

IR Meeting

Financial Results for 2nd Quarter of Fiscal 2016

(Six Months Ended September 30, 2016)

Kaken Pharmaceutical Co., Ltd.

Comments:

- **The assumptions made in this document are based on available data current at November 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 November 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.**

Consolidated Performance in FY2016

(ended September 30, 2016)

(Millions of yen, rounded down)

	Six-Months Period of FY2015	Six-Months Period of FY2016	Change	Change (%)
Net sales	54,973	52,179	-2,793	94.9
Operating income	18,443	16,123	-2,319	87.4
Ordinary income	18,573	16,238	-2,335	87.4
Income before income taxes	18,523	16,173	-2,350	87.3
Net income	12,483	11,446	-1,037	91.7

- **Decrease revenue by 5.1%**
 - Impact of the NHI drug price revision
 - Termination of EMPYNASE sales
 - Decrease in Jublia-related revenue
- **Cost rate remained about the same level**
(42.6% → 42.7%)
- **Selling, general and administrative expenses: 13,774 million yen**
R&D expenses: 3,627 million yen (First half of FY2015 : 2,965 million yen)
- **Interim dividends: 75.00 yen**

Consolidated Balance Sheets

(Assets)

(Liabilities and net assets)

(Millions of yen, rounded down)

	As of Mar. 31, 2016	As of Sept. 30, 2016	Change		As of Mar. 31, 2016	As of Sept. 30, 2016	Change
Current assets	88,991	87,134	-1,856	Current liabilities	33,861	28,224	-5,636
Noncurrent assets	43,999	44,513	513	Noncurrent liabilities	9,255	8,686	-568
Total assets	132,991	131,648	-1,343	Total liabilities	43,116	36,911	-6,205
				Total net assets	89,875	94,736	4,861

Major Changes (Millions of yen, rounded down)

- ◆ **Assets:** Cash and cash equivalents: 38,562 million yen
- ◆ **Liabilities:** Interest-bearing debt: 3,875 million yen
- ◆ **Net assets:** Retained earnings: 76,826 million yen (+8,217 million yen)
Treasury stock: 19,807 million yen (+3,506 million yen; Deductible items in net assets)

Consolidated Cash Flows

(Millions of yen, rounded down)

	Six-Months Period of FY2015	Six-Months Period of FY2016
Net cash provided by (used in) operating activities	10,551	5,699
Net cash provided by (used in) investing activities	-1,754	-2,151
Net cash provided by (used in) financing activities	-2,821	-6,729
Cash and cash equivalents at end of period	30,742	38,562

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

Income before income taxes: 16,173 million yen

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

Purchase of property, plant and equipment: 1,247 million yen

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

Purchase of treasury stock: 3,506 million yen

Cash dividends paid: 3,223 million yen

Breakdown of Consolidated Net Sales

(Millions of yen, rounded down)

	Six-Months Period of FY2015	Six-Months Period of FY2016	Change	Change (%)
Pharmaceuticals and medical devices (sales to medical institutions)	45,966	44,518	-1,447	96.9
Agrochemicals	2,080	2,384	304	114.6
Real estate rental	1,178	1,190	12	101.0
Other	5,747	4,085	-1,661	71.1
Sales of Jublia*	3,474	1,331	-2,143	38.3
Total	54,973	52,179	-2,793	94.9

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

Sales Breakdown of Pharmaceuticals and Medical Devices

(Millions of yen, rounded down)

	Six-Months Period of FY2015	Six-Months Period of FY2016	Change (%)
Artz	15,659	14,955	95.5
Clenafin	9,804	11,639	118.7
Seprafilm	5,641	5,536	98.1
Lipidil	2,237	2,227	99.5
Fiblast Spray	1,816	1,846	101.6
Generic products (total)	6,584	5,984	90.9

- **Artz**

Sales volume increased due to the strengthening of information provision activities with the launch of new products, though revenue decreased due to the NHI drug price revision

- **Clenafin**

Sales continued to increase due to the further understanding of the product's efficacy as a topical formulation for Onychomycosis

- **Seprafilm**

Strengthened provision of information, such as that of the easy-to-use sized new product, to respond to the increase in laparoscopic surgery

