

Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

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May 13, 2019
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 Fiscal 2018

(¥ million)	FY2015	FY2016	FY2017	FY2018	change	FY2019 (forecast)	Change
Net sales	119,483	115,373	110,640	113,620	+2.7%	114,100	+0.4%
Operating income	19,636	10,413	8,822	8,972	+1.7%	9,100	+1.4%
Ordinary income	19,995	10,874	9,345	9,438	+1.0%	9,600	+1.7%
Net income	13,639	7,305	6,574	6,869	+4.5%	7,100	+3.4%
Net income per share (yen)	184.28円	99.45円	89.28円	104.68円	+17.2%	123.94円	+18.4%
Total assets	197,825	192,668	196,736	173,034	-12.0%	-	-
Total equity	157,049	157,837	163,297	123,395	-24.4%	-	-

Consolidated Business Results for Fiscal 2018

[Net Sales] Regarding the new drugs (in Japan), sales increased significantly despite the drug price revision. Revenues from our main product Flutiform grew, and the new product Beova and the newly released Nasonex nasal spray contributed to grow. Regarding the generic medicine, revenues also increased. Regarding the new drugs (overseas), revenues decreased mainly due to the absence of lump-sum payments received in conjunction with the progress in the development of license-out products, and revenues from the healthcare business declined slightly. Overall net sales rose 2,980 million yen (up 2.7% from the previous year), to 113,620 million yen.

[Profit] Gross profit fell 4,166 million yen from the previous year, chiefly reflecting a higher cost of sales ratio as a result of the National Health Insurance (NHI) price revision and a decrease in lump-sum payments received. Meanwhile, selling expenses and general administration expenses decreased by 4,316 million yen from the previous year (including a reduction of 3,452 million yen in R&D expenses) as a result of efforts regarding cost reduction, and operating income was 8,972 million yen, up 150 million yen from the previous year. Profit attributable to owners of parent is 6,869 million yen (up 4.5% from the previous year).

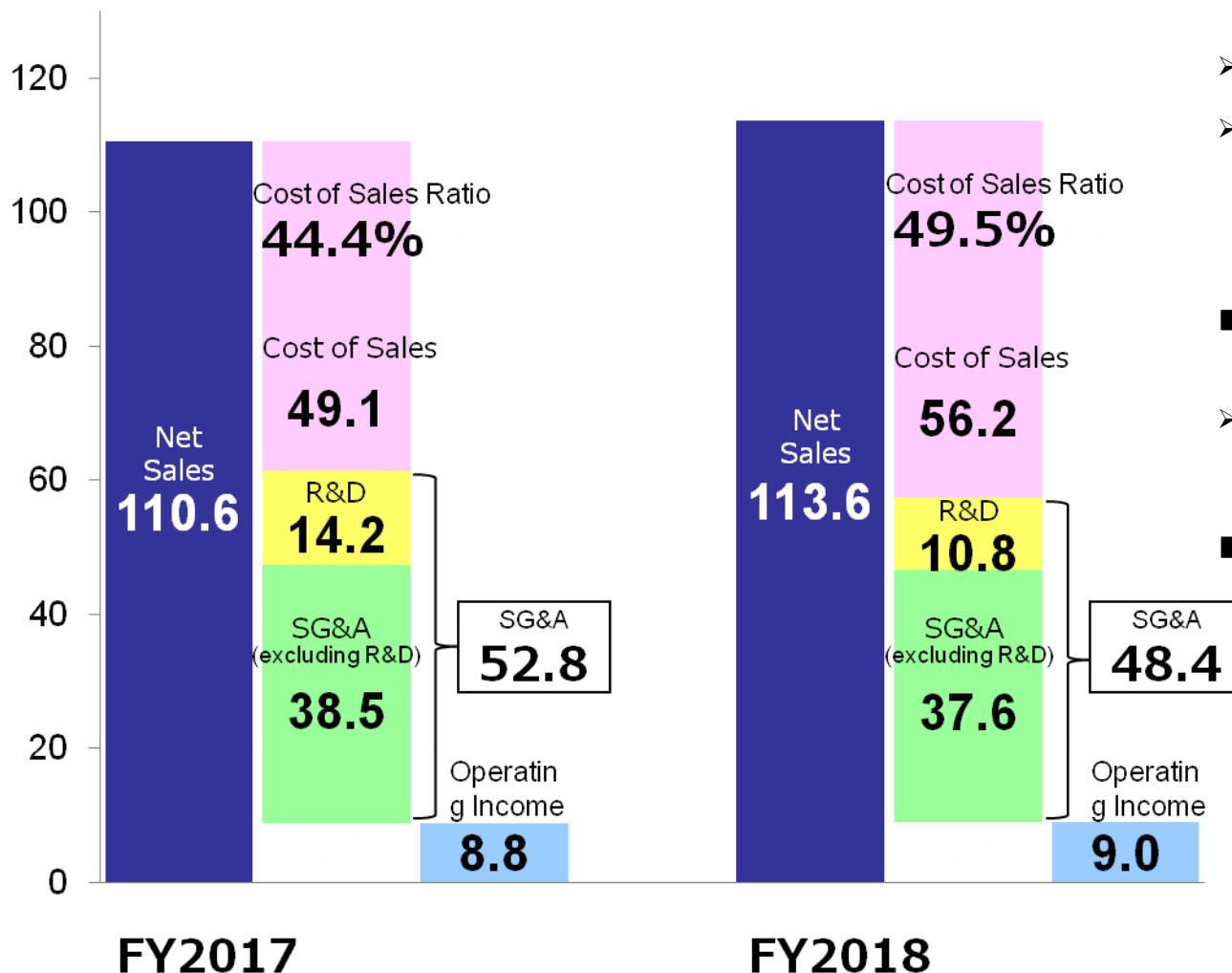
Consolidated Business Results Forecast for Fiscal 2019

