



KAKEN PHARMACEUTICAL CO., LTD.

IR Meeting

Financial Results for 2nd Quarter of Fiscal 2017

(Six Months Ended September 30, 2017)

Comments:

- **The assumptions made in this document are based on available data current at November 2017 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 2017. 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 FY2017

(ended September 30, 2017)

(Millions of yen, rounded down)

	Six-Months Period of FY2016	Six-Months Period of FY2017	Change	Change (%)	Six-Months Period of FY2017 (Est.)※
Net sales	52,179	49,860	- 2,319	95.6	51,100
Cost of sales	22,281	20,899	- 1,381	93.8	-
Selling, general and administrative expenses	13,774	13,625	- 148	98.9	-
R&D expenses	3,627	3,644	17	100.5	-
Operating profit	16,123	15,335	788	95.1	14,700
Ordinary profit	16,238	15,517	- 720	95.6	14,800
Profit before income taxes	16,173	15,481	- 692	95.7	-
Profit	11,446	10,868	- 578	94.9	10,400

※ FY2017(Est) : 10th May 2017

Breakdown of Consolidated Net Sales

(Millions of yen, rounded down)

	Six-Months Period of FY2016	Six-Months Period of FY2017	Change	Change (%)
Pharmaceuticals and medical devices (sales to medical institutions)	44,518	43,180	- 1,338	97.0
Agrochemicals	2,384	1,867	- 516	78.3
Real estate rental	1,190	1,201	10	100.8
Other	4,085	3,611	- 474	88.4
Total	52,179	49,860	- 2,319	95.6

Sales Breakdown of Pharmaceuticals and Medical Devices

(Millions of yen, rounded down)

	Six-Months Period of FY2016	Six-Months Period of FY2017	Change (%)
Artz	14,955	14,820	99.1
Clenafin	11,639	11,849	101.8
Seprafilm	5,536	5,231	94.5
Lipidil	2,227	2,239	100.6
Fiblast Spray	1,846	1,809	98.0
Generic products (total)	5,984	5,953	99.5

Artz: Remained stable due to diversification in treatment
 Clenafin: 104.5%, year on year, for the second quarter alone
 Seprafilm: A new competing product entered the market

Consolidated Balance Sheets / Consolidated Cash Flows

Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of Mar. 31, 2017	As of Sept. 30, 2017	Change
Current assets	90,494	102,780	12,285
Non-current assets	44,565	45,810	1,244
Total assets	135,060	148,590	13,530
Current liabilities	24,020	32,125	8,104
Non-current liabilities	8,384	8,058	- 325
Total liabilities	32,405	40,184	7,778
Total net assets	102,655	108,406	5,751

Major Changes

◆ Assets:

Cash and cash equivalents: 47,530million yen
(+3,763 million yen)

◆ Liabilities:

Interest-bearing debt: 3,875 million yen

◆ Net assets:

Retained earnings: 92,134 million yen
(+7,803 million yen)
Treasury stock: -23,251 million yen
(-3,437 million yen)

Consolidated Cash Flows

	Six-Months Period of FY2016	Six-Months Period of FY2017	Change
Net cash provided by (used in) operating activities	5,699	11,086	5,386
Net cash provided by (used in) investing activities	- 2,151	- 822	1,329
Net cash provided by (used in) financing activities	- 6,729	- 6,500	228
Cash and cash equivalents at end of period	38,562	47,530	8,968

Major Changes

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

Income before income taxes: 15,481million yen

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

Purchase of property, plant and equipment:
497 million yen

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

Purchase of treasury stock: 3,437 million yen
Cash dividends paid: 3,063 million yen

Progress for the first half of FY2017 (ending March 2018)

~Topics~

- Acquired approval and launched “Jublia,” a topical formulation for Onychomycosis, in Korea
- Started collaboration research for drug discovery of new antibody drugs with Numab Therapeutics AG in Switzerland

~Overseas expansion of Clenafin~

Taiwan: Approval under review. Licensed to Tai Tien Pharmaceuticals Co., Ltd., consolidated subsidiary of Mitsubishi Tanabe Pharma Corporation

China: Application for clinical trials accepted by regulatory authorities. Considering licensing partners from multiple candidates concurrently

Hong Kong/ Macao: Negotiating contracts with licensing candidates

~REGROTH, a medicinal product for periodontal regeneration~

A new product for dentistry to be used in operations relating to alveolar bone damage from periodontitis. Provided information to dentists highly-experienced in periodontal surgery and members of academic societies of periodontology.