- **Lipidil**

Sales volume grew due to the increased awareness of the benefits for patients with diabetic dyslipidemia, nearly offsetting the impact of the NHI drug price revision

- **Fiblast Spray**

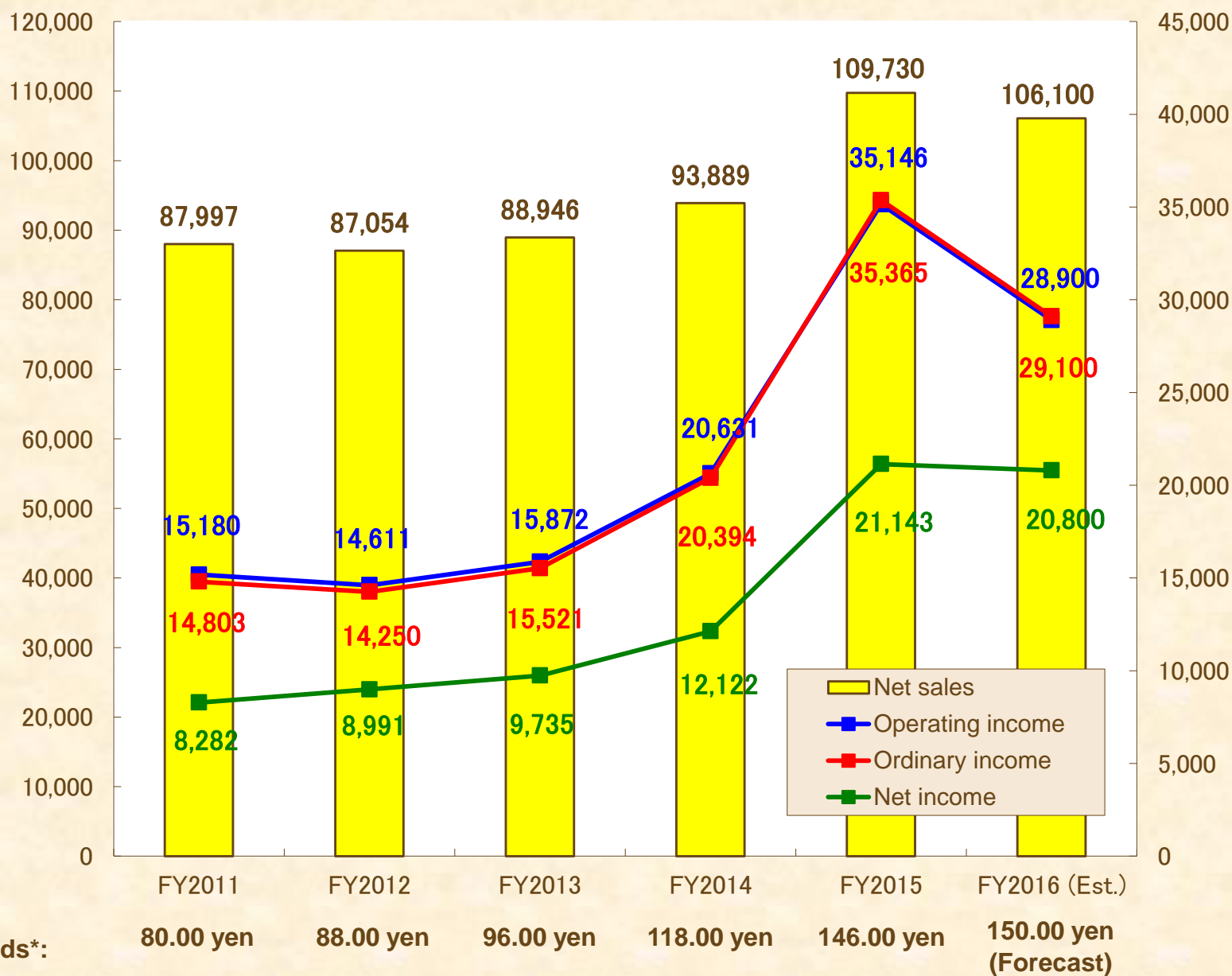
With the increased awareness of the Guidelines for treatment of burn Injuries, the significance of the product's usage has gained more recognition

- **Generic products (total)**

Sales volume of certain products increased, though overall revenue decreased due to the NHI drug price revision

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.