[Net sales and income] Sales of new drugs (in Japan) are expected to be lower than last year's level, while sales of new drugs (overseas) and generic drugs are anticipated to rise year on year in the ethical drug business. With sales expected to increase in the healthcare business, overall net sales will also grow. In terms of profit, gross operating income is expected to rise, despite the impact of the National Health Insurance price revision due to an increase in revenues and improvement in the cost of sales ratio resulting from a rise in the percentage of new drugs in the product lines. With the rise in selling expenses and general administration expenses including R&D expenses offset, overall profit is also expected to increase.

In terms of consolidated results for the fiscal year ending March 31, 2020, net sales are forecast to be 114,100 million yen (up 0.4% from the previous year), operating income to be 9,100 million yen (up 1.4% from the previous year), and profit attributable to owners of parent to be 7,100 million yen (up 3.4% from the previous year).

Highlights of Business Performance

(Units: ¥ billion)



- **Net Sales decreased ¥3.0bn year on year.**
- **Cost of sales ratio increased 5.1%**
 - Impact of drug price revisions (approximately 7%)
 - Increase in sales of generic drugs
 - Decrease in lump-sum revenue due to out-licensed product in the previous year
- **Gross Profit decreased ¥4.2bn year on year**
- **SG&A expenses decreased ¥4.4bn year on year**
 - R&D expenses decreased ¥3.4bn
 - SG&A(excluding R&D) decreased ¥0.9bn
- **Operating Income increased ¥0.2bn year on year**

Consolidated Financial Results

(Units: ¥ billion)

	FY2017	FY2018	Change
Net Sales (total)	110.6	113.6	+3.0
Ethical drugs Business	104.7	107.9	+3.2
◆Sales of new ethical drugs	77.0	78.5	+1.5
●Japan	73.7	77.7	+4.0
●Overseas	3.3	0.8	-2.5
◆Generic drugs	27.7	29.3	+1.6
Healthcare Business	5.9	5.8	-0.1
Operating Income	8.8	9.0	+0.2
Ordinary Income	9.3	9.4	+0.1
Net Income	6.6	6.9	+0.3

