

# Second Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2018

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**November 6, 2017**  
**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, 2017

(¥ million)	Sep/2014	Sep/2015	Sep/2016	Sep/2017	% Y/Y	Mar/2018 (revise forecast)	% Y/Y	Mar/2018 (original forecast)	% Y/Y
Net Sales	51,112	52,386	54,628	<b>50,758</b>	-7.1%	<b>111,300</b>	-3.5%	113,400	-1.7%
Operating Income	4,587	4,099	3,663	<b>1,443</b>	-60.6%	<b>10,500</b>	+0.8%	12,100	+16.2%
Ordinary Income	4,898	4,266	3,921	<b>1,693</b>	-56.8%	<b>10,900</b>	+0.2%	12,600	+15.9%
Net Income	3,495	2,967	2,684	<b>1,240</b>	-53.8%	<b>7,800</b>	+6.8%	9,700	+32.8%

## Second Quarter Consolidated Financial Ended September 30, 2017

**【Net sales】** Despite steady growth in Flutiform, a core product, and Desalex, a new product, sales of new ethical drugs in Japan decreased following the expiration of the patent for KIPRES. In contrast, sales of generic drugs increased with a rise in sales of MONTELUKAST AG (KIPRES), the authorized generic version. As a result, overall net sales were 50,758 million yen (down 7.1% year on year).

**【Profit】** Gross profit declined by 3,167 million yen on a year-on-year basis due to the decline in the sales of new ethical drugs in Japan and an increase in loss on retirement of inventories, etc. SG&A expenses decreased by 948 million yen (including a reduction in R&D expenses of 148 million yen) on a year-on-year basis owing to the promotion of cost reduction. However, operating income fell to 1,443 million yen (down 60.6% year on year). Profit attributable to owners of parent was 1,240 million yen (down 53.8% year on year), reflecting the recording of a gain on transfer of stock of approximately 600 million yen under extraordinary income and class action settlement expenses relating to out-licensed products of approximately 400 million yen under extraordinary loss.

## Consolidated Financial Results for the Fiscal Year Ending March 31, 2018(forecast)

The results forecasts for the fiscal year ending March 31, 2018 announced in the “Summary of Consolidated Financial Results (For the Fiscal Year Ended March 31, 2017)” on May 11, 2017 are revised as follows.

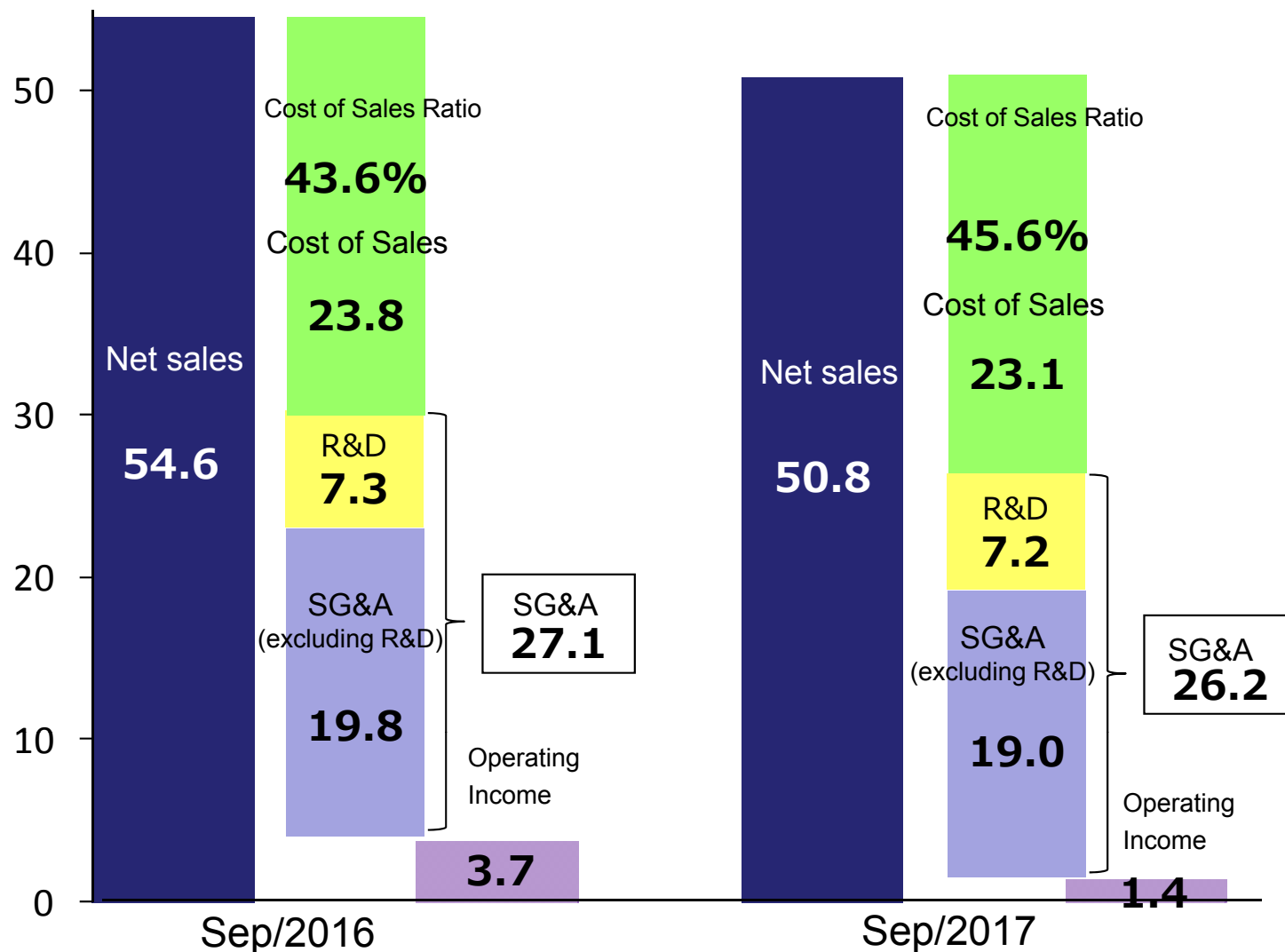
**【 Net sales】** The net sales forecast was lowered because sales of core products (KIPRES, etc.) among new ethical drugs in Japan and sales of generic drugs (mainly to other companies) were lower than initially anticipated.

