076	2.2%	1,813	3.8%	+68.5%	+736
Extraordinary Profits	123	0.3%	1,074	2.3%	+766.6%	+950
Extraordinary Losses	21	0.0%	12	0.0%	-41.6%	-8
Income before income taxes	1,178	2.4%	2,874	6.0%	+143.9%	+1,696
Corporate, inhabitants and enterprise taxes	354	0.7%	809	1.7%	+128.6%	+455
Tax adjustments	-9	0.0%	-53	-0.1%	-463.3%	-43
Net Income	834	1.7%	2,118	4.4%	+154.0%	+1,284

< Breakdown >

◆ **Cost of Sales Ratio :**
 down 1.2 percentage points Y/Y (49.2%→48.0%)

- Product mix
- Efforts to reduce costs(Raw material costs, etc.)

◆ **R&D Ratio :**
 up 0.2 percentage points Y/Y (10.7%→10.9%)
 * ¥5.2bln→¥5.2bln

◆ **SG&A (exclude R&D) Expenses :**
 down 0.5 percentage Points Y/Y(38.5%→38.0%)
 * ¥18.6bln→¥18.1bln (-¥0.5bln)
 • Decrease of selling and general costs

■ **Operating Income ¥1,502mil (+ ¥718mil)**
 * Operating Income margin increased 1.5percentage points to 3.1%

■ **Net Income ¥2,118mil (+ ¥1,284mil)**
 * Debt exemption gain for long-term debt ¥1.1bln

■ **Dividend per share(interim dividend) ¥30.0**

BS Summary: Consolidated Results

(Units: ¥ million)	Mar/2020	
	Actual	%total
Current Assets	117,058	68.4%
Cash, deposits	31,925	
Notes and accounts receivable	47,449	
Mk securities	993	—
Inventory	33,283	
Other	3,406	
Fixed Assets	54,102	31.6%
Tangible assets	22,721	
Intangible assets	3,332	—
Investments	28,047	
Total Assets	171,160	100.0%

Current Liabilities	31,328	18.3%
Notes payable	9,776	
Other	21,551	—
Non-Current Liabilities	17,121	10.0%
Total Liabilities	48,449	28.3%
Owner's Equity	118,534	69.3%
Other Comprehensive Income	4,176	2.4%
Unrealized holding gain (loss) on securities	6,922	
Foreign currency translation adjustments	36	—
Remeasurements of defined benefit plans	-2,782	
Total Equity	122,710	71.7%
Total Liabilities and Equity	171,160	100.0%

Sep/2020		
Actual	% total	change
113,860	67.1%	- 3,197
37,139		
31,818		
1,300	—	—
40,248		
3,353		
55,929	32.9%	+1,826
23,105		
3,306	—	—
29,517		
169,789	100.0%	- 1,370

30,812	18.1%	- 516
10,175		
20,636	—	—
15,576	9.2%	- 1,544
46,389	27.3%	- 2,060
118,045	69.5%	- 488
5,355	3.2%	+1,178
7,944		
17	—	—
-2,606		
123,400	72.7%	+689
169,789	100.0%	- 1,370

< Breakdown >

Year on Year

■ Current Asset :	- ¥ 3,197mil
• Cash, deposits	(+ ¥5,213mil)
• Notes and accounts receivable	(- ¥ 15,630mil)
• Mk securities	(+ ¥ 307mil)
• Inventory	(+ ¥6,964mil)
• Other	(- ¥52mil)

■ Fixed Assets :	+ ¥ 1,826mil
• Tangible Assets	(+ ¥383mil)
• Intangible Assets	(- ¥26mil)
• Investments	(+ ¥1,469mil)

■ Current Liabilities :	- ¥516mil
• Notes Payable	(+ ¥398mil)
• Other	(- ¥914mil)

■ Non-Current Liabilities :	- ¥1,544mil
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Financial summary (Consolidated)

(unit : ¥million)	Sep/2018	Sep/2019	Sep/2020
Sales (Exports)	50,360 (604)	48,299 (390)	47,735 (527)
Cost of Sales (cost of sales ratio)%	23,758 (47.2%)	23,750 (49.2%)	22,913 (48.0%)
SG&A Ratio to Sales (%)	23,749 (47.2%)	23,765 (49.2%)	23,320 (48.9%)
R&D Expenses Ratio to Sales (%)	5,030 (10.0%)	5,191 (10.7%)	5,200 (10.9%)
Operating Income Ratio to Sales (%)	2,852 (5.7%)	783 (1.6%)	1,502 (3.1%)
Ordinary Income Ratio to Sales (%)	3,183 (6.3%)	1,076 (2.2%)	1,813 (3.8%)
Net Income Ratio to Sales (%)	2,217 (4.4%)	834 (1.7%)	2,118 (4.4%)
EPS (¥)	30.04	14.56	36.98
Capital	700	700	700
Assets	196,255	165,895	169,789
Total Equity	164,618	119,516	123,400
BPS (¥)	2228.81	2,086.31	2,153.51
ROE (%)	1.4%	0.7%	1.7%
Equity Ratio (%)	83.9%	72.0%	72.7%
Employees	2,334	2,292	2,282
Capital Expenditure	949	1,367	1,858
Depreciation Expense	1,395	1,566	1,716