■ Dividend per share(interim dividend ¥30.0) ¥75.0

Dividend ratio 72.6%

	(change actual)	(change forecast)
■ Net Sales ¥ 113.6bln	(+3.0)	(+3.0)
◆ Ethical drugs business ¥ 107.9bln	(+3.2)	(+3.3)
● Sales of new ethical drugs ¥ 77.7bln	(+4.0)	(+1.6)
FY17	FY18	
• Flutiform	11.9 ⇒ 13.1	(+1.2) (+0.8)
• Desalex	4.9 ⇒ 3.7	(-1.2) (-1.1)
• Kipres	18.8 ⇒ 13.9	(-4.9) (+0.7)
• Nasonex	— ⇒ 12.8	(+12.8) (+2.7)
• Uritos	7.2 ⇒ 6.6	(-0.6) (-0.2)
• Beova	— ⇒ 0.7	(+0.7) (-0.1)
• Pentasa	15.3 ⇒ 13.5	(-1.8) (-0.2)
• Mucodyne	8.7 ⇒ 6.8	(-1.9) (-0.4)
● Sales of new ethical drugs in Overseas ¥ 0.8bln	(-2.5)	(-0.2)
Decrease in lump-sum revenue due to out-licensed product in the previous year		
● Sales of Generic drugs ¥ 29.3bln	(+1.6)	(+1.9)
Increase in sales of generic drugs released in fiscal 2018		
◆ Healthcare Business ¥ 5.8bln	(-0.1)	(-0.2)
■ Operating Income ¥ 9.0bln	(+0.2)	(+0.8)
◆ Operating Income margin decreased 0.1 percentage points to 7.9%		
● Cost of Sales Ratio : 44.4%⇒49.5% increased 5.1 percentage points		
• Impact of drug price revisions (approximately 7%)		
• Increase in sales of generic drugs		
• Decrease in lump-sum revenue due to out-licensed product in the previous year		
● R&D Ratio : 12.9%⇒9.5% decreased 3.4 percentage points		
* ¥14.2bln⇒¥10.8bln (-¥3.4bln)		
• Decrease in lump-sum contractual payments paid in conjunction with the introduction of KRP-N118		
● SG&A Ratio : 34.8%⇒33.1% decreased 1.7 percentage		
* ¥38.5bln⇒¥37.6bln (-¥0.9bln) · decrease of Labor costs, Selling costs.		
■ Net Income ¥ 6.9bln	(+0.3)	(+0.8)

Main Product Sales Update

(Units: ¥ billion)		FY2014	FY2015	FY2016	FY2017	FY2018		FY2019 (forecast)
						actual	Change (%)	
Sales of new ethical drugs (Japan)	Flutiform (Anti-asthmatic)	3.6	7.2	10.1	11.9	13.1	+9.8	14.0
	Desalex (allergic rhinitis)	—	—	1.0	4.9	3.7	-24.1	8.0
	Kipres for adult (LT receptor antagonist)	26.7	28.6	17.7	8.3	6.2	-24.6	4.5
	for children	14.5	15.4	14.9	10.5	7.6	-27.4	6.1
	Nasonex (Spray type allergic rhinitis remedy)	—	—	—	—	12.8	—	6.2
	Uritos (Kyorin) (Overactive bladder)	7.3	7.5	7.5	7.2	6.6	-8.6	6.0
	Beova (Overactive bladder)	—	—	—	—	0.7	—	2.5
	Pentasa (Ulcerative colitis and Crohn's disease treatment)	17.2	16.1	15.5	15.3	13.5	-11.4	12.0
	Mucodyne (Mucoregulant)	14.0	13.0	9.9	8.7	6.8	-22.1	6.0
Generic drugs	MONTELUKAST Tablets“KM”※ ※ Authorized generic drug (AG) of Montelukast (KIPRES)	—	—	8.2	11.7	11.9	+1.3	11.6
Over-the- counter drugs	Milton (Disinfectant)	2.0	2.1	2.2	2.2	2.2	-1.7	2.3

R&D Expenses, Capex & Depreciation

(Units: ¥ million)

	FY2014	FY2015	FY2016	FY2017	FY2018		FY2019 (forecast)
					actual	Change	
R&D expenses	13,514	13,019	13,569	14,243	10,790	-24.2%	10,900
Capital expenditure	2,655	7,218	3,051	2,885	2,306	-20.1%	4,100
Depreciation expense	3,053	3,730	3,619	3,628	2,940	-19.3%	3,500

<Capital expenditure (Actual/Forecast)>

(Units: ¥ billion)

	FY2017	FY2018	FY2019 (forecast)
Plant facilities	1.1	1.5	3.2
Equipment for control, sales activities	0.2	0.3	0.4
Equipment for research	1.5	0.5	0.5

Main R&D Activities -1 (May 13 , 2019 Release)

