

IR Meeting

Fiscal 2015

(Year Ended March 31, 2016)

KAKEN PHARMACEUTICAL CO., LTD.

Comments:

- **The assumptions made in this document are based on available data current at May 2016 and on the rationale of Kaken Pharmaceuticals.**
- **Preceding the launch of any new drug, much time and money is spent on development. Drug development is based on numerous trials which test for effectiveness and safety. The development of some drugs is abandoned during this process.**
- **The “Development Status” is based on the development plans available in May 2016. Accordingly, the status may change in accordance with progress in the development plans.**
- **These financial highlights may not be in accordance with normal U.S. and international accounting standards.**

Corporate Data

(As of March 31, 2016)

- **KAKEN PHARMACEUTICAL CO., LTD.**
- **President** Tetsuo Onuma
- **Incorporated** March 1, 1948
- **Total Assets** 132,991 million yen
- **Paid-in Capital** 23,853 million yen
- **Shareholders' Equity** 87,568 million yen
- **Business** Production and marketing of pharmaceuticals including medical devices and agrochemicals
Rental of real estate holdings
(Sales: Pharmaceuticals including medical devices : 91.2%,
Agrochemicals: 5.1%, Real estate: 2.1%, and Others: 1.6%)
- **Directory** 8 Branch offices and 62 sales offices, Drug Research Center, CMC Center, Shizuoka Factory
- **Employees** 1,451 (Consolidated)
(Sales and marketing: 925, R&D: 248, Production: 129)
- **Shareholders** 11,565 (unit amount shares: 10,303)
(individuals: 16.4%, financial institutions: 27.6%,
domestic corporations: 12.1%, overseas investors: 27.1%)
- **Subsidiaries** Kaken Pharma Co., Ltd.

Main Points for Fiscal 2015 (ended March 31, 2016)

- **Achieved record net sales, operating income and net income**
 - Net sales exceeded ¥100.0 billion for the first time
 - Clenafin made contribution to increased net sales and reduced cost percentage
- **Fourteenth consecutive year of increased dividends**
 - Annual dividends up 28.00 yen per share
(Annual dividends per share is shown on a post-share consolidation basis.)
 - Common year-end dividends up 18.00 yen per share
 - Commemorative dividends of 10.00 yen per share

Consolidated Performance in FY2015 (ended March 31, 2016)

(Millions of yen, rounded down)

	FY2014	FY2015	Change	Change (%)
Net sales	93,889	109,730	15,840	116.9
Operating income	20,631	35,146	14,515	170.4
Ordinary income	20,394	35,365	14,971	173.4
Income before income taxes	18,611	35,292	16,680	189.6
Net income	12,122	21,143	9,020	174.4

- **Revenue increased and profits significantly increased**

Clenafin and Jublia sales made contribution to increased revenue and earnings

Reduced cost percentage (47.7% → 43.4%)

- **Selling, general and administrative expenses: 26,490 million yen**

*Decreased 2,014 million yen from previous year

- R&D expenses: 5,883 million yen

*Decreased 1,731 million yen from previous year

- **Fourteenth consecutive year of increased earnings**

Breakdown of Consolidated Net Sales

(Millions of yen, rounded down)

	FY2014	FY2015	Change	Change (%)
Pharmaceuticals and medical devices (sales to medical institutions)	78,338	90,849	12,510	116.0
Agrochemicals	5,472	5,620	147	102.7
Real estate rental	2,429	2,338	-90	96.3
Other	7,649	10,921	3,272	142.8
Sales of Jublia*	3,318	5,722	2,403	172.4
Total	93,889	109,730	15,840	116.9

(* including sales of API and finished product, royalty revenue and milestone revenue) 5

Trend in SG&A expenses

(Millions of yen, rounded down)

	FY2012	FY2013	FY2014	FY2015
Net sales	87,054	88,946	93,889	109,730
SG&A expenses	27,474	27,907	28,504	26,490
R&D expenses	6,302	7,045	7,615	5,883
SG&A expenses, excluding R&D expenses	21,171	20,861	20,889	20,606
Ratio against net sales	24.3%	23.5%	22.2%	18.8%

