

November 7, 2016

**Consolidated Financial Results for the Second Quarter of Fiscal 2016
(Six-Month Period Ended September 30, 2016) [JGAAP]**

Listed company name: KAKEN PHARMACEUTICAL Co., Ltd. Listing: Tokyo Stock Exchange First Section
Stock code number: 4521 (URL: <http://www.kaken.co.jp>)

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Scheduled Date to Submit the Quarterly Securities Report: November 11, 2016
Scheduled Date to Commence Dividends Payment: November 30, 2016
Availability of supplementary briefing material on quarterly results: Available
Schedule of quarterly results briefing session: Scheduled (for institutional investors and analysts)

(Figures less than one million yen have been omitted)

1. Consolidated Financial Results for the Six-Month Period of Fiscal 2016 (April 1, 2016 to September 30, 2016)

(1) Consolidated Results of Operations (cumulative)

(Percentage figures indicate changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)
Six-Month period of fiscal 2016	52,179	(5.1)	16,123	(12.6)	16,238	(12.6)	11,446	(8.3)
Six-Month period of fiscal 2015	54,973	24.3	18,443	109.4	18,573	114.1	12,483	121.4

Note:

Comprehensive income:

Six-Month period of fiscal 2016: ¥ 11,597 million (2.6 %)

Six-Month period of fiscal 2015: ¥ 11,308 million (71.2 %)

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Six-Month period of fiscal 2016	278.02	-
Six-Month period of fiscal 2015	301.39	-

* The Company conducted a reverse stock split to consolidate every two shares of common stock into one share on October 1, 2015. Basic earnings per share has been calculated assuming that the reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(Millions of yen)	(Millions of yen)	(%)
As of September 30, 2016	131,648	94,736	72.0
As of March 31, 2016	132,991	89,875	67.6

Reference:

Equity:

As of September 30, 2016: ¥ 94,736 million

As of March 31, 2016: ¥ 89,875 million

2. Dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal 2015	-	34.00	-	78.00	-
Fiscal 2016	-	75.00			
Fiscal 2016 (Forecast)			-	75.00	150.00

Note: Revision to the dividend forecast from recently announced figures: None

* The Company conducted a reverse stock split to consolidate every two shares of common stock into one share on October 1, 2015. The amount from before the reverse stock split is listed in the end of the second quarter, the year-end cash dividends per share for fiscal 2015 is the amount that factors in this reverse stock split, and total annual cash dividends are described as “-.”

Additionally, a breakdown of the year-end cash dividends per share for fiscal 2015 is common dividends of 68.00 yen and commemorative dividends of 10.00 yen.

3. Forecast of Consolidated Results for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Percentage figures indicate changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Full year	106,100	(3.3)	28,900	(17.8)	29,100	(17.7)	20,800	(1.6)	508.90

Note: Revision to the business forecast from recently announced figures: None

* Notes

(1) Significant changes of subsidiaries during the period (Changes of specified subsidiaries followed by changes in the scope of consolidation): None

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies related to amendments of accounting standards, etc.: None

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: Yes

4) Corrections of errors: None

(4) Issued shares (Common stock)

1) Number of shares issued (including treasury stock) at the period end	As of September 30, 2016	48,439,730 shares	As of March 31, 2016	48,439,730 shares
2) Number of treasury stock at the period end	As of September 30, 2016	7,567,505 shares	As of March 31, 2016	7,033,882 shares
3) Average number of shares during the period	Six-Month period of fiscal 2016	41,173,279 shares	Six-Month period of fiscal 2015	41,420,932 shares

* The Company conducted a reverse stock split to consolidate every two shares of common stock into one share on October 1, 2015. The average number of shares during the period have been calculated assuming that the reverse stock split was conducted at the beginning of the previous consolidated fiscal year.

* Status of execution of the quarterly review procedures of financial results:

These quarterly financial results are prepared outside the quarterly review required under the Financial Instruments and Exchange Act. As such, the quarterly review required under the Financial Instruments and Exchange Act have not been completed at the time of the disclosure of these financial results.

* Explanation for the appropriate use of performance forecasts and other special notes:

(Caution regarding forward-looking statements)

The performance forecasts and other descriptions on future events presented in this material are based on information that was available when this material was prepared and based on certain assumptions considered to be reasonable. The actual performance, etc. may differ from these forecasts.

(Obtaining Method of the Supplementary Material for the Quarterly Financial Results)

The supplementary material for the financial results will be available together with the financial results on the Company's website.