Ph III ~ Application submitted

※Changes from the previous announcement (Feb 5 2019)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
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	
Preparing for Application		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	
※Preparing for Application		KRP-116D	Interstitial cystitis	—	Evaluation committee on unapproved or off-labeled drugs with high medical needs "Dimethyl sulfoxide(DMSO)"	
Preparing for Application		KRP-108P	Anti-asthmatic	(U.K.) Vectura	Expand the indication of Flutiform to pediatric patients	

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

Main R&D Activities -2 (May 13 , 2019 Release)

POC Project (Ph I ~ Ph II)

Stage		Compound/ Code	Therapy area /Action	Origin	Features	Comments
Japan	Overseas					
Ph II (8/2018)		KRP-N118 (SK-1404)	Nocturia Due to Nocturnal Polyuria	SANWA KAGAKU KENKYUSH O CO., LTD.	A vasopressin V2 receptor agonist that promotes the reabsorption of water by the collecting duct of the kidney to reduce the amount of urine (antidiuretic action). With its high efficacy and safety, the drug is expected to be a therapeutic agent for nocturia due to nocturnal polyuria.	•License agreement with SANWA KAGAKU KENKYUSHO CO., LTD. (3/2018)
Ph II (6/2018)		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) 【US】 Momotaro-Gene prostate cancer(Ph I / II) 【JP】 Okayama University liver cancer(Ph I / I b)

Licensing development

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	Implementing licensing activities	GvHD		Sphingosine-1-Phosphate Receptor Agonist	Because Novartis (licensee) decided to discontinue development of KRP-203 for strategic reasons,kyorin receive the return of development rights.

Reference

Sales, Profit or Loss of each report segment

(Units: ¥ billion)

	Sales	Change	Profit	Change
Net Sales (total)	113.6	+3.0	9.0	+0.2
Ethical drugs business	107.9	+3.2	8.3	+0.1
◆Sales of new ethical drugs	78.5	+1.5		
○Japan	77.7	+4.0		
○Overseas	0.8	-2.5		
◆Generic drugs	29.3	+1.6		
Healthcare business	5.8	-0.1	0.2	+0
Amount of adjustment	-	-	0.5	+0.1

P&L Summary: Consolidated Results – (1)

(Units: ¥ million)

< Breakdown : change >

	FY2017		FY2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	110,640	100.0%	113,620	100.0%	+2.7%	+2,979
■ Ethical Drugs business	104,703	94.6%	107,859	94.9%	+3.0%	+3,155
◆ Sales of new Ethical Drugs	77,041	69.6%	78,525	69.1%	+1.9%	+1,483
○Japan	73,702	66.6%	77,694	68.4%	+5.4%	+3,992
○Overseas	3,339	3.0%	830	0.7%	-75.1%	-2,509
◆ Generic Drugs	27,662	25.0%	29,334	25.8%	+6.0%	+1,672
■ Healthcare Business	5,937	5.4%	5,761	5.1%	-3.0%	-175

■ Sales			¥ 113,620mil	(+2,979)
● Ethical drug sales in Japan			¥ 77,694mil	(+3,992)
	(¥:billion)	FY17	FY18	
• Flutiform		11.9	⇒ 13.1	(+1.2)
• Desalex		4.9	⇒ 3.7	(-1.2)
• Kipres		18.8	⇒ 13.9	(-4.9)
• Nasonex		—	⇒ 12.8	(+12.8)
• Uritos		7.2	⇒ 6.6	(-0.6)
• Beova		—	⇒ 0.7	(+0.7)
• Pentasa		15.3	⇒ 13.5	(-1.8)
• Mucodyne		8.7	⇒ 6.8	(-1.9)
● Ethical drug sales overseas			¥ 830mil	(-2,509)
	• Decrease in lump-sum revenue due to out-licensed product in the previous year			
		¥ 0.6bln	⇒ ¥ 0.4bln	(-0.2)
● Generic Drugs			¥ 29,334mil	(+1,672)
	• Increase in sales of generic drugs released in fiscal 2018			
● Healthcare Business			¥ 5,761mil	(-175)

<Subsidiaries and Equity-method Affiliates>

Consolidated subsidiaries (7) :

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

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

P&L Summary: Consolidated Results – (2)

(Units: ¥ million)