Consolidated Balance Sheets

(Assets)

(Liabilities and net assets)

(Millions of yen, rounded down)

	FY2014	FY2015	Change		FY2014	FY2015	Change
Current assets	69,016	88,991	19,975	Current liabilities	30,369	33,861	3,491
Non-current assets	46,118	43,999	-2,118	Non-current liabilities	7,665	9,255	1,589
Total assets	115,135	132,991	17,856	Total liabilities	38,035	43,116	5,081
				Total net assets	77,100	89,875	12,775

Major Changes (Millions of yen, rounded down)

- ◆ **Assets:** Cash and cash equivalents: 41,744 million yen (+16,976)
Property, plant and equipment : 26,726 million yen (+764)
- ◆ **Liabilities:** Interest-bearing debt: 3,875 million yen (-320)
- ◆ **Net assets:** Retained earnings: 68,609 million yen (+15,676)
Treasury stock: 16,301 million yen

* Deductible items in net assets on the balance sheet

Consolidated Cash Flows

(Millions of yen, rounded down)

	FY2014	FY2015	Change
Net cash provided by (used in) operating activities	14,737	27,067	12,329
Net cash provided by (used in) investing activities	473	-4,105	-4,579
Net cash provided by (used in) financing activities	-7,900	-5,984	1,916
Cash and cash equivalents at end of period	24,767	41,744	16,976

* **Net cash provided by (used in) operating activities:**

Income before income taxes: 35,292 million yen

* **Net cash provided by (used in) investing activities:**

Purchase of property, plant and equipment: 3,124 million yen

* **Net cash provided by (used in) financing activities:**

Cash dividends paid: 5,463 million yen

Sales Breakdown of Pharmaceuticals and Medical Devices

(Millions of yen, rounded down)

	FY2013	FY2014	Change (%)
Artz	30,259	30,760	101.7
Clenafin	6,857	19,868	289.7
Seprafilm	10,791	11,262	104.4
Lipidil	4,373	4,526	103.5
Fiblast Spray	3,511	3,617	103.0
Generic products (total)	12,380	13,292	107.4

- **Artz**

Results were robust due to strengthened measures toward expanding market share while promoting intra-function hyaluronic acid injection as an only agent for improving joint function

- **Clenafin**

Showed steady growth due to increase recognition among dermatologists as a new choice for treating nail fungus

- **Seprafilm**

Easy-to-use sized new product gaining recognition, and its application was expanded into small incisional wounds

- **Lipidil**

Gradually increased awareness of the benefits for the patients with diabetic dyslipidemia

