

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

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July 29, 2016

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 First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

Units: millions of yen	First quarter Jun / 2013	First quarter Jun / 2014	First quarter Jun / 2015	First quarter Jun / 2016	YoY change (%)	Interim term Sep / 2016 (forecast)	YoY change (%)	Year ending Mar / 2017 (forecast)	YoY change (%)
Net sales	26,239	26,397	26,567	27,707	+4.3%	53,900	+2.9%	120,000	+0.4%
Operating income	4,465	3,575	2,173	3,244	+49.2%	3,900	-4.9%	14,500	-26.2%
Ordinary income	4,681	3,847	2,316	3,485	+50.5%	4,200	-1.5%	14,900	-25.5%
Net income	2,996	2,681	1,757	2,580	+46.9%	3,000	+1.1%	10,700	-21.6%

First Quarter Consolidated Financial Results for the Fiscal Year Ending March 31, 2017

[Net Sales]

Sales increased in ethical drug business (new ethical drugs, generic drugs). The sales growth was driven by year on year increase of our main product "Flutiform". Overall net sales increased 4.3% year on year to ¥27.7bln.

[Income]

Cost of sales ratio increased due to the drug price revision. Meanwhile, gross profit increased ¥0.4bln year on year. At the other side, SG & A expenses decreased year on year. Consequently, operating income increased 49.2% to ¥3.2bln and net income increased 46.9% to ¥2.6bln year on year, .

Consolidated Financial Results for the Fiscal Year Ending March 31, 2017(forecast)

The results forecasts for the second half and the full year announced on May 12, 2016 remain unchanged. (Progress compared with the forecast for the first half: net sales: 51.4%; operating income: 83.2%)

