

Whom It May Concern

Company : KYORIN Holdings, Inc.
Representative : Minoru Hogawa
Representative Director, President
(Security Code: 4569, TSE 1st Sec.)
Contact : Shuji Miyaki, Director, Corporate
Communication
Telephone : (0)3-3525-4707

Consolidation of Group Production Functions (Absorption-type Demerger and Absorption-type Merger among the Wholly Owned Subsidiaries of the Company)

The Company has resolved today at a meeting of the Board of Directors to have KYORIN Pharmaceutical Group Facilities Co., Ltd. (Chiyoda-ku, Tokyo)* (hereinafter "KYORIN Pharmaceutical Group Facilities Co., Ltd. (Tokyo)"), the new manufacturing subsidiary established in October 2017, as announced in the press releases "Consolidation of Group Production Functions" on May 11, 2017, and "Establishment of a Subsidiary" on September 28, 2017, acquire the Noshiro Plant (Noshiro, Akita) of KYORIN Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, and the Production Division (Nanto, Toyama) of KYORIN Rimedio Co., Ltd., a consolidated subsidiary of the Company, through an absorption-type company demerger and integrate KYORIN Pharmaceutical Facilities Co., Ltd. (Koka, Shiga) (hereinafter "KYORIN Pharmaceutical Facilities Co. Ltd. (Shiga)"), a consolidated subsidiary of the Company, through an absorption-type merger.

The overview of this consolidation of production functions is as shown below. This will be conducted among wholly owned subsidiaries of the Company and thus statements of the matters and information to be disclosed have been partly omitted.

*The Company has determined that the name of the new manufacturing subsidiary will be the same as that of its current consolidated subsidiary, KYORIN Pharmaceutical Facilities Co., Ltd. (Koka-shi, Shiga), following the completion of consolidation of production functions. KYORIN Pharmaceutical Facilities Co., Ltd. (Koka-shi, Shiga) will be absorbed through the consolidation of production functions.

1. Purpose of consolidation of production functions

One of the priority strategies of the Group's medium-term business plan (2016 – 2019), HOPE 100 Stage 2, is "Enhanced low cost structure: Reform of the cost structure through optimization within the Group" and the Group has been conducting the overall optimization of production operations through collaborations between its Group companies. The establishment of the manufacturing subsidiary and consolidation of the production functions under the directions resolved on at today's meeting of the Board of Directors is aimed at the leveling of capacity utilization and the efficient use of assets, and the building of a competitive Group production structure for consistently providing high-quality products at low cost.

2. Summary of consolidation of production functions

- Absorption-type demerger between KYORIN Pharmaceutical Co., Ltd. and KYORIN Pharmaceutical Group Facilities Co., Ltd. (Tokyo) and absorption-type demerger between KYORIN Rimedio Co., Ltd. and KYORIN Pharmaceutical Group Facilities Co., Ltd. (Tokyo)

(1) Schedule for respective absorption-type demergers

Meeting of the Board of Directors for approval of the respective agreements on the absorption-type demergers	December 19,2017 (KYORIN Pharmaceutical Co., Ltd.,、 KYORIN Pharmaceutical Group Facilities Co., Ltd.)
	December 22,2017 (KYORIN Rimedio Co., Ltd.)
Date of execution of the respective agreements on the absorption-type demergers	December 22,2017
General meeting of shareholders for approval of the respective agreements on the absorption-type demergers	January 15,2018 (KYORIN Rimedio Co., Ltd.)
	January 17,2018 (KYORIN Pharmaceutical Co., Ltd.,、 KYORIN Pharmaceutical Group Facilities Co., Ltd.)
Date of the respective absorption-type demergers (effective date)	April 1,2018

(2) Method of the respective absorption-type demergers

Absorption-type demerger with KYORIN Pharmaceutical Co., Ltd. and KYORIN Rimedio Co., Ltd. as the demerged companies and KYORIN Pharmaceutical Group Facilities Co., Ltd. (Tokyo) as the successor company

(3) Description of allotment upon the respective absorption-type demergers

The respective absorption-type demergers will be conducted among wholly owned subsidiaries of the Company and thus there will be no allotment of shares and others upon the respective absorption-type demergers.