» » Accumulate evaluations on effectiveness and safety, and promote steady growth

Development Status

Code	Indication	Stage	Remarks
KAG-308	Ulcerative colitis	PII	Developed jointly with Asahi Glass Co., Ltd.; Oral-use prostaglandin analog
BBI-4000	Primary focal hyperhidrosis	PII	Licensed from Brickell Biotech, Inc.; Topical anticholinergic
KMW-1	Removal of eschar with thermal burns	Preparing for PI	Licensed from MediWound Ltd.; Topically-applied enzymatic product Overseas product name : NexoBrid
KP-607	Onychomycosis	Preparing for PI	In-house drug discovery Post Clenafin / Jublia

Consolidated Performance Forecast for FY2017 (ending March 2018)

	FY2016	FY2017 (Est.)	Change	Change (%)
Net sales	101,479	101,700	221	100.2
Operating profit	30,707	26,800	- 3,907	87.3
Ordinary profit	30,981	27,000	- 3,981	87.1
Profit before income taxes	31,092	27,000	- 4,092	86.8
Profit	22,017	19,100	- 2,917	86.8
Selling, general and administrative expenses	26,745	31,200	4,455	116.7
R&D expenses	6,450	10,900	4,450	169.0

Sales Forecast for Pharmaceuticals and Medical Devices

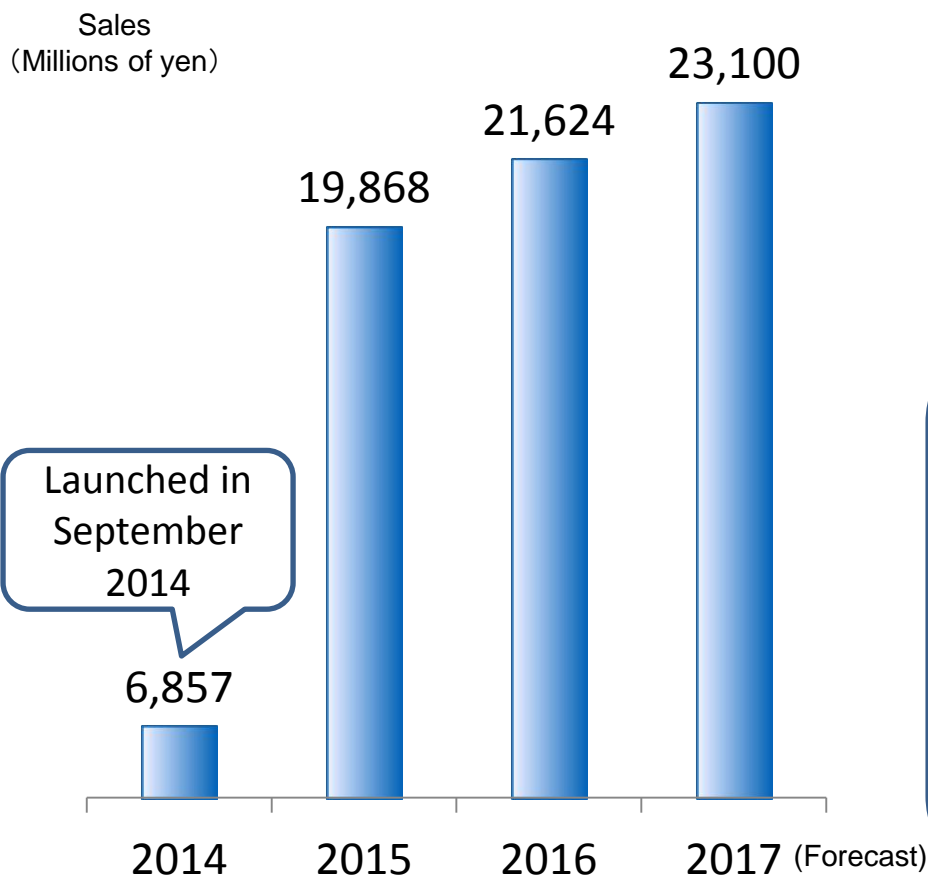
(Millions of yen, rounded down)