Mar/2020	Mar/2021 (Revised forecast)	Mar/2021 (Original forecast)
109,983 (1,490)	108,000 (1,100)	115,500 (1,000)
52,950 (48.1%)	—	—
49,528 (45.0%)	—	—
10,987 (10.0%)	10,000 (9.3%)	9,600 (8.3%)
7,503 (6.8%)	7,800 (7.2%)	9,700 (8.4%)
8,175 (7.4%)	8,400 (7.8%)	10,200 (8.8%)
6,149 (5.6%)	7,200 (6.7%)	7,600 (6.6%)
107.35	125.68	132.67
700	—	—
171,160	—	—
122,710	—	—
2,142.07	—	—
5.0%	—	—
71.7%	—	—
2,271	—	—
3,590	5,100	5,100
3,221	3,800	3,800

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

(unit : ¥million)	Sep/2019		Sep/2020			
	Actual	% Sales	Actual	% Sales	% Change	Change
Net sales (total)	41,667	100.0%	41,116	100.0%	-1.3%	-550
New ethical drugs, etc. (Japan)	32,373	77.7%	31,813	77.4%	-1.7%	-560
New ethical drugs (Overseas)	293	0.7%	433	1.1%	+47.8%	+140
Generic drugs	8,999	21.6%	8,869	21.6%	-1.5%	-129

< Breakdown > Year on Year

■ Sales	¥41,116mil	(-¥550mil)
● New ethical drugs, etc. (Japan)	¥31,813mil	(-¥560mil)
(billion)	<u>20.3 (2Q)</u>	<u>21.3 (2Q)</u>
• Flutiform	6.7 ⇒	6.4 (-0.3)
• Desalex	0 ⇒	1.8 (+1.8)
• Beova	0.6 ⇒	3.8 (+3.2)
• Lasvic	- ⇒	0.2 (+0.2)
• Pentasa	6.8 ⇒	6.4 (-0.4)
• Uritos	3.0 ⇒	1.6 (-1.4)
• Nasonex	2.7 ⇒	0.6 (-2.1)
• Kipres	5.4 ⇒	3.5 (-1.9)
• Mucodyne	2.8 ⇒	1.4 (-1.4)
● New ethical drugs (Overseas)	¥433mil	(+ ¥140mil)
• Transfer of intellectual property and APIs		
● Generic Drugs	¥8,969mil	(- ¥129mil)
• Although sales of Nasonex AG and Uritos AG increased, sales in wholesalers channel decreased.		

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

< Breakdown >

(unit : ¥million)	Sep/2019		Sep/2020			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	41,667	100.0%	41,116	100.0%	- 1.3.%	- 550
Cost of Sales	20,638	49.5%	19,773	48.1%	- 4.2%	- 864
Gross Profit	21,029	50.5%	21,343	51.9%	+ 1.5.%	+ 314
SG&A (R&D Expenses)	21,386 (4,717)	51.3% (11.3%)	21,021 (4,687)	51.1% (11.4%)	- 1.7% (- 0.6%)	- 364 (- 30)
Operating Income	- 357	- 0.9%	321	0.8%	—	+ 678
Non-Operating Income	641	1.5%	643	1.6%	+ 0.2%	+ 1
Non-operating Expenses	41	0.1%	28	0.1%	- 29.8.%	- 12
Ordinary Income	243	0.6%	936	2.3%	+284.1%	+692
Extraordinary Profits	—	—	1,073	2.6%	—	+1,073
Extraordinary Losses	14	0.0%	4	0.0%	- 66.2%	- 9
Income before income taxes	229	0.6%	2,005	4.9%	+773.1%	+1,775
Corporate, inhabitants and enterprise taxes	107	0.3%	604	1.5%	+461.5%	+496
Tax adjustments	- 15	0.0%	-	—	—	+15
Net Income	137	0.3%	1,400	3.4%	+917.4%	+1,263

◆ **Cost of Sales Ratio :**
down 1.4 percentage points Y/Y (49.5%→48.1%)

- (Increase factor) Drug price revisions
- (Decrease factor) Product mix
Efforts to reduce costs(Raw material costs, etc.)