**【 Profit】** Forecasts for operating income, ordinary income and profit attributable to owners of parent were lowered because sales are now expected to be lower than initially anticipated and loss on retirement of inventories, etc. is expected to be higher than first forecast. Extraordinary losses of approximately 400 million yen which had not been factored into the initial forecast were recorded in the second quarter.

**【Dividends】** The dividend forecast (annual dividend of 58 yen per share) announced on May 11, 2017 remains unchanged.  
(Progress compared with the revised forecast for the fiscal year ending March 31, 2018: net sales: 45.6%; operating income: 13.7%)

# Highlights of Business Performance

(Units: ¥billion)



➤ **Net Sales decreased ¥3.8billion year on year.**

- Decrease of sales of new ethical drugs
- Increase of sales of Generic drugs

➤ **Cost of sales ratio increased 2.0%.**

- Increase in loss on retirement of inventories, etc.

■ **Gross Profit decreased ¥3.2billion year on year**

➤ **SG&A expenses decreased ¥0.9billion year on year.**

- R & D expenses is flat (−¥0.1bln)
- SG&A(excluding R&D) decreased ¥0.8billion

■ **Operating Income decreased ¥2.3billion year on year.**

# Consolidated Financial Results

## for the Second Quarter Ended September 30, 2017

(unit : ¥billion)

(Year on Year) (forecast)

	Sep/2016	Sep/2017	change
Net Sales (total)	54.6	<b>50.8</b>	-3.8
Ethical drugs Business	51.9	<b>48.0</b>	-3.9
◆Sales of new ethical drugs	41.6	<b>35.0</b>	-6.6
○Japan	41.3	<b>34.4</b>	-6.9
○Overseas	0.3	<b>0.5</b>	+0.2
◆Generic drugs	10.3	<b>13.0</b>	+2.7
Healthcare Business	2.7	<b>2.8</b>	+0.1
Operating Income	3.7	<b>1.4</b>	-2.3
Ordinary Income	3.9	<b>1.7</b>	-2.2
Net Income	2.7	<b>1.2</b>	-1.5

■Net Sales	¥50.8bln	(-3.8)	(-3.8)
◆Ethical drug business	¥48.0bln	(-3.9)	(-3.9)
●New ethical drugs	¥34.4bln	(-6.9)	(-1.3)
17.3 (2Q)	18.3 (2Q)		
• Flutiform	4.5 ⇒ 5.4	(+0.9)	(0)
• Uritos	3.8 ⇒ 3.6	(-0.2)	(-0.2)
• Desalex	- ⇒ 0.9	(+0.9)	(0)
• Kipres	17.8 ⇒ 9.0	(-8.8)	(-1.2)
• Pentasa	7.9 ⇒ 8.0	(+0.1)	(+0.1)
• Mucodyne	4.4 ⇒ 3.9	(-0.5)	(+0.2)
●New ethical drugs in Overseas	¥0.5bln	(+0.2)	(-2.1)
●Generic drugs	¥13.0bln	(+2.7)	(-0.5)
• Increase of MONTELKAST AG sales			
• Sales to other companies decreased			
◆Healthcare Business	¥2.8bln	(+0.1)	(+0.1)
■ Operating Income	¥1.4bln	(-2.3)	(-3.9)
◆ Operating Income margin decreased 3.9 percentage points to 2.8%			
● Cost of Sales Ratio : increased 2.0 percentage points (43.6%⇒45.6%)			
• Decrease of sales of new ethical drugs			
• Increase of sales of Generic drugs			
• Increase in loss on retirement of inventories, etc.			
● R&D Ratio : increased 0.7 percentage points (13.4%⇒14.1%)			
• R & D expenses is flat (¥7.3bln ⇒ ¥7.2bln)			
● SG&A Ratio(excluding R&D expenses) : increased 1.1 percentage points 36.3%⇒37.4%			
• SG&A(excluding R&D) Decreased ¥0.8billion (¥19.8bln⇒¥19.0bln)			
• Decrease of Labor costs, general expenses			
■ Net Income	¥1.2bln	(-1.5)	(-3.3)
• Extraordinary income : gain of approximately 600 million yen as a result of transfer of shares of Dr. Program Co., Ltd. Recorded.			
• Extraordinary loss : Expenses of around 400 million yen related to the settlement of a lawsuit for violation of US antitrust laws in connection with an out-licensed product (Gatifloxacin eyedrops)			