	FY2016	FY2017 (Est.)	Change (%)
Artz	28,978	29,700	102.5
Clenafin	21,624	23,100	106.8
Seprafilm	11,036	10,800	97.9
Lipidil	4,430	4,600	103.8
Fiblast Spray	3,700	3,900	105.4
Generic products (total)	11,903	12,200	102.5

Domestic pharmaceuticals and medical devices

Topical onychomycosis treatment

Clenafin



Forecasts for FY2017: 106.8%, year on year

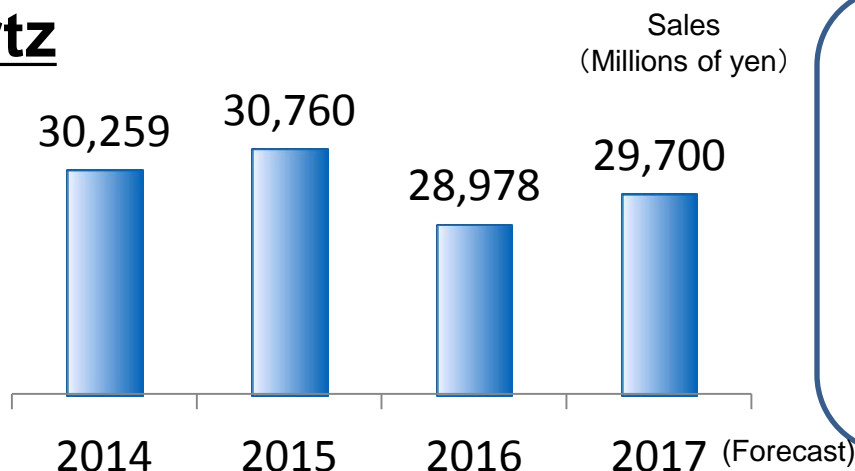
Aim to expand the market by capturing prescription demand from potential patients

- Disease awareness activities for patients (Newspaper ads, public lectures, etc.)
- Strengthen providing information to dermatologists (Hold lectures in various regions for the third anniversary of the product's launch)
- Disease awareness activities targeting doctors in other departments (Recommend diagnostic collaborations with dermatologists)

Domestic pharmaceuticals and medical devices

Anti-osteoarthritis product

Artz

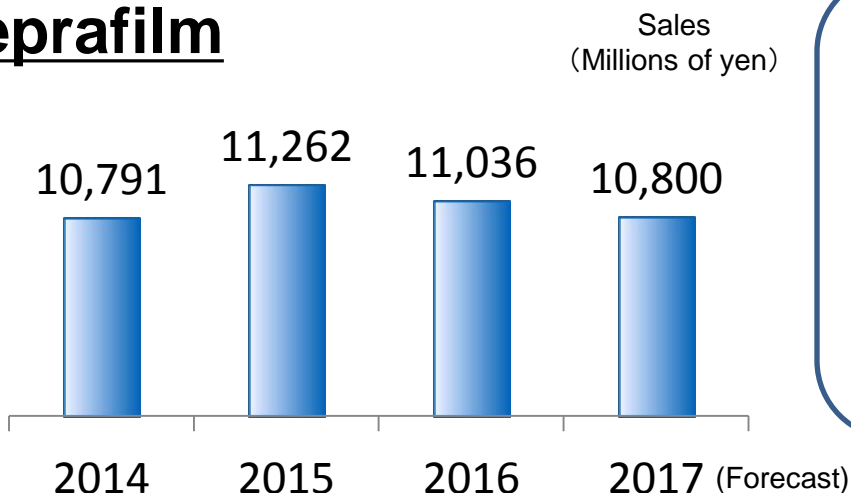


Forecasts for FY2017: 102.5%, year on year

Focus on expanding market share by providing the latest data and evidence accumulated over 30 years since the product's launch.