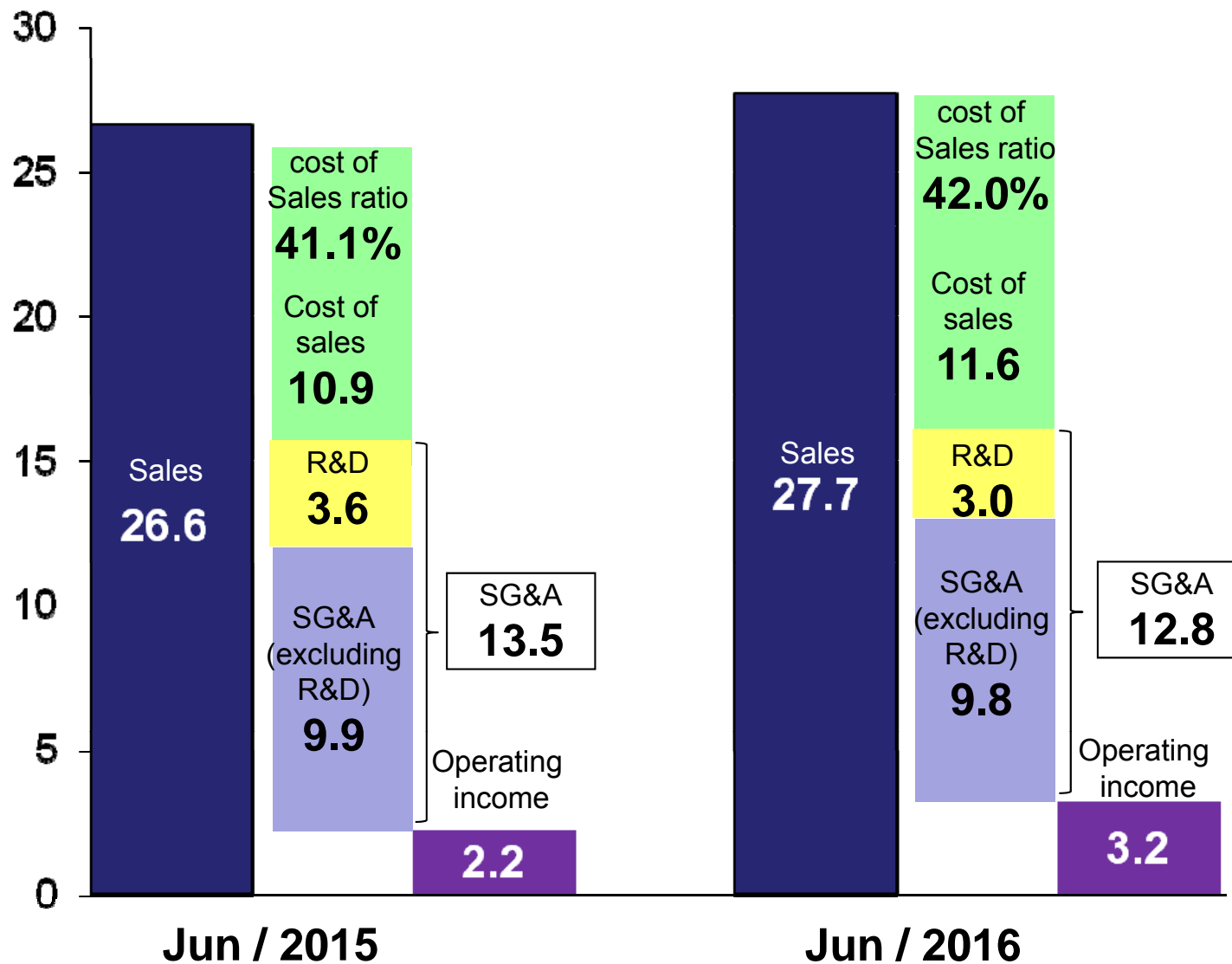
Highlights of Business Performance



Highlight 健康はキョーリンの願いです。

➤ Net Sales increased ¥1.1bln

(Units: ¥ billion)



Highlight

➤ Net Sales increased ¥1.1bln

➤ Cost of sales ratio increased 0.9%.

■ Gross Profit increased ¥0.4bln

➤ SG&A expenses decreased ¥0.7bln
 • decrease of R&D expense (¥0.6bln)
 • SG&A(excluding R&D) expense remained at the same level.

Operating Income increased ¥1.0bln

Consolidated Financial Results

for the first Quarter ending March 31, 2017

Year on Year

(¥ billion)	Jun/2015	Jun/2016	change
Net Sales	26.6	27.7	+1.1
Ethical drugs Business	25.3	26.4	+1.1
◆Sales of new ethical drugs	21.5	21.8	+0.3
●Japan	21.3	21.7	+0.4
●Overseas	0.2	0.1	-0.1
◆Generic drugs	3.8	4.6	+0.8
Healthcare Business	1.3	1.3	0
Operating Income	2.2	3.2	+1.0
Ordinary Income	2.3	3.5	+1.2
Net Income	1.8	2.6	+0.8

(Note) The details of the Sales Segment have been changed from the first quarter 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.

■ Net Sales ¥27.7bln (+ 1.1)

◆ Ethical drugs business ¥26.4bln (+ 1.1)

● Sales of new ethical drugs ¥21.7bln (+ 0.4)

Jun/2015⇒Jun/2016

· Kipres	9.5	⇒	9.9	(+0.4)
· Flutiform	1.5	⇒	2.3	(+0.8)
· Uritos	1.9	⇒	2.0	(+0.1)
· Mucodyne	3.2	⇒	2.4	(-0.8)
· Pentasa	4.1	⇒	4.0	(-0.1)

● Sales of new ethical drugs in Overseas ¥0.1bln (- 0)

● Sales of Generic drugs ¥4.6bln (+0.8)

· Increase of Health insurance pharmacy market's sales

◆ Healthcare Business ¥0.3bln (0)

■ Operating Income ¥3.2bln (+1.0)

◆ Operating Income margin increased 3.5 percentage points to 11.7%

● Cost of Sales Ratio : increased 0.9 percentage points (41.1%⇒42.0%)

· due to the drug price revision.

● R&D Ratio : decreased 2.7 percentage points (13.6%⇒10.9%)

· ¥3.6bln⇒¥3.0bln -¥0.6bln

· The effect of the increased due to Last year of project progress.