< Breakdown >

	FY2017		FY2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	110,640	100.0%	113,620	100.0%	+2.7%	+2,979
Cost of Sales	49,064	44.4%	56,210	49.5%	+14.6%	+7,146
Gross Profit	61,576	55.7%	57,409	50.5%	-6.8%	-4,166
SG&A (Incl. R&D expenses)	52,753 (14,243)	47.7% 12.9%	48,436 (10,790)	42.6% 9.5%	-8.2% -24.2%	-4,316 -3,452
Operating Income	8,822	8.0%	8,972	7.9%	+1.7%	+150
Non-Operating Income	640	0.6%	798	0.7%	+24.6%	+157
Non-Operating Expenses	118	0.1%	332	0.3%	+181.6%	+214
Ordinary Income	9,345	8.4%	9,438	8.3%	+1.0%	+93
Extraordinary Profits	627	0.6%	66	0.1%	-89.4%	-560
Extraordinary Losses	910	0.8%	145	0.1%	-84.0%	-764
Income before income taxes	9,061	8.2%	9,359	8.2%	+3.3%	+297
Corporate, inhabitants and enterprise taxes	2,759	2.5%	2,004	1.8%	-27.4%	-754
Tax adjustments	-272	-0.2%	485	0.4%	-	+758
Net Income	6,574	5.9%	6,869	6.0%	+4.5%	+294

◆ Cost of Sales Ratio : +5.1 percentage points

(44.4 %→49.5%)

- Impact of drug price revisions (approximately 7%)
- Increase in sales of generic drugs
- Decrease in lump-sum revenue due to out-licensed product in the previous year

◆ R&D Ratio : -3.4 percentage points

(12.9%→9.5%)

- * ¥14.2bln→¥10.8bln(decrease ¥3.4bln)
- Decrease in lump-sum contractual payments paid in conjunction with the introduction of KRP-N118

◆ SG&A (exclude R&D) Expenses : -1.7 percentage points

(34.8%→33.1%)

- * ¥38.5bln→¥37.6bln (-¥0.9bln)
- Decrease of Labor costs, Selling costs

■ Operating Income ¥8,972mil (+150)

- * Operating Income margin decreased 0.1percentage points to 7.9%

■ Net Income ¥6,869mil (+294)

■ Dividend per share ¥75.00

- * Consolidated Dividend ratio 72.6%

BS Summary: Consolidated Results

(Units: ¥ million)	FY2017	
	Actual	%total
Current Assets	119,946	61.0%
Cash, deposits	44,117	
Notes and accounts receivable	47,862	
Mk securities	599	—
Inventory	23,308	
Other	4,058	
Fixed Assets	76,789	39.0%
Tangible assets	21,901	
Intangible assets	1,750	—
Investments	53,137	
Total Assets	196,736	100.0%

FY2018		
Actual	% total	change
114,904	66.4%	- 5,042
32,007		
52,635		
501	—	—
25,420		
4,339		
58,130	33.6%	- 18,659
21,792		
3,401	—	—
32,936		
173,034	100.0%	- 23,701

Current Liabilities	25,134	12.8%
Notes payable	10,266	—
Other	14,868	
Non-Current Liabilities	8,303	4.2%
Total Liabilities	33,438	17.0%
Owner's Equity	155,489	79.0%
Other Comprehensive Income	7,808	4.0%
Unrealized holding gain (loss) on securities	10,101	
Foreign currency translation adjustments	83	—
Remeasurements of defined benefit plans	- 2,377	
Total Equity	163,297	83.0%
Total Liabilities and Equity	196,736	100.0%

41,480	24.0%	+ 16,345
11,411	—	—
30,038		
8,159	4.7%	- 144
49,639	28.7%	+ 16,200
116,744	67.5%	- 38,744
6,651	3.8%	- 1,157
8,925		
56	—	—
- 2,331		
123,395	71.3%	- 39,902
173,034	100.0%	- 23,701

< Breakdown >

■ Current Asset : - ¥ 5,042mil

- Cash, deposits (- ¥ 12,109mil)
- Notes and accounts receivable (+ ¥ 4,772mil)
- Mk securities (- ¥ 98mil)
- Inventory (+ ¥ 2,112mil)
- Other (+ ¥ 281mil)

■ Fixed Assets: - ¥ 18,659mil

- Tangible Assets (- ¥ 108mil)
- Intangible Assets (+ ¥ 1,651mil)
- Investments (- ¥ 20,201mil)