Anti-adhesive absorbent barrier

Seprafilm



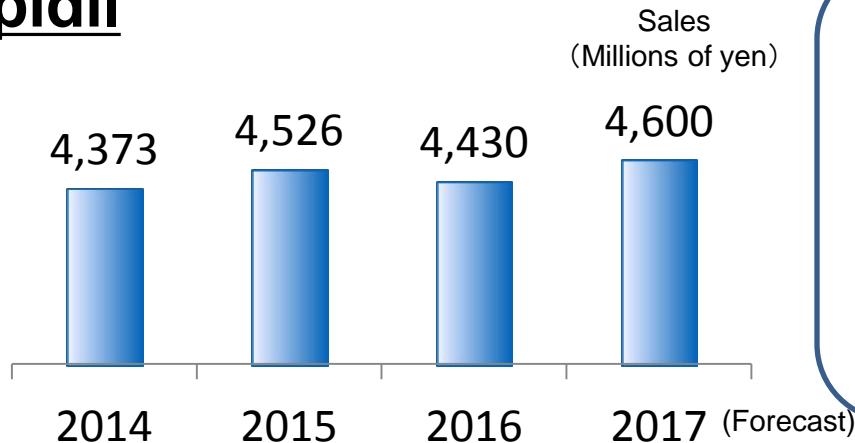
Forecasts for FY2017: 97.9% year on year

Promote understanding of efficacy with much evidence that is absent from competing products, which have entered the market, so as to capture opportunities for market expansion due to their entry.

Domestic pharmaceuticals and medical devices

Anti-hyperlipidemia product

Lipidil

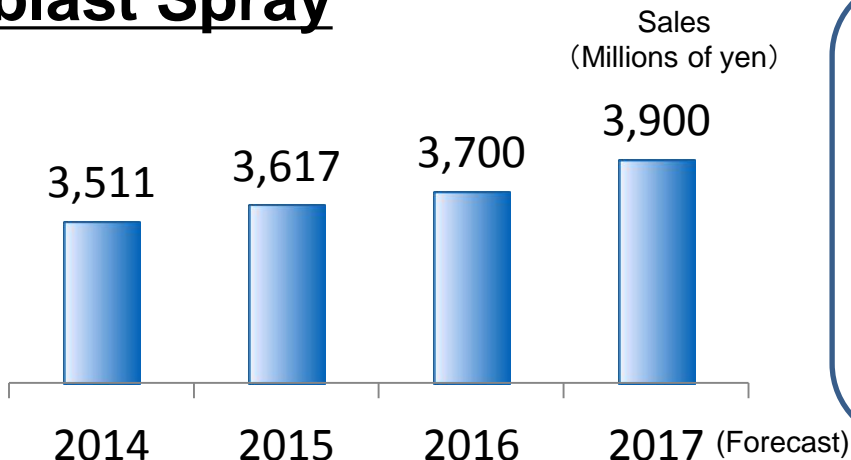


Forecasts for FY2017: 103.8% year on year

Improve understanding of efficacy by employing related guidelines, including the Guidelines for the Treatment of Diabetes 2016.