# Consolidated Financial Results for the Second Quarter and full year forecast

(unit : ¥million)	Sep/2016	Sep/2017	Change	% Y/Y
<b>Sales</b>	54,628	<b>50,758</b>	-3,870	-7.1
■ Ethical Drugs business	51,936	<b>47,977</b>	-3,959	-7.6
◆ Sales of new Ethical Drugs	41,615	<b>34,972</b>	-6,643	-16.0
○ Japan	41,272	<b>34,449</b>	-6,823	-16.5
○ Overseas	343	<b>523</b>	+180	+52.5
◆ Generic Drugs	10,321	<b>13,005</b>	+2,684	+26.0
■ Healthcare Business	2,691	<b>2,781</b>	+90	+3.3
<b>Operating Income</b>	3,663	<b>1,443</b>	-2,220	-60.6
<b>Ordinary Income</b>	3,921	<b>1,693</b>	-2,228	-56.8
<b>Net Income</b>	2,684	<b>1,240</b>	-1,444	-53.8

Mar/2017	Mar/2018 (revised forecast)
115,373	<b>111,300</b>
109,566	<b>105,300</b>
84,542	<b>77,200</b>
83,777	<b>74,200</b>
764	<b>3,000</b>
25,024	<b>28,000</b>
5,807	<b>5,900</b>
10,413	<b>10,500</b>
10,874	<b>10,900</b>
7,305	<b>7,800</b>

Mar/2018 (original forecast)	Change (forecast)
113,400	-2,100
107,400	-2,100
78,900	-1,700
75,500	-1,300
3,300	-300
28,500	-500
5,900	0
12,100	-1,600
12,600	-1,700
9,700	-1,900

# Main Product Sales Update

(Units: ¥billion)		Sep/2015	Sep/2016	Sep/2017	Change	Change (%)	Mar/2017	Mar/2018 (revised forecast)	Mar/2018 (original forecast)	Change (forecast)
Sales of new ethical drugs (Japan)	<b>Flutiform</b> (Combination drug for asthma treatment)	3.0	4.5	<b>5.4</b>	+0.9	+19.6	10.1	<b>12.0</b>	12.0	—
	<b>Uritos (Kyorin)</b> (Overactive bladder)	3.7	3.8	<b>3.6</b>	-0.2	-4.3	7.5	<b>7.3</b>	7.6	-0.3
	<b>Desalex</b> (Antiallergic Agent)	—	—	<b>0.9</b>	+0.9	—	1.0	<b>3.5</b>	3.5	—
	<b>Kipres for adult</b> (LT receptor antagonist)	12.4	11.5	<b>3.9</b>	-7.6	-66.2	17.7	<b>9.1</b>	9.8	-0.7
	<b>Kipres for children</b> (LT receptor antagonist)	6.4	6.3	<b>5.1</b>	-1.2	-18.8	14.9	<b>10.7</b>	11.1	-0.4
	<b>Pentasa</b> (Ulcerative colitis and Crohn's disease treatment)	8.1	7.9	<b>8.0</b>	+0.1	+1.2	15.5	<b>15.6</b>	15.6	0
	<b>Mucodyne</b> (Mucoregulant)	5.9	4.4	<b>3.9</b>	-0.5	-10.9	9.9	<b>8.4</b>	8.3	+0.1
Generic Drugs	<b>MONTELUKAST Tablets "KM"</b>	—	1.8	<b>5.0</b>	+3.2	+177.8	8.2	<b>10.7</b>	10.3	+0.4
Over-the-counter drugs	<b>Milton</b> (Disinfectant)	1.0	1.1	<b>1.1</b>	0	+3.5	2.2	<b>2.2</b>	2.1	+0.1

# R&D Expenses, Capex & Depreciation

(unit : ¥million)	Sep/2014	Sep/2015	Sep/2016	Sep/2017	change
R&D expenses	6,674	7,270	7,327	<b>7,179</b>	-2.0%
Capital expenditure	1,557	5,637	1,383	<b>1,989</b>	+43.8%
Depreciation expense	1,462	1,658	1,751	<b>1,710</b>	-2.3%