- **Fiblast Spray**

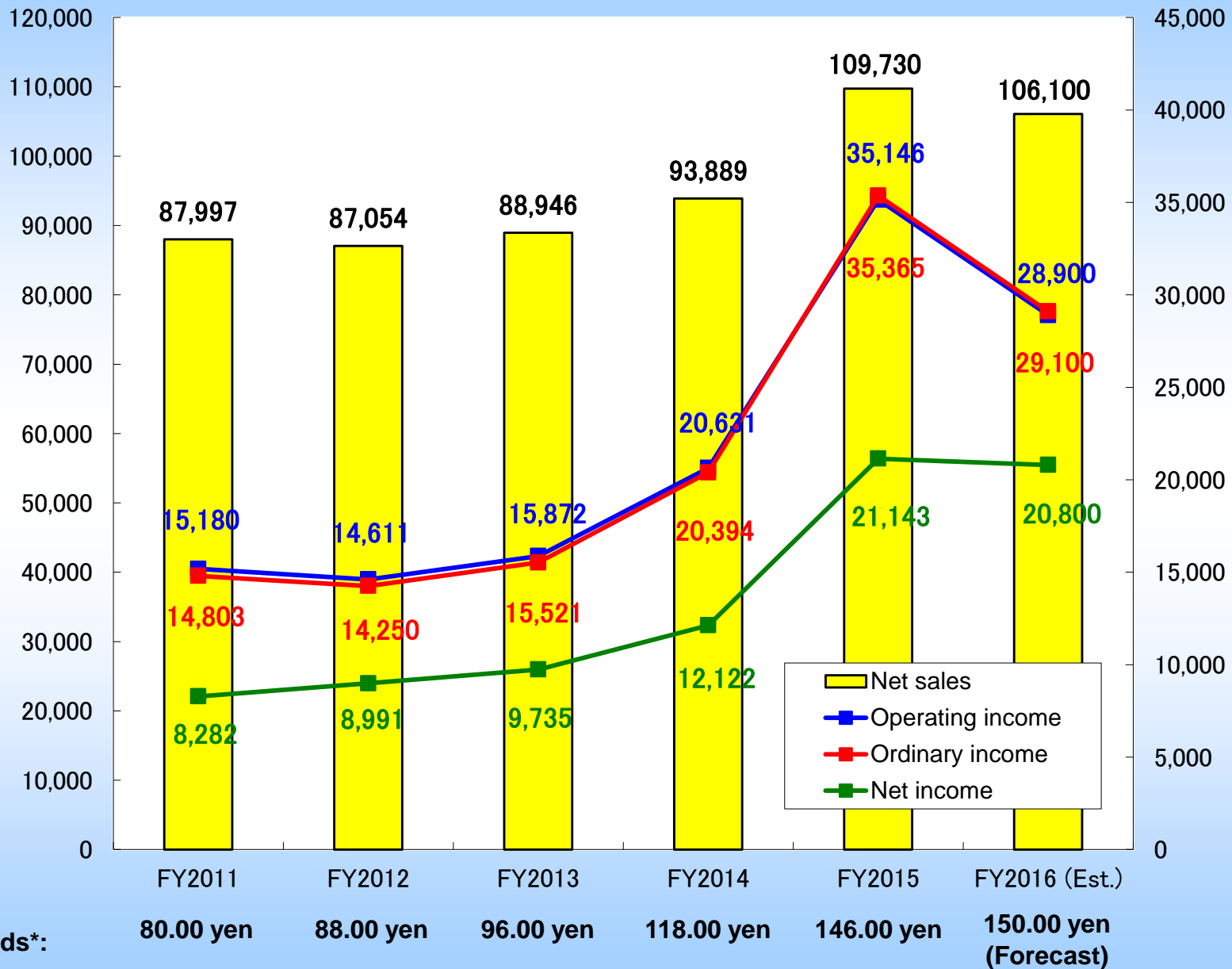
Increased awareness of the benefits due to a high evaluation of the guideline for treatment of burn injuries

- **Generic products (total)**

New products contributed to an increase in sales in addition to the growth of the current range of products

Consolidated Performance

(Millions of yen)



* Common shares were consolidated in the ratio of 1 share for every 2 shares as of October 1, 2015. Annual dividends per share is shown on a post-share consolidation basis.

Development Status

	Product	Indication	Stage	Remarks
1	KCB-1D	Periodontitis	Filed	bFGF
2	KAG-308	Ulcerative colitis	PII	Developed jointly with Asahi Glass Co., Ltd.; Oral-use prostaglandin analog
3	BBI-4000	Primary focal hyperhidrosis	Preparing for PII	Licensed from Brickell Biotech, Inc.; Topical anticholinergic
4	SI-657	Enthesopathy	Development abandoned	Developed jointly with Seikagaku Corporation; Additional indication for ARTZ

Consolidated Performance Forecast for FY2016 (ending March 2016)

(Millions of yen, rounded down)

	FY2015	FY2016 (Est.)	Change	Change (%)
Net sales	109,730	106,100	-3,630	96.7
Operating income	35,146	28,900	-6,246	82.2
Ordinary income	35,365	29,100	-6,265	82.3
Income before income taxes	35,292	29,000	-6,292	82.2
Net income	21,143	20,800	-343	98.4