Wound-healing product

Fiblast Spray

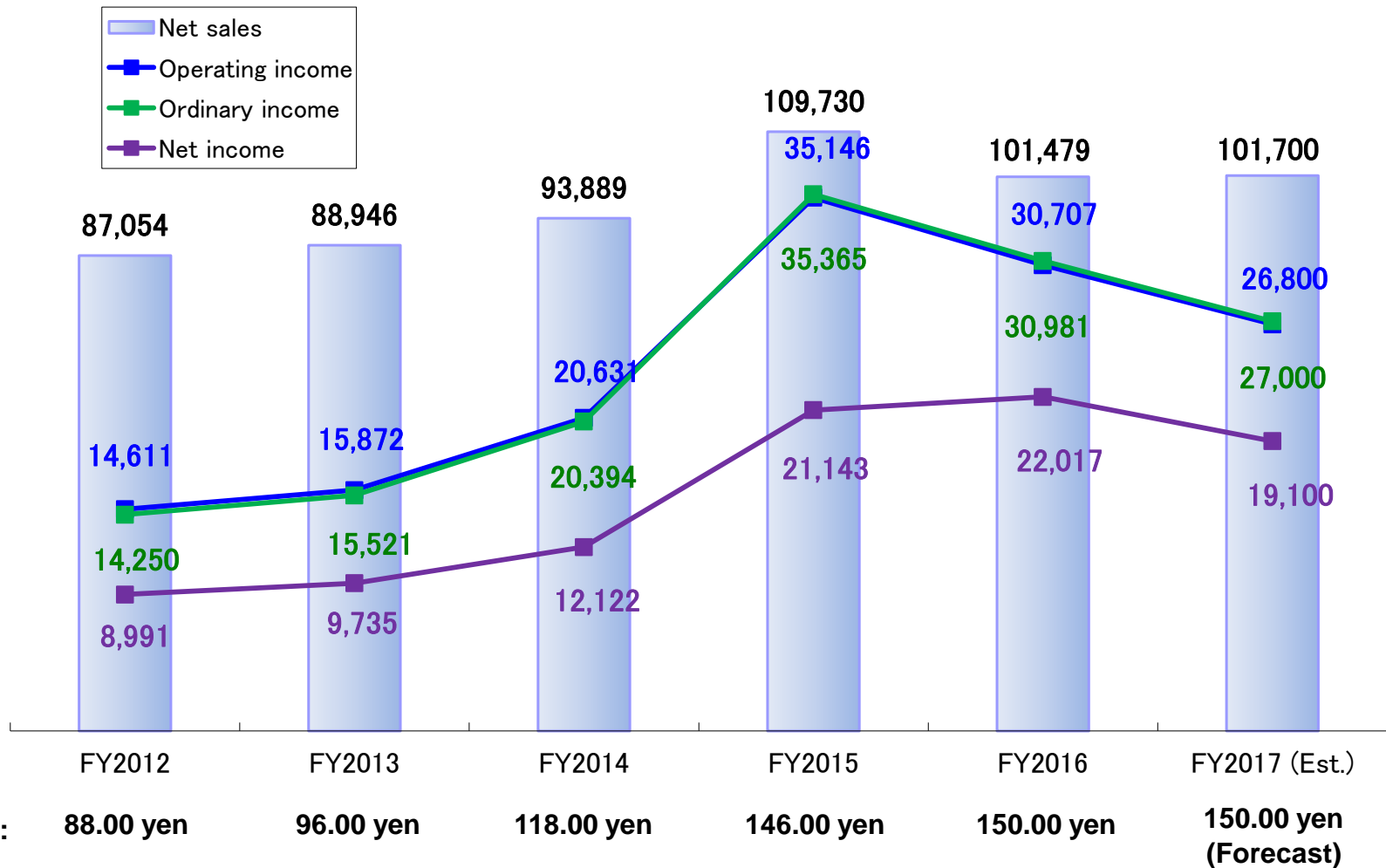


Forecasts for FY2017: 105.4% year on year

The wound/burn guidelines by Japanese Dermatological Association were revised, and the recommendation level of this product for second-degree burn was raised.

Work to expand further by appealing the revised guidelines effectively.

Consolidated Performance



* 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.