Mar/2017	Mar/2018 (revised forecast)	Mar/2018 (original forecast)
13,569	<b>13,000</b>	12,600
3,051	<b>4,300</b>	4,300
3,619	<b>4,000</b>	4,000

<Capital expenditure (Actual/Forecast)>

(unit : ¥billion)	Sep/2016	Sep/2017
Plant facilities	0.5	<b>0.5</b>
Equipment for control, sales activities	0	<b>0.1</b>
Equipment for research	0.9	<b>1.3</b>

Mar/2017	Mar/2018 (forecast)
1.6	<b>2.0</b>
0.1	<b>0.6</b>
1.3	<b>1.7</b>

※Capital investment and depreciation expenses have not been revised forecasts

# Main R&D Activities -1 (as of November 6 2017)

## Ph III ~ Application submitted

※Changes from the previous announcement(July 31 2017)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
※Application (9/2017)	Ph II clinical trial end Merck & Co.,	KRP-114V	Overactive bladder	Merck & Co.,	-Expectation of high compliance in taking medicine with less side effects than the conventional drugs for overactive bladder -- Less drug interaction as $\beta$ 3 receptor agonist - $\beta$ 3 agonist including this agonist may constitute the first-line drug for treatment of overactive bladder	<ul style="list-style-type: none"> <li>・License agreement with Merck &amp; Co., Inc.,(7/2014)</li> <li>・Co-Development and Co-Marketing Agreement with Kissei Pharmaceutical Co., Ltd. affiliate . (3/2016)</li> <li>・License agreement with Merck &amp; Co., Inc., for Asia (4/2017)</li> </ul>
Application (4/2017)		KRP-AM1977X (Oral agent)	New quinolone synthetic antibacterial agent	In-house	-Superior ability to combat drug-resistant gram-positive bacteria (incl. MRSA) -has a powerful antimicrobial activity against anaerobic bacteria	
Ph III (3/2016)		KRP-AM1977Y (Injection)	New quinolone synthetic antibacterial agent	In-house	- Expectation of high clinical effects with excellent tissue penetration -High degree of safety expected since safety hurdles cleared prior to clinical trials	
Ph III (3/2017)		KRP-116D	Interstitial cystitis	—	Evaluation committee on unapproved or off- labeled drugs with high medical needs “Dimethyl sulfoxide(DMSO)”	
Ph III (6/2017)		KRP-108P	Anti-asthmatic	(U.K.) Vectura	Expand the indication of Flutiform to pediatric patients	



# Main R&D Activities -2 (as of November 6 2017)

## POC Project (Ph I ~ Ph II)

※Changes from the previous announcement(July 31 2017)

Stage		Compound/ Code	Therapy area/Action	Origin	Features	Comments
Japan	Overseas					
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)

※ KRP-209: We could not confirm the expected efficacy from the results of the Phase II clinical study ,which was conducted again . We therefore decided to discontinue the development.

# Main R&D Activities -3 (as of November 6 2017)

## 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)

# Reference

# Segment information for the Second Quarter Ended Sep 30, 2017

## Sales, Profit or Loss of each report segment

(unit : ¥billion)

	Sales	change Y/Y	Profit	change Y/Y
<b>Net Sales (total)</b>	<b>50.8</b>	<b>-3.8</b>	<b>1.4</b>	<b>-2.3</b>
<b>Ethical drugs business</b>	<b>48.0</b>	<b>-3.9</b>	<b>1.2</b>	<b>-2.4</b>
◆Sales of new ethical drugs	<b>35.0</b>	<b>-6.6</b>		
○Japan	34.4	-6.9		
○Overseas	0.5	+0.2		
◆Generic drugs	<b>13.0</b>	<b>+2.7</b>		
<b>Healthcare business</b>	<b>2.8</b>	<b>+0.1</b>	<b>0.1</b>	<b>+0.1</b>
Amount of adjustment	-	-	<b>0.1</b>	<b>0</b>

# P&L Summary: Consolidated Results – (1)

(unit : ¥million)

## < Breakdown >

Year on Year

■ Sales	¥50,758mil	(-¥3,870mil)
● Ethical drug sales in Japan	¥34,449mil	(-¥6,823mil)
	Sep/2016 ⇒ Sep/2017 (¥ billion)	
▪ Flutiform	4.5 ⇒ 5.4	( +0.9)
▪ Uritos	3.8 ⇒ 3.6	( -0.2)
▪ Desalex	- ⇒ 0.9	( +0.9)
▪ Kipres	17.8 ⇒ 9.0	( -8.8)
▪ Pentasa	7.9 ⇒ 8.0	( +0.1)
▪ Mucodyne	4.4 ⇒ 3.9	( -0.5)
● Ethical drug sales overseas	¥523mil	( + ¥180mil)
▪ Gatifloxacin	¥0.2bln → 0.3bln	( +0.1)
● Generic Drugs	¥13,005mil	( +¥2,684mil)
• Increase of MONTELKAST AG sales		
• Sales to other companies decreased		
● Consumer Healthcare Business	¥2,781mil	( +¥90mil)