(4) Treatment of the share options and the bonds with share options of the demerged companies upon the respective absorption-type demergers

Not applicable.

(5) Stated capital to increase or decrease upon the respective absorption-type demergers

Not applicable.

(6) Rights and obligations that the successor company will obtain and assume

The successor company will obtain and assume the assets, liabilities, employment agreements and other rights and obligations relating to the manufacturing of pharmaceuticals and others conducted at the Noshiro Plant of KYORIN Pharmaceutical Co., Ltd. and the Production Division of KYORIN Rimedio Co., Ltd. on the date of the respective absorption-type demergers.

(7) Outlook for performance of the obligations

The outlook for performance of the obligations by the successor company after the respective absorption-type demergers is judged to not to have any problems.

(8) Outline of the companies involved in the respective absorption-type demergers

	Demerged companies		Successor company
1)Name	KYORIN Pharmaceutical Co., Ltd.,	KYORIN Rimedio Co., Ltd.,	KYORIN Pharmaceutical Group Facilities Co., Ltd.
2)Head office	6,Kanda Surugadai 4-Chome Chiyoda-ku,Tokyo	287-1, shimocho, Moroe-Cho,Kanazawa-City, Ishikawa	6,Kanda Surugadai 4-Chome Chiyoda-ku,Tokyo
3)Representative	Minoru Hogawa	Michiro Onota	Kazuhiro Marubayashi
4)Scope of business	Manufacture,sales,of prescription medicine	Manufacture,sales,of prescription medicine	Manufacture,sales,of prescription medicine
5)Establishment date	December 1940	October 1947	October 2017
6)Closing Date	March 31	March 31	March 31
7)Employees	1,687 (as of March 2017)	347 (as of March 2017)	4 (as of November 2017)

- Absorption-type merger between KYORIN Pharmaceutical Group Facilities Co., Ltd. (Tokyo) and KYORIN Pharmaceutical Facilities Co., Ltd. (Shiga)

(1) Schedule for the absorption-type merger

Meeting of the Board of Directors for approval of the agreement on the absorption-type merger	December 19,2017 (KYORIN Pharmaceutical Group Facilities Co., Ltd.)
	December 21,2017 (KYORIN Pharmaceutical Facilities Co., Ltd.)
Date of execution of the agreement	December 22,2017
General meeting of shareholders for approval of the agreement on the absorption-type merger	January 17,2018 (KYORIN Pharmaceutical Group Facilities Co., Ltd.)
	January 23,2018 (KYORIN Pharmaceutical Facilities Co., Ltd.)
Date of merger (effective date)	April 1,2018

(2) Method of the absorption-type merger

Absorption-type merger with KYORIN Pharmaceutical Group Facilities Co., Ltd. (Tokyo) as the surviving company and KYORIN Pharmaceutical Facilities Co., Ltd. (Shiga) as the absorbed company

(3) Description of allotment upon the absorption-type merger

This absorption-type merger will be conducted between wholly owned subsidiaries of the Company and thus there will be no allotment of shares and others upon the absorption-type merger.

(4) Treatment of the share options and the bonds with share options of the absorbed company upon the absorption-type merger

Not applicable.

(5) Outline of the companies involved in the absorption-type merger

	Surviving company	Absorbed company
1)Name	KYORIN Pharmaceutical Group Facilities Co., Ltd.	KYORIN Pharmaceutical Facilities Co., Ltd.
2)Head office	6,Kanda Surugadai 4-Chome Chiyoda-ku,Tokyo	1-4 Sasagaoka, Mizukuchi-cho, Koka, Shiga
3)Representative	Kazuhiro Marubayashi	Kei Takahashi
4)Scope of business	Manufacture,sales,of prescription medicine	Manufacture,sales,of prescription medicine
5)Establishment date	2017	2012
6)Closing Date	March 31	March 31
7)Employees	4 (as of November 2017)	130(as of March 2017)

3. Future outlook

Expected financial impact is minimal on the consolidated financial results for period ending March 2018.