● SG&A Ratio (excluding R&D expenses) : decreased 1.8 percentage points

· ¥9.9bln⇒¥9.8bln -¥0.1bln

(37.1%⇒35.3%)

■ Net Income ¥2.6bln (+ 0.8)

Main Product Sales Update

(Units: ¥ billion)

Product name		Interim term		Full term		First quarter (April 1 to June 30)				
		Sep/2015	Sep/2016 (forecast)	Mar/2016	Mar/2017 (forecast)	Jun/2015	Jun/2016	YoY change (%)	Progress to Interim term forecast(%)	Progress to Full term forecast(%)
Sales of new ethical drugs (Japan)	Kipres (LT receptor antagonist)	18.8	17.6	44.1	33.3	9.5	9.9	+4.6%	56.3%	29.7%
	Flutiform (Anti-asthmatic)	3.0	5.4	7.2	12.9	1.5	2.3	+48.6%	42.4%	17.7%
	Uritos (Kyorin) (Overactive bladder)	3.7	3.6	7.5	7.8	1.9	2.0	+4.6%	54.1%	25.1%
	Mucodyne (Mucoregulant)	5.9	4.8	13.0	10.8	3.2	2.4	-25.3%	48.6%	21.9%
	Pentasa (Ulcerative colitis and Crohn's diseasetreatment)	8.1	7.4	16.1	15.8	4.1	4.0	-1.5%	53.5%	25.2%
	Desloratadine(INN) (allergic rhinitis)	—	—	—	1.9	—	—	—	—	—
Over-the- counter drugs	Milton (Disinfectant)	1.0	1.0	2.1	2.1	0.5	0.5	+4.3%	49.7%	24.4%

Main R&D Activities -1 (as of July 29 2016)

Ph III ~ Application submitted

※Changes from the previous announcement(May 12 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	-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	

for reference

Stage	Compound/ Code	Therapy area/Action	Features	Comments
Application submitted by MSD K.K. (10/2015)	Desloratadine	allergic rhinitis, hives, itching resulting from skin diseases (eczema/dermatitis, pruritus cutaneous)	second generation histamine H1-receptor antagonist	※ Revised the co-marketing agreement with MSD, to be exclusively marketed by Kyorin (5/2016) ※ Kyorin Pharmaceutical and Kaken Pharmaceutical signed a Contract for the co-promotion (7/2016)

Main R&D Activities -2 (as of July 29 2016)

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 (as of July 29 2016)

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 first Quarter Ending March 31, 2017

Sales, Profit or Loss of each report segment

(Units:¥ billion)	Sales	Year on Year	Profit	Year on Year
total	27.7	+1.1	3.2	+1.0
Ethical drugs business	26.4	+1.1	3.1	+1.0
◆Sales of new ethical drugs	21.8	+0.3		
●Japan	21.7	+0.4		
●Overseas	0.1	- 0.1		
◆Generic drugs	4.6	+0.8		
Healthcare business	1.3	0	0.0	+0.1
Amount of adjustment	—	—	0.1	0

(Note) The details of the Sales Segment have been changed from the first quarter 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.

Consolidated Financial Results for the first Quarter ending March 31, 2017

(Units: ¥million)	Interim term		Full term		First quarter (April 1 to June 30)					
	Sep/2015	Sep/2016 (forecast)	Mar/2016	Mar/2017 (forecast)	Jun/2015	Jun/2016	Change	YoY change (%)	Progress to interim term forecast (%)	Progress to full term forecast (%)
Sales	52,386	53,900	119,483	120,000	26,567	27,707	+1,140	+4.3%	51.4%	23.1%
Ethical drugs business	49,741	51,200	113,970	114,000	25,315	26,412	+1,097	+4.3%	51.6%	23.2%
◆Sales of new ethical drugs	42,357	41,800	98,506	92,400	21,499	21,805	+306	+1.4%	52.2%	23.6%
●Japan	41,762	41,500	92,920	88,500	21,309	21,741	+432	+2.0%	52.4%	24.6%
●Overseas	594	300	5,586	3,800	189	64	-125	-66.1%	21.3%	1.7%
◆Generic drugs	7,383	9,300	15,465	21,500	3,816	4,606	+790	+20.7%	49.5%	21.4%
Healthcare business	2,645	2,700	5,512	6,000	1,252	1,295	+43	+3.4%	48.0%	21.6%
Operating income	4,099	3,900	19,636	14,500	2,173	3,244	+1,071	+49.2%	83.2%	22.4%
Ordinary income	4,266	4,200	19,995	14,900	2,316	3,485	+1,169	+50.5%	83.0%	23.4%
Net income	2,967	3,000	13,639	10,700	1,757	2,580	+823	+46.9%	86.0%	24.1%