	Sep/2016		Sep/2017			
	Actual	% Sales	Actual	% Sales	% Change	Change
<b>Sales</b>	54,628	100.0%	<b>50,758</b>	100.0%	-7.1%	-3,870
■ Ethical Drugs business	51,936	95.1%	<b>47,977</b>	94.5%	-7.6%	-3,959
◆ Sales of new Ethical Drugs	41,615	76.2%	<b>34,972</b>	68.9%	-16.0%	-6,643
○Japan	41,272	75.6%	<b>34,449</b>	67.9%	-16.5%	-6,823
○Overseas	343	0.6%	<b>523</b>	1.0%	+52.5%	+180
◆ Generic Drugs	10,321	18.9%	<b>13,005</b>	25.6%	+26.0%	+2,684
<b>Consumer Healthcare Business</b>	2,691	4.9%	<b>2,781</b>	5.5%	+3.3%	+90

## <Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (7) :

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

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

# P&L Summary: Consolidated Results – (2)

(unit : ¥million)

	Sep/2016		Sep/2017			
	Actual	% Sales	Actual	% Sales	% Change	Change
<b>Sales</b>	54,628	100.0%	<b>50,758</b>	100.0%	−7.1%	−3,870
<b>Cost of Sales</b>	23,830	43.6%	<b>23,128</b>	45.6%	−2.9%	−702
<b>Gross Profit</b>	30,797	56.4%	<b>27,630</b>	54.4%	−10.3%	−3,167
SG&A (Incl. R&D expenses)	27,134 (7,327)	49.7% (13.4%)	<b>26,186</b> <b>(7,179)</b>	51.6% (14.1%)	−3.5% (−2.0%)	−948 (−148)
<b>Operating Income</b>	3,663	6.7%	<b>1,443</b>	2.8%	−60.6%	−2,220
Non-Operating Income	276	0.5%	<b>325</b>	0.6%	+17.8%	+49
Non-Operating Expenses	17	0.0%	<b>75</b>	0.1%	+341.2%	+58
<b>Ordinary Income</b>	3,921	7.2%	<b>1,693</b>	3.3%	−56.8%	−2,228
Extraordinary Profits	0	0.0%	<b>627</b>	1.2%	−	+627
Extraordinary Losses	88	0.2%	<b>420</b>	0.8%	+377.3%	+332
<b>Income before income taxes</b>	3,833	7.0%	<b>1,900</b>	3.7%	−50.4%	−1,933
Corporate, inhabitants and enterprise taxes	679	1.2%	<b>487</b>	1.0%	−28.3%	−192
Tax adjustments	468	0.9%	<b>172</b>	0.3%	−63.2%	−296
<b>Net Income</b>	2,684	4.9%	<b>1,240</b>	2.4%	−53.8%	−1,444

## < Breakdown >

### ◆ Cost of Sales Ratio :

up 2.0 percentage points Y/Y (43.6%→45.6%)

- Sales of new ethical drugs decreased
- Sales of generic drugs increased
- Increase in loss on retirement of inventories, etc.

### ◆ R&D Ratio :

up 0.7 percentage points Y/Y (13.4%→14.1%)

\* ¥7.3bln→¥7.2bln (flat)

### ◆ SG&A (exclude R&D) Expenses :

up 1.1 percentage Points Y/Y(36.3%→37.4%)

\* ¥19.8bln→¥19.0bln (−¥0.8bln)

- Decrease of Labor costs, general expenses

### ■ Operating Income ¥1,443mil (− ¥2,220mil)

\* Operating Income margin decreased 3.9percentage points to 2.8%

### ■ Net Income ¥1,240mil (−¥1,444mil)

- **Extraordinary income** : gain of approximately 600 million yen as a result of transfer of shares of Dr. Program Co., Ltd. Recorded.
- **Extraordinary loss** : Expenses of around 400 million yen related to the settlement of a lawsuit for violation of US antitrust laws in connection with an out-licensed product (Gatifloxacin eyedrops)

### ■ Dividend per share(interim dividend) ¥20.0

# BS Summary: Consolidated Results

( Units: ¥ million )	Mar/2017	
	Actual	%total
<b>Current Assets</b>	126,267	65.5%
Cash, deposits	43,619	
Notes and accounts receivable	46,192	
Mk securities	5,007	—
Inventory	24,379	
Other	7,068	
<b>Fixed Assets</b>	66,400	34.5%
Tangible assets	22,432	
Intangible assets	1,204	—
Investments	42,763	
<b>Total Assets</b>	192,668	100.0%