- **Decrease both its revenue and earnings**
The change rate by the NHI drug price revision was Mid 5% range
- **Selling, general and administrative expenses: 30,800 million yen**
*Increased 4,310 million yen from previous year
 - R&D expenses: 10,200 million yen
*Increased 4,317 million yen from previous year
- **Dividends up for fifteenth straight year**
Annual dividends : 150.00 yen per share

Sales Forecast for Pharmaceuticals and Medical Devices

(Millions of yen, rounded down)

	FY2015	FY2015 (Est.)	Change (%)
Artz	30,760	29,300	95.3
Clenafin	19,868	23,800	119.8
Seprafilm	11,262	11,500	102.1
Lipidil	4,526	4,300	95.0
Fiblast Spray	3,617	3,700	102.3
Generic products (total)	13,292	12,700	95.5

- **Artz**

Continuing strengthening of information provision as the first choice for knee osteoarthritis and pursuing growth in the entire hyaluronic acid market

- **Clenafin**

Promoting product characteristics, especially its safety and efficacy, and ensuring that dermatologists see it favorably

- **Seprafilm**

Expanding market coverage to include gastroenterology and obstetrics / gynecology, especially with new size product

- **Lipidil**

Working to expand further by using information from lipid guidelines and Guidelines for the Treatment of Diabetes

- **Fiblast Spray**

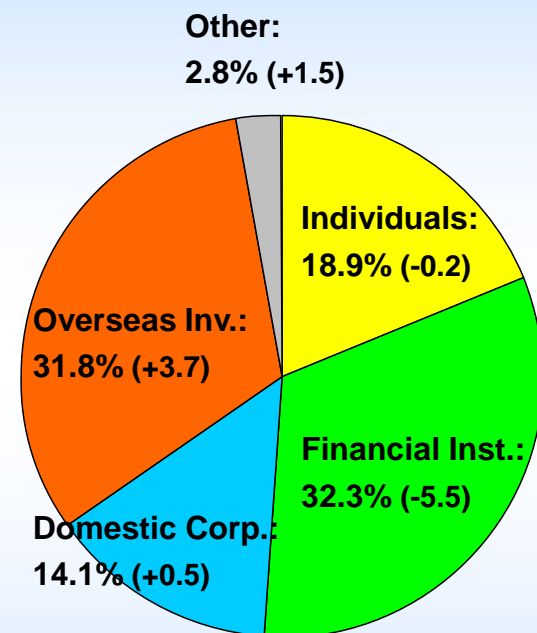
Strengthening information services for dermatology and plastic surgery, especially in burn cases, with information from wound guidelines

- **Generic products (total)**

Centered on products launched in December of last year, focused on further penetration of existing products

Major Shareholders (at March 31, 2016)

	Shareholders	No. of shares (thousands)	Ratio of voting rights (%)
1	Toray Industries, Inc.	2,294	5.6%
2	The Norinchukin Bank	1,843	4.5%
3	Mizuho Bank, Ltd.	1,474	3.6%
4	Japan Trustee Services Bank, Ltd. (Trust Ac.)	1,375	3.3%
5	The Master Trust Bank of Japan, Ltd. (Trust Ac.)	1,185	2.9%
6	KYORIN Pharmaceutical Co., Ltd.	852	2.1%
7	Nippon Life Insurance Company	680	1.6%
8	Kaken Pharmaceutical Employee Stock Ownership Association	635	1.5%
9	Kyoei Fire & Marine Insurance Co., Ltd.	624	1.5%
10	MSCO CUSTOMER SECURITIES	561	1.4%



* Treasury stock: 7,033 thousand shares

Medium-term business plan 2018

◎ Target figures for Fiscal 2018

Consolidated net sales : 110 billion yen

◎ Priority measures

- ① **Putting R&D pipeline enhancement as the foremost priority, and allocating management resources as much as possible**
- ② **Work to maximize value of Clenafin and new products, while for existing products, work toward strengthening marketing bases and efficiency**
- ③ **Work to foster personnel with strong creativity, fitting for a era of change**