Topics ~Measures toward further growth~

- Acquired regulatory approval for the manufacturing and sale of "REGROTH," a medicinal product for periodontal regeneration**
- Licensed "CLENAFIN," a topical formulation for Onychomycosis, to Dong-A St Co., Ltd., South Korea**
- Co-promoting "DESALEX," an anti-allergic therapeutic agent, with Kyorin Pharmaceutical**
- "KMW-1 (NexoBrid)," a medicinal product for the removal of eschar with thermal burns, was licensed from MediWound Ltd.**

Development Status

	Code	Indication	Stage	Remarks
1	KAG-308	Ulcerative colitis	PII	Developed jointly with Asahi Glass Co., Ltd.; Oral-use prostaglandin analog
2	BBI-4000	Primary focal hyperhidrosis	Preparing for PII	Licensed from Brickell Biotech, Inc.; Topical anticholinergic
3	KMW-1	Removal of eschar with thermal burns	Preparing for clinical trial	Licensed from MediWound Ltd.; Topically-applied enzymatic product Overseas product name : NexoBrid

Consolidated Performance Forecasts for FY2016

(ending March 31, 2017)

(Millions of yen, rounded down)

	FY2015	FY2016 Forecasts	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

- The full-year performance forecasts remain the same as earlier forecasts
- **Selling, general and administrative expenses: 30,800 million yen**
R&D expenses: 10,200 million yen
- **Plan to declare a year-end dividend of 75.00 yen per share, resulting in total annual dividends of 150.00 yen per share (dividends up for fifteenth straight year)**

Sales Forecasts for Pharmaceuticals and Medical Devices

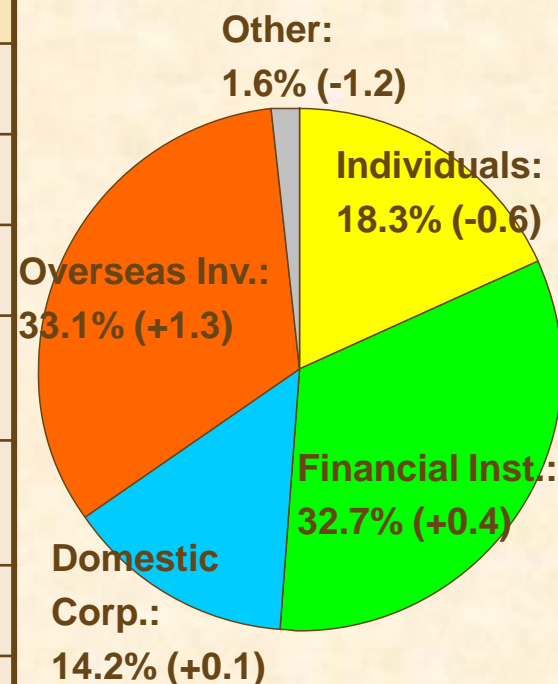
(Millions of yen, rounded down)

	FY2015	FY2016 Forecasts	Change (%)
Artz	30,760	29,300	95.3
Clenafin	19,868	23,800	119.8
Seprafilm	11,262	11,400	101.2
Lipidil	4,526	4,400	97.2
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**
Appeal to the market on the product's efficacy as a topical formulation, and further enhance its recognition from dermatologists, as well as strive to discover new patients
- **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 with information from wound guidelines
- **Generic products (total)**
Strive towards an early expansion of new products set to launch in December, as well as further Promotion of existing products

Major Shareholders (As of September 30, 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.)	1,397	3.4%
5	The Master Trust Bank of Japan, Ltd. (Trust Ac.)	1,174	2.9%
6	KYORIN Pharmaceutical Co., Ltd.	852	2.1%
7	THE CHASE MANHATTAN BANK 385036	693	1.7%
8	Nippon Life Insurance Company	680	1.7%
9	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC SECURITIES /UCITS ASSETS	651	1.6%
10	Kaken Pharmaceutical Employee Stock Ownership Association	620	1.5%



* Treasury stock: 7,567 thousand shares