<b>Current Liabilities</b>	25,033	13.0%
Notes payable	11,157	
Other	13,875	—
<b>Non-Current Liabilities</b>	9,797	5.1%
<b>Total Liabilities</b>	34,831	18.1%
<b>Owner's Equity</b>	152,585	79.2%
<b>Other Comprehensive Income</b>	5,251	2.7%
Unrealized holding gain (loss) on securities	7,645	
Foreign currency translation adjustments	115	—
Remeasurements of defined benefit plans	-2,510	
<b>Total Equity</b>	157,837	81.9%
<b>Total Liabilities and Equity</b>	192,668	100.0%

Sep/2017		
Actual	% total	change
<b>117,333</b>	<b>61.8%</b>	<b>-8,934</b>
44,245		
39,282		
2,300	—	—
25,835		
5,670		
<b>72,659</b>	<b>38.2%</b>	<b>+6,259</b>
22,728		
1,672	—	—
48,258		
<b>189,993</b>	<b>100.0%</b>	<b>-2,675</b>

22,835	12.0%	-2,198
10,203	—	—
12,632		
9,656	5.1%	-141
32,492	17.1%	-2,339
151,308	79.6%	-1,277
6,192	3.3%	+941
8,318		
68	—	—
-2,194		
157,501	82.9%	-336
189,993	100.0%	-2,675

## < Breakdown >

### ■ Current Asset : - ¥ 8,934mil

- Cash, deposits ( + ¥626mil)
- Notes and accounts receivable ( - ¥ 6,910mil)
- Mk securities ( - ¥2,707mil)
- Inventory ( + ¥1,456mil)
- Other ( - ¥1,398mil)

### ■ Fixed Assets : + ¥6,259mil

- Tangible Assets ( + ¥296mil)
- Intangible Assets ( + ¥468mil)
- Investments ( + ¥5,495mil)

### ■ Current Liabilities : - ¥2,198mil

- Notes Payable ( - ¥954mil)
- Other ( - ¥1,243mil)

### ■ Non-Current Liabilities : - ¥141mil

# Financial summary (Consolidated)

(unit : ¥million)

	Sep/2015	Sep/2016	Sep/2017
Sales (Exports)	52,386 (594)	54,628 (343)	<b>50,758</b> <b>(523)</b>
Cost of Sales (cost of sales ratio ) %	21,561 (41.2%)	23,830 (43.6%)	<b>23,128</b> <b>(45.6%)</b>
SG&A Ratio to Sales (%)	26,726 (51.0%)	27,134 (49.7%)	<b>26,186</b> <b>(51.6%)</b>
R&D Expenses Ratio to Sales (%)	7,270 (13.9%)	7,327 (13.4%)	<b>7,179</b> <b>(14.1%)</b>
Operating Income Ratio to Sales (%)	4,099 (7.8%)	3,663 (6.7%)	<b>1,443</b> <b>(2.8%)</b>
Ordinary Income Ratio to Sales (%)	4,266 (8.1%)	3,921 (7.2%)	<b>1,693</b> <b>(3.3%)</b>
Net Income Ratio to Sales (%)	2,967 (5.7%)	2,684 (4.9%)	<b>1,240</b> <b>(2.4%)</b>
EPS (¥)	40.10	36.56円	<b>16.86</b>
Capital	700	700	<b>700</b>
Assets	187,729	188,285	<b>189,993</b>
Total Equity	151,646	153,719	<b>157,501</b>
BPS (¥)	2,047.91	2,093.71	<b>2,138.99</b>
ROE (%)	2.0%	1.7%	<b>0.8%</b>
Equity Ratio (%)	80.8%	81.6%	<b>82.9%</b>
Employees	2,448	2,427	<b>2,378</b>
Capital Expenditure	5,637	1,383	<b>1,989</b>
Depreciation Expense	1,658	1,751	<b>1,710</b>

Mar/2017	Mar/2018 (revised forecast)	Mar/2018 (original forecast)
115,373 (764)	<b>111,300</b> <b>(3,000)</b>	113,400 (3,300)
50,847 (44.1%)	—	—
54,113 (46.9%)	—	—
13,569 (11.8%)	<b>13,000</b> <b>(11.7%)</b>	12,600 (11.1%)
10,413 (9.0%)	<b>10,500</b> <b>(9.4%)</b>	12,100 (10.7%)
10,874 (9.4%)	<b>10,900</b> <b>(9.8%)</b>	12,600 (11.1%)
7,305 (6.3%)	<b>7,800</b> <b>(7.0%)</b>	9,700 (8.6%)
99.45	<b>105.93</b>	131.94
700	—	—
192,668	—	—
157,837	—	—
2,146.83	—	—
4.6%	—	—
81.9%	—	—
2,382	—	—
3,051	<b>4,300</b>	4,300
3,619	<b>4,000</b>	4,000



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

(unit : ¥million)