■ Current Liabi : + ¥ 16,345mil

- Notes Payable (+ ¥ 1,175mil)
- Other (+ ¥ 15,170mil)

■ Non-Current Liabilities : - ¥ 144mil

Financial summary (Consolidated)

(¥ million)	FY2014	FY2015	FY2016	※FY2017	FY2018	FY2019 (forecast)
Sales (Exports)	113,121 (1,032)	119,483 (5,586)	115,373 (764)	110,640 (3,339)	113,620 (830)	114,100 (1,300)
Cost of Sales (cost of Sales Ratio) (%)	46,598 (41.2%)	47,360 (39.6%)	50,847 (44.1%)	49,064 (44.3%)	56,210 (49.5%)	—
SG&A Ratio to Sales (%)	51,785 (45.8%)	52,486 (43.9%)	54,113 (46.9%)	52,753 (47.7%)	48,436 (42.6%)	—
R&D Expenses Ratio to Sales (%)	13,514 (11.9%)	13,019 (10.9%)	13,569 (11.8%)	14,243 (12.9%)	10,790 (9.5%)	10,900 (9.6%)
Operating Income Ratio to Sales (%)	14,737 (13.0%)	19,636 (16.4%)	10,413 (9.0%)	8,822 (8.0%)	8,972 (7.9%)	9,100 (8.0%)
Ordinary Income Ratio to Sales (%)	15,490 (13.7%)	19,995 (16.7%)	10,874 (9.4%)	9,345 (8.4%)	9,438 (8.3%)	9,600 (8.4%)
Net Income Ratio to Sales (%)	12,064 (10.7%)	13,639 (11.4%)	7,305 (6.3%)	6,574 (5.9%)	6,869 (6.0%)	7,100 (6.2%)
EPS (¥)	161.63	184.28	99.45	89.28	104.68	123.94
Capital	700	700	700	700	700	—
Assets	183,383	197,825	192,668	196,736	173,034	—
shareholder's equity	140,518	149,808	152,585	155,489	116,744	—
Total Equity	148,600	157,049	157,837	163,297	123,395	—
BPS (¥)	2,009.45	2,131.67	2,146.83	2,214.13	2,154.05	—
ROE (%)	8.4%	8.9%	4.6%	4.1%	4.8%	—
Equity Ratio (%)	81.0%	79.4%	81.9%	83.0%	71.3%	—
Employees	2,445	2,420	2,382	2,348	2,297	—
Capital Expenditure	2,655	7,218	3,051	2,885	2,306	4,100
Depreciation Expense	3,053	3,730	3,619	3,644	2,940	3,500

※ The figures for the preceding fiscal year have been revised retrospectively following the partial revision to the Accounting Standards for Tax Effect Accounting.

Consolidated Financial Results and full year forecast

(Units: ¥ million)

	FY2018	FY2019 (forecast)	Year on year	
			change	change (%)
Sales	113,620	114,100	+480	+0.4
■ Ethical Drugs business	107,859	108,000	+141	+0.1
◆ Sales of new Ethical Drugs	78,525	75,800	-2,725	-3.5
○ Japan	77,694	74,400	-3,294	-4.2
○ Overseas	830	1,300	+470	+56.6
◆ Sales of Generic drugs	29,334	32,200	+2,866	+9.8
■ Healthcare Business	5,761	6,100	+339	+5.9
Operating Income	8,972	9,100	+128	+1.4
Ordinary Income	9,438	9,600	+162	+1.7
Net Income	6,869	7,100	+231	+3.4

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

<Breakdown >

(Units: ¥ million)

change

	FY2017		FY2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	97,459	100.0%	99,736	100.0%	+ 2.3 %	+ 2,277
■ Ethical Drugs business	92,341	94.7%	94,731	95.0%	+ 2.7%	+ 2,930
◆ Sales of new Ethical Drugs	74,637	76.6%	76,172	76.4%	+ 2.2%	+ 1,535
○ Japan	71,522	73.4%	75,558	75.8%	+ 5.8%	+ 4,036
○ Overseas	3,115	3.2%	613	0.6%	- 80.3%	- 2,502
◆ Generic Drugs	17,703	18.2%	18,558	18.6%	+ 4.8%	+ 855
■ Healthcare Business	5,117	5.3%	5,004	5.0%	- 2.2%	- 113