4. Consolidated Financial Results for Six-Month Period of Fiscal 2016

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Fiscal 2015 (As of March 31, 2016)	Six-Month Period of Fiscal 2016 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	29,845	29,662
Notes and accounts receivable-trade	29,868	30,219
Securities	11,899	8,899
Merchandise and finished goods	7,399	7,933
Work in process	1,940	2,840
Raw materials and supplies	5,167	4,631
Other	2,870	2,947
Total current assets	88,991	87,134
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	15,441	17,620
Other, net	11,285	9,144
Total property, plant and equipment	26,726	26,765
Intangible assets	371	332
Investments and other assets		
Investment securities	14,400	15,052
Other	2,501	2,363
Total investments and other assets	16,901	17,415
Total noncurrent assets	43,999	44,513
Total assets	132,991	131,648

(Unit: Millions of yen)

	Fiscal 2015 (As of March 31, 2016)	Six-Month Period of Fiscal 2016 (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,256	10,957
Electronically recorded obligations - operating	-	1,458
Short-term loans payable	3,875	3,875
Income taxes payable	8,628	5,227
Provision		
Provision for bonuses	1,313	1,198
Other provision	1,055	404
Other	6,731	5,103
Total current liabilities	33,861	28,224
Noncurrent liabilities		
Net defined benefit liability	8,898	8,332
Other	356	353
Total noncurrent liabilities	9,255	8,686
Total liabilities	43,116	36,911
Net assets		
Shareholders' equity		
Capital stock	23,853	23,853
Capital surplus	11,407	11,407
Retained earnings	68,609	76,826
Treasury stock	(16,301)	(19,807)
Total shareholders' equity	87,568	92,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,423	4,355
Remeasurements of defined benefit plans	(2,117)	(1,897)
Total accumulated other comprehensive income	2,306	2,457
Total net assets	89,875	94,736
Total liabilities and net assets	132,991	131,648

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)
(Six-month period of fiscal 2015 and 2016)

(Unit: Millions of yen)

	Six-Month Period of Fiscal 2015 (April 1, 2015 – September 30, 2015)	Six-Month Period of Fiscal 2016 (April 1, 2016 – September 30, 2016)
Net sales	54,973	52,179
Cost of sales	23,417	22,281
Gross profit	31,555	29,898
Selling, general and administrative expenses		
Salaries	3,753	3,668
Bonuses and provision for bonuses	833	853
Retirement benefit expenses	350	419
Research and development expenses	2,965	3,627
Other	5,209	5,205
Total selling, general and administrative expenses	13,112	13,774
Operating income	18,443	16,123
Non-operating income		
Interest income	6	3
Dividends income	120	152
Other	27	27
Total non-operating income	154	182
Non-operating expenses		
Interest expenses	13	11
Foreign exchange losses	4	48
Other	6	8
Total non-operating expenses	24	68
Ordinary income	18,573	16,238
Extraordinary loss		
Loss on retirement of noncurrent assets	41	47
Loss on sales of golf club memberships	5	17
Other	3	-
Total extraordinary losses	49	64
Income before income taxes	18,523	16,173
Income taxes	6,040	4,726
Net income	12,483	11,446
Net income attributable to owners of the parent	12,483	11,446

(Consolidated statements of comprehensive income)
(Six-month period of fiscal 2015 and 2016)

(Unit: Millions of yen)

	Six-Month Period of Fiscal 2015 (April 1, 2015 – September 30, 2015)	Six-Month Period of Fiscal 2016 (April 1, 2016 – September 30, 2016)
Net income	12,483	11,446
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,289)	(68)
Remeasurements of defined benefit plans	114	219
Total other comprehensive income	(1,175)	150
Comprehensive income	11,308	11,597
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,308	11,597

(3) Consolidated statements of cash flows

(Unit: Millions of yen)

	Six-Month Period of Fiscal 2015 (April 1, 2015 – September 30, 2015)	Six-Month Period of Fiscal 2016 (April 1, 2016 – September 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	18,523	16,173
Depreciation and amortization	1,039	903
Increase (decrease) in net defined benefit liability	(445)	(207)
Interest and dividends income	(127)	(155)
Interest expenses	13	11
Loss on retirement of property, plant and equipment	41	47
Decrease (increase) in notes and accounts receivable-trade	(3,687)	(351)
Decrease (increase) in inventories	(223)	(896)
Increase (decrease) in notes and accounts payable-trade	851	159
Other, net	(1,856)	(1,882)
Subtotal	14,128	13,800
Interest and dividends income received	127	155
Interest expenses paid	(13)	(11)
Income taxes paid	(3,690)	(8,245)
Net cash provided by (used in) operating activities	10,551	5,699
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,616)	(1,247)
Purchase of intangible assets	(33)	(40)
Purchase of investment securities	(1)	(751)
Other, net	(103)	(112)
Net cash provided by (used in) investing activities	(1,754)	(2,151)
Net cash provided by (used in) financing activities		
Net decrease (increase) in treasury stock	(171)	(3,506)
Cash dividends paid	(2,649)	(3,223)
Net cash provided by (used in) financing activities	(2,821)	(6,729)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	5,975	(3,182)
Cash and cash equivalents at beginning of period	24,767	41,744
Cash and cash equivalents at end of period	30,742	38,562