< Breakdown >

Year on Year

	Sep/2016		Sep/2017			
	Actual	% Sales	Actual	% Sales	% Change	Change
<b>Sales</b>	47,396	100.0%	<b>44,493</b>	100.0%	-6.1%	-2,903
<b>■ Ethical Drugs business</b>	45,552	96.1%	<b>42,008</b>	94.4%	-7.8%	-3,544
◆ Sales of new Ethical Drugs	40,414	85.3%	<b>33,972</b>	76.4%	-15.9%	-6,442
○ Japan	40,193	84.8%	<b>33,538</b>	75.4%	-16.6%	-6,655
○ Overseas	221	0.5%	<b>434</b>	1.0%	+96.4%	+213
◆ Generic Drugs	5,138	10.8%	<b>8,035</b>	18.1%	+56.4%	+2,897
<b>■ Healthcare Business</b>	1,843	3.9%	<b>2,485</b>	5.6%	+34.8%	+642

■ Sales	¥44,493mil	(-¥2,903mil)
● Ethical drug sales in Japan	¥33,538mil	(-¥6,655mil)
	Sep/2016 ⇒ Sep/2017 (¥ billion)	
▪ Flutiform	4.5 ⇒ 5.4	( +0.9)
▪ Uritos	3.8 ⇒ 3.6	( -0.2)
▪ Desalex	- ⇒ 0.9	( +0.9)
▪ Kipres	17.8 ⇒ 9.0	( -8.8)
▪ Pentasa	7.9 ⇒ 8.0	( +0.1)
▪ Mucodyne	4.4 ⇒ 3.9	( -0.5)
● Ethical drug sales overseas	¥434mil	( + ¥213mil)
▪ Gatifloxacin	¥0.2bln → 0.3bln	( + ¥0.1bln)
● Generic Drugs	¥8,035mil	( + ¥2,897mil)
▪ Increase of MONTELKAST AG sales		
● Consumer Healthcare Business	¥2,485mil	( + ¥642mil)
▪ milton	¥1.1bln → ¥1.1bln	( + ¥0bln)
▪ Rubysta	¥0.4bln → ¥0.5bln	( + ¥0.1bln)

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

(unit : ¥million)

< Breakdown >

	Sep/2016		Sep/2017			
	Actual	% Sales	Actual	% Sales	% Change	Change
<b>Sales</b>	47,396	100.0%	<b>44,493</b>	100.0%	-6.1%	-2,903
<b>Cost of Sales</b>	20,472	43.2%	<b>19,982</b>	44.9%	-2.4%	-490
<b>Gross Profit</b>	26,923	56.8%	<b>24,511</b>	55.1%	-9.0%	-2,412
SG&A (R&D Expenses)	25,010 (6,948)	52.8% (14.7%)	<b>24,253</b> <b>(6,691)</b>	54.5% (15.0%)	-3.0% (-3.7%)	-757 (-257)
<b>Operating Income</b>	1,912	4.0%	<b>257</b>	0.6%	-86.6%	-1,655
Non-Operating Income	350	0.7%	<b>446</b>	1.0%	+27.4%	+96
Non-operating Expenses	4	0.0%	<b>64</b>	0.1%	+1,500.0%	+60
<b>Ordinary Income</b>	2,259	4.8%	<b>639</b>	1.4%	-71.7%	-1,620
Extraordinary Profits	-	-%	<b>50</b>	0.1%	-	+50
Extraordinary Losses	86	0.2%	<b>396</b>	0.9%	+360.5%	+310
<b>Income before income taxes</b>	2,172	4.6%	<b>294</b>	0.7%	-86.5%	-1,878
Corporate, inhabitants and enterprise taxes	248	0.5%	<b>233</b>	0.5%	-6.0%	-15
Tax adjustments	413	0.9%	<b>-139</b>	-0.3%	-	-552
<b>Net Income</b>	1,510	3.2%	<b>200</b>	0.4%	-86.8%	-1,310

◆ **Cost of Sales Ratio :**  
up 1.7 percentage points Y/Y (43.2%→44.9%)

- Sales of new ethical drugs decreased
- Sales of generic drugs increased
- Increase in loss on retirement of inventories, etc.

◆ **R&D Ratio :**  
up 0.3percentage points Y/Y(14.7%→15.0%)

\* ¥6.9bln→¥6.7bln(- ¥0.2bin)

◆ **SG&A (exclude R&D) expenses :**  
up 1.4 percentage points Y/Y (38.1%→39.5%)

■ **Operating Income ¥257mil (-¥1,655mil)**

\* Operating Income margin decreased 3.4 percentage points to 0.6%

■ **Net Income ¥200mil (- ¥1,310mil)**

\* **Extraordinary loss :**

Expenses of around 400 million yen related to the settlement of a lawsuit for violation of US antitrust laws in connection with an out-licensed product (Gatifloxacin eyedrops)

# BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)

	Mar/2017	
	Actual	% total
<b>Current Assets</b>	89,628	60.0%
Cash, deposits	18,943	
Accounts receivable	41,269	
Mk securities	5,007	—
Inventory	19,271	
Other	5,136	
<b>Fixed Assets</b>	59,754	40.0%
Tangible assets	13,690	
Intangible assets	631	—
Investments	45,432	
<b>Total Assets</b>	149,382	100.0%

<b>Current Liabilities</b>	17,876	12.0%
Notes Payable	8,546	
Accounts payable	9,329	—
Other		
<b>Non-Current Liabilities</b>	6,195	4.1%
<b>Total Liabilities</b>	24,071	16.1%
<b>Owner's Equity</b>	117,744	78.8%
Valuation and translation adjustments	7,566	5.1%
<b>Total Equity</b>	125,310	83.9%
<b>Total Liabilities and Equity</b>	149,382	100.0%

Sep/2017		
Actual	% total	change
<b>81,828</b>	55.6%	−7,800
<b>19,630</b>		
<b>35,343</b>		
<b>2,300</b>	—	—
<b>20,470</b>		
<b>4,083</b>		
<b>65,295</b>	44.4%	+5,541
<b>13,236</b>		
<b>1,186</b>	—	—
<b>50,872</b>		
<b>147,124</b>	100.0%	−2,258

<b>17,333</b>	11.8%	−543
<b>7,812</b>		
<b>9,520</b>	—	—
<b>5,919</b>	4.0%	−276
<b>23,252</b>	15.8%	−819
<b>115,642</b>	78.6%	−2,102
<b>8,229</b>	5.6%	+663
<b>123,871</b>	84.2%	−1,439
<b>147,124</b>	100.0%	−2,258

## < Breakdown >

- Current Assets : −¥7,800mil
  - Cash, deposits ( +¥687mil)
  - Accounts receivable ( −¥5,926mil)
  - Mk securities ( −¥2,707mil)
  - Inventory ( +¥1,199mil)
- Fixed Assets : + ¥5,541mil
  - Tangible Assets ( −¥454mil)
  - Intangible Assets ( +¥555mil)
  - Investments ( +¥5,440mil)
- Current Liabilities : − ¥543mil
  - Accounts payable ( −¥734mil)
- Non-Current Liabilities : −¥276mil

# Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(unit : ¥million)

	Sep/2015	Sep/2016	Sep/2017	Mar/2017	Mar/2018 (revised forecast)	Mar/2018 (original forecast)
Sales (Exports)	46,157 (504)	47,396 (221)	<b>44,493</b> <b>(434)</b>	100,022 (528)	<b>97,200</b> <b>(2,800)</b>	98,400 (3,100)
Cost of Sales (cost of sales ratio ) %	18,358 (39.8%)	20,472 (43.2%)	<b>19,982</b> <b>(44.9%)</b>	43,503 (43.5%)	—	—
SG&A Ratio to Sales (%)	24,637 (53.4%)	25,010 (52.8%)	<b>24,253</b> <b>(54.5%)</b>	49,714 (49.7%)	—	—
R&D Expenses Ratio to Sales (%)	6,903 (15.0%)	6,948 (14.7%)	<b>6,691</b> <b>(15.0%)</b>	12,785 (12.8%)	<b>11,800</b> <b>(12.1%)</b>	11,300 (11.5%)
Operating Income Ratio to Sales (%)	3,161 (6.8%)	1,912 (4.0%)	<b>257</b> <b>(0.6%)</b>	6,803 (6.8%)	<b>7,300</b> <b>(7.5%)</b>	8,700 (8.8%)
Ordinary Income Ratio to Sales (%)	3,468 (7.5%)	2,259 (4.8%)	<b>639</b> <b>(1.4%)</b>	7,396 (7.4%)	<b>7,900</b> <b>(8.1%)</b>	9,200 (9.3%)
Net Income Ratio to Sales (%)	2,481 (5.4%)	1,510 (3.2%)	<b>200</b> <b>(0.5%)</b>	4,454 (4.5%)	<b>6,800</b> <b>(7.0%)</b>	6,800 (6.9%)
EPS (¥)	33.41	20.34	<b>2.69</b>	59.98	—	—
Capital	4,317	4,317	<b>4,317</b>	4,317	—	—
Assets	146,458	148,281	<b>147,124</b>	149,382	—	—
Total Equity	120,555	123,764	<b>123,871</b>	125,310	—	—
BPS (¥)	1,623.24	1,666.46	<b>1,667.90</b>	1,687.28	—	—
ROE (%)	2.1%	1.2%	<b>0.2%</b>	3.5%	—	—
Equity Ratio (%)	82.3%	83.5%	<b>84.2%</b>	83.9%	—	—
Employees	1,762	1,725	<b>1,707</b>	1,687	—	—
Capital Expenditure	4,435	547	<b>460</b>	905	<b>1,600</b>	1,600
Depreciation Expense	961	1,038	<b>915</b>	2,143	<b>2,000</b>	2,000