■ Sales	¥ 99,736mil	(+ 2,277)
● Ethical drug sales in Japan	¥ 75,558mil	(+ 4,036)
	(¥ : billion)	
	FY17	FY18
• Flutiform	11.9 ⇒	13.1 (+ 1.2)
• Desalex	4.9 ⇒	3.7 (- 1.2)
• Kipres	18.8 ⇒	13.9 (- 4.9)
• Nasonex	— ⇒	12.8 (+ 12.8)
• Uritos	7.2 ⇒	6.6 (- 0.6)
• Beova	— ⇒	0.7 (+ 0.7)
• Pentasa	15.3 ⇒	13.5 (- 1.8)
• Mucodyne	8.7 ⇒	6.8 (- 1.9)
● Ethical drug sales oversea	¥ 613mil	(- 2,502)
	• Decrease in lump-sum revenue due to out-licensed product in the previous year	
	• Gatifloxacin ¥ 0.6bln ⇒ ¥ 0.4bln (- 0.2)	
● Generic Drugs	¥ 18,558mil	(+ 855)
	• Sales of the MONTELUKAST™ AG™ for KIPRES increased	
● Healthcare Business	¥ 5,004mil	(- 113)
	• Milton ¥ 2.2bln ⇒ ¥ 2.2bln (+ 0)	
	• Rubysta ¥ 1.1bln ⇒ ¥ 1.3bln (+ 0.2)	

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

(Units: ¥ million)

< Breakdown >

	FY2017		FY2018			
	Actual	% Sales	Actual	% Sales	% Change	Change
Sales	97,459	100.0%	99,736	100.0%	+2.3%	+2,277
Cost of Sales	42,885	44.0%	50,443	50.6%	+17.6%	+7,558
Gross Profit	54,573	56.0%	49,292	49.4%	-9.7%	-5,281
SG&A (R&D Expenses)	48,645 (13,158)	49.9% (13.5%)	43,905 (9,569)	44.0% (9.6%)	-9.7% -27.3%	-4,739 -3,589
Operating Income	5,928	6.1%	5,387	5.4%	-9.1%	-541
Non-Operating Income	772	0.8%	784	0.8%	+1.5%	+11
Non-operating Expenses	92	0.1%	50	0.1%	-45.9%	-42
Ordinary Income	6,608	6.8%	6,121	6.1%	-7.4%	-487
Extraordinary Profits	50	0.1%	60	0.1%	+20.2%	+10
Extraordinary Losses	457	0.5%	120	0.1%	-73.6%	-336
Income before Income taxes	6,201	6.4%	6,061	6.1%	-2.3%	-140
Corporate, inhabitants and enterprise taxes	2,156	2.2%	1,193	1.2%	-44.7%	-962
Tax adjustments	-592	-0.6%	478	-0.5%	-	+1,071
Net Income	4,637	4.8%	4,389	4.4%	-5.4%	-248

- ◆ Cost of Sales Ratio : +6.6percentage points
(44.0%→50.6%)
 - Impact of drug price revisions
 - Increase in sales of generic drugs
 - Decrease in lump-sum revenue due to out-licensed product in the previous year
- ◆ R&D Ratio : -3.9 percentage points
(13.5%→9.6%)
 - * ¥13.2bln→¥9.6bln (-¥3.6bln)
 - Decrease in lump-sum contractual payments paid in conjunction with the introduction of KRP-N118
- ◆ SG&A (exclude R&D) Expenses :
-2.0 percentage Points (36.4%→34.4%)
- Operating Income ¥5,387mil (-541)
- * Operating Income margin decreased 0.7percentage points to 5.4%
- Net Income ¥4,389mil (-248)

BS Summary: KYORIN Pharmaceutical (Non-consolidated)

(Units: ¥ million)

	FY2017	
	Actual	% total
Current Assets	82,803	54.6%
Cash, deposits	18,527	
Accounts receivable	43,151	
Mk securities	599	—
Inventory	17,736	
Other	2,789	
Fixed Assets	68,818	45.4%
Tangible assets	12,649	
Intangible assets	1,324	—
Investments	54,844	
Total Assets	151,622	100.0%