◆ **R&D Ratio :**
up 0.1percentage points Y/Y(11.3%→11.4%)

* ¥4.7bln→¥4.7bln

◆ **SG&A (exclude R&D) expenses :**
down 0.3 percentage points Y/Y (40.0%→39.7%)

- * ¥16.7bln→¥16.3bln(- ¥0.4bin)
- Efforts to reduce costs
- Decrease of selling and general costs due to voluntary restriction on promotion activities

■ **Operating Income ¥321mil (+¥678mil)**

- * Although sales decrease, due to the cost of sales ratio decrease, gross profit increased
- Furthermore, profits increased due to a decrease in SG & A expenses (excluding R & D expenses).

■ **Net Income ¥1,400mil (+ ¥1,263mil)**

- * Debt exemption gain for long-term debt ¥1.1Bil

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)	Mar/2020	
	Actual	% total
Current Assets	121,234	75.5%
Cash, deposits	18,323	
Accounts receivable	42,831	
Mk securities	993	—
Inventory	26,927	
Other	32,157	
Fixed Assets	39,336	24.5%
Tangible assets	7,328	
Intangible assets	2,741	—
Investments	29,265	
Total Assets	160,570	100.0%

Current Liabilities	27,730	17.3%
Notes Payable Accounts payable	10,294	—
Other	17,436	
Non-Current Liabilities	13,433	8.4%
Total Liabilities	41,164	25.6%
Owner's Equity	112,525	70.1%
Valuation and translation adjustments	6,880	4.3%
Total Equity	119,405	74.4%
Total Liabilities and Equity	160,570	100.0%

Sep/2020		
Actual	% total	change
119,764	74.6%	- 1,469
24,963		
27,679		
1,300	—	—
32,887		
32,934		
40,809	25.4%	+ 1,473
7,119		
2,688	—	—
31,001		
160,574	100.0%	+ 4

28,125	17.5%	+ 395
9,942		
18,183	—	—
12,557	7.8%	- 876
40,682	25.3%	- 481
111,994	69.7%	- 530
7,896	4.9%	+ 1,015
119,891	74.7%	+ 485
160,574	100.0%	+ 4

< Breakdown >

(Year on Year)

- **Current Assets : - ¥1,469mil**
 - Cash, deposits (+ ¥6,639mil)
 - Accounts receivable (- ¥15,151mil)
 - Inventory (+ ¥5,959mil)
 - Other (+ ¥776mil)
- **Fixed Assets : + ¥1,473mil**
 - Tangible Assets (- ¥208mil)
 - Intangible Assets (- ¥53mil)
 - Investments (+ ¥1,735mil)
- **Current Liabilities : + ¥395mil**
 - Accounts payable (- ¥351mil)
 - Accounts payable - others (+ ¥1,014mil)
- **Non-Current Liabilities : - ¥876mil**
 - Long-term debt (- ¥1,277mil)

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)



(unit : ¥million)	Sep/2018	Sep/2019	Sep/2020
Sales (Exports)	43,957 (477)	41,667 (293)	41,116 (433)
Cost of Sales (cost of sales ratio) %	20,747 (47.2%)	20,638 (49.5%)	19,773 (48.1%)
SG&A Ratio to Sales (%)	21,541 (49.0%)	21,386 (51.3%)	21,021 (51.1%)
R&D Expenses Ratio to Sales (%)	4,556 (10.4%)	4,717 (11.3%)	4,687 (11.4%)
Operating Income Ratio to Sales (%)	1,669 (3.8%)	- 357 (- 0.9%)	321 (0.8%)
Ordinary Income Ratio to Sales (%)	1,967 (4.5%)	243 (0.6%)	936 (2.3%)
Net Income Ratio to Sales (%)	1,319 (3.0%)	137 (0.3%)	1,400 (3.4%)
EPS (¥)	17.76	1.85	18.86
Capital	4,317	4,317	4,317
Assets	145,896	156,318	160,574
Total Equity	123,018	116,975	119,891
BPS (¥)	1,656.41	1,575.04	1,614.30
ROE (%)	1.0%	0.1%	1.2%
Equity Ratio (%)	84.3%	74.8%	74.7%
Employees	1,606	1,537	1,504
Capital Expenditure	193	185	207
Depreciation Expense	521	679	684

Mar/2020	Mar/2021 (Revised forecast)	Mar/2021 (Original forecast)
96,336 (1,260)	93,900 (900)	100,700 (700)
47,339 (49.1%)	—	—
44,675 (46.4%)	—	—
10,038 (10.4%)	9,000 (9.6%)	8,400 (8.3%)
4,321 (4.5%)	5,100 (5.4%)	7,300 (7.2%)
5,340 (5.5%)	6,000 (6.4%)	8,200 (8.1%)
3,996 (4.1%)	5,500 (5.9%)	6,200 (6.2%)
53.82	—	—
4,317	—	—
160,570	—	—
119,405	—	—
1,607.77	—	—
3.3%	—	—
74.4%	—	—
1,502	—	—
441	700	700
1,337	1,500	1,500