FY2018		
Actual	% total	change
118,028	72.9%	+ 35,224
7,581		
47,814		
501	—	—
19,237		
42,893		
43,957	27.1%	- 24,860
7,685		
3,087	—	—
33,184		
161,986	100.0%	+ 10,363

< Breakdown >

- **Current Assets : + ¥ 35,224mil**
 - Cash, deposits (- ¥ 10,946mil)
 - Accounts receivable (+ ¥ 4,663mil)
 - Mk securities (- ¥ 98mil)
 - Inventory (+ ¥ 1,501mil)
 - Other (+ ¥ 40,104mil)

- **Fixed Assets : - ¥ 24,860mil**
 - Tangible Assets (- ¥ 4,963mil)
 - Intangible Assets (+ ¥ 1,762mil)
 - Investments (- ¥ 21,659mil)

Current Liabilities	19,397	12.8%
Notes Payable	7,863	—
Other	11,533	
Non-Current Liabilities	3,609	2.4%
Total Liabilities	23,007	15.2%
Owner's Equity	118,595	78.2%
Valuation and translation adjustments	10,019	6.6%
Total Equity	128,614	84.8%
Total Liabilities and Equity	151,622	100.0%

36,562	22.6%	+ 17,164
10,299	—	—
26,262		
4,103	2.5%	+ 493
40,665	25.1%	+ 17,658
112,464	69.4%	- 6,130
8,856	5.5%	- 1,163
121,320	74.9%	- 7,294
161,986	100.0%	+ 10,363

- **Current Liabilities : + ¥ 17,164mil**
 - Notes Payable (+ ¥ 2,435mil)
 - Other (+ ¥ 14,728mil)
- **Non-Current Liabilities : + ¥ 493mil**

※ The figures for the preceding fiscal year have been revised retrospectively following the partial revision to the Accounting Standards for Tax Effect Accounting.

Financial Summary: KYORIN Pharmaceutical (Non-consolidated)

(¥ million)	FY2014	FY2015	FY2016	※FY2017	FY2018	FY2019 (forecast)
Sales (Exports)	98,452 (840)	106,390 (5,343)	100,022 (528)	97,459 (3,115)	99,736 (613)	100,000 (1,100)
Cost of Sales (cost of sales ratio) %	38,951 (39.6%)	40,798 (38.3%)	43,503 (43.5%)	42,885 (44.0%)	50,443 (50.6%)	—
SG&A Ratio to Sales (%)	47,349 (48.1%)	48,129 (45.2%)	49,714 (49.7%)	48,645 (49.9%)	43,905 (44.0%)	—
R&D Expenses Ratio to Sales (%)	12,843 (13.0%)	12,421 (11.7%)	12,785 (12.8%)	13,158 (13.5%)	9,569 (9.6%)	9,500 (9.5%)
Operating Income Ratio to Sales (%)	12,151 (12.3%)	17,461 (16.4%)	6,803 (6.8%)	5,928 (6.1%)	5,387 (5.4%)	6,100 (6.1%)
Ordinary Income Ratio to Sales (%)	13,115 (13.3%)	17,985 (16.9%)	7,396 (7.4%)	6,608 (6.8%)	6,121 (6.1%)	6,900 (6.9%)
Net Income Ratio to Sales (%)	10,412 (10.6%)	12,113 (11.4%)	4,454 (4.5%)	4,637 (4.8%)	4,389 (4.4%)	5,200 (5.2%)
EPS (¥)	140.20	163.11	59.98	62.45	59.10	—
Capital	4,317	4,317	4,317	4,317	4,317	—
Assets	142,967	155,637	149,382	151,622	161,986	—
shareholder's equity	110,534	117,300	117,744	118,595	112,464	—
Total Equity	118,246	127,610	125,310	128,614	121,320	—
BPS (¥)	1,592.16	1,718.23	1,687.28	1,731.76	1,633.55	—
ROE (%)	9.1%	9.9%	3.5%	3.7%	3.5%	—
Equity Ratio (%)	82.7%	82.0%	83.9%	84.8%	74.9%	—
Employees	1,771	1,731	1,687	1,673	1,567	—
Capital Expenditure	1,125	5,059	905	815	599	400
Depreciation Expense	1,667	2,241	2,143	1,942	1,183	1,400

※ The figures for the preceding fiscal year have been revised retrospectively following the partial revision to the Accounting Standards for Tax Effect Accounting.