



KAKEN PHARMACEUTICAL CO., LTD.

IR Meeting

Fiscal 2017

(Year Ended March 31, 2018)

Comments:

- **The assumptions made in this document are based on available data current at May 2018 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 2018. 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.**

Main Points for Fiscal 2017 (ended March 31, 2018)

- Increase in sales of Clenafin
- Decrease revenue by 3.0% due to strong competition with other products and generic products, and decrease in Jublia-related overseas revenue. Decrease profit due to increased R&D expenses, etc.
- Annual dividends 150.00 yen per share, undertook share buybacks totaling 0.55million shares.

~Topics~

- Licensed "CLENAFIN", a topical formulation for Onychomycosis, to Tai Tien Pharmaceuticals Co. Ltd., Taiwan
- Launched "CLENAFIN" ("Jublia" in Korea)", by Dong-A St Co. Ltd., South Korea
- Started collaboration Research for a multispecific antibody candidate with Numab
- Licensed "KP-470", a new chemical entity, to Valeant Pharmaceuticals

Consolidated Performance in FY2017 (ended March 31, 2018)

(Millions of yen, rounded down)

	FY2016	FY2017	Change	Change (%)	FY2016 (Est.)※	Achieved (%)
Net sales	101,479	98,430	-3,049	97.0	101,700	96.8
Cost of sales	44,539	42,403	-1,623	96.3	43,700	97.0
Selling, general and administrative expenses	26,745	28,530	1,785	106.7	31,200	91.4
R&D expenses	6,450	8,152	1,702	126.4	10,900	74.8
Operating income	30,707	27,496	-3,211	89.5	26,800	102.6
Ordinary income	30,981	27,854	-3,126	89.9	27,000	103.2
Income before income taxes	31,092	27,686	-3,406	89.0	27,000	102.5
Net income	22,017	19,043	-2,974	86.5	19,100	99.7

※ FY2017 (Est) : 10th May 2018

Breakdown of Consolidated Net Sales

(Millions of yen, rounded down)

	FY2016	FY2017	Change	Change (%)
Pharmaceuticals and medical devices (sales to medical institutions)	85,404	82,560	-2,844	96.7
Agrochemicals	5,629	5,639	10	100.2
Real estate rental	2,386	2,407	21	100.9
Other	8,059	7,823	-235	97.1
Total	101,479	98,430	-3,049	97.0

Sales Breakdown of Pharmaceuticals and Medical Devices

(Millions of yen, rounded down)

	FY2016	FY2017	Change (%)
Artz	28,978	28,351	97.8
Clenafin	21,624	22,185	102.6
Seprafilm	11,036	10,162	92.1
Lipidil	4,430	4,208	95.0
Fiblast Spray	3,700	3,616	97.7
Generic products (total)	11,903	11,793	99.1

Artz: Remained stable due to diversification in treatment

Clenafin: Focused on disease awareness activities for potential patients

Seprafilm: New competing products entered the market

Consolidated Balance Sheets / Consolidated Cash Flows

Consolidated Balance Sheets

(Millions of yen, rounded down)

	FY2016	FY2017	Change
Current assets	90,494	105,055	14,560
Non-current assets	44,565	47,362	2,796
Total assets	135,060	152,417	17,357
Current liabilities	24,020	31,401	7,380
Non-current liabilities	8,384	7,141	-1,242
Total liabilities	32,405	38,543	6,137
Total net assets	102,655	113,874	11,219

Major Changes

◆ Assets:

Cash and cash equivalents: 52,694million yen
(+8,927 million yen)

◆ Liabilities:

Interest-bearing debt: 3,875 million yen

◆ Net assets:

Retained earnings: 97,284 million yen
(+12,953 million yen)

Treasury stock: -23,259 million yen
(-3,445 million yen)

Consolidated Cash Flows

	FY2016	FY2017	Change
Net cash provided by (used in) operating activities	15,327	21,703	6,375
Net cash provided by (used in) investing activities	-3,503	-3,245	258
Net cash provided by (used in) financing activities	-9,800	-9,,530	270
Cash and cash equivalents at end of period	43,767	52,694	8,927

Major Changes

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

Income before income taxes: 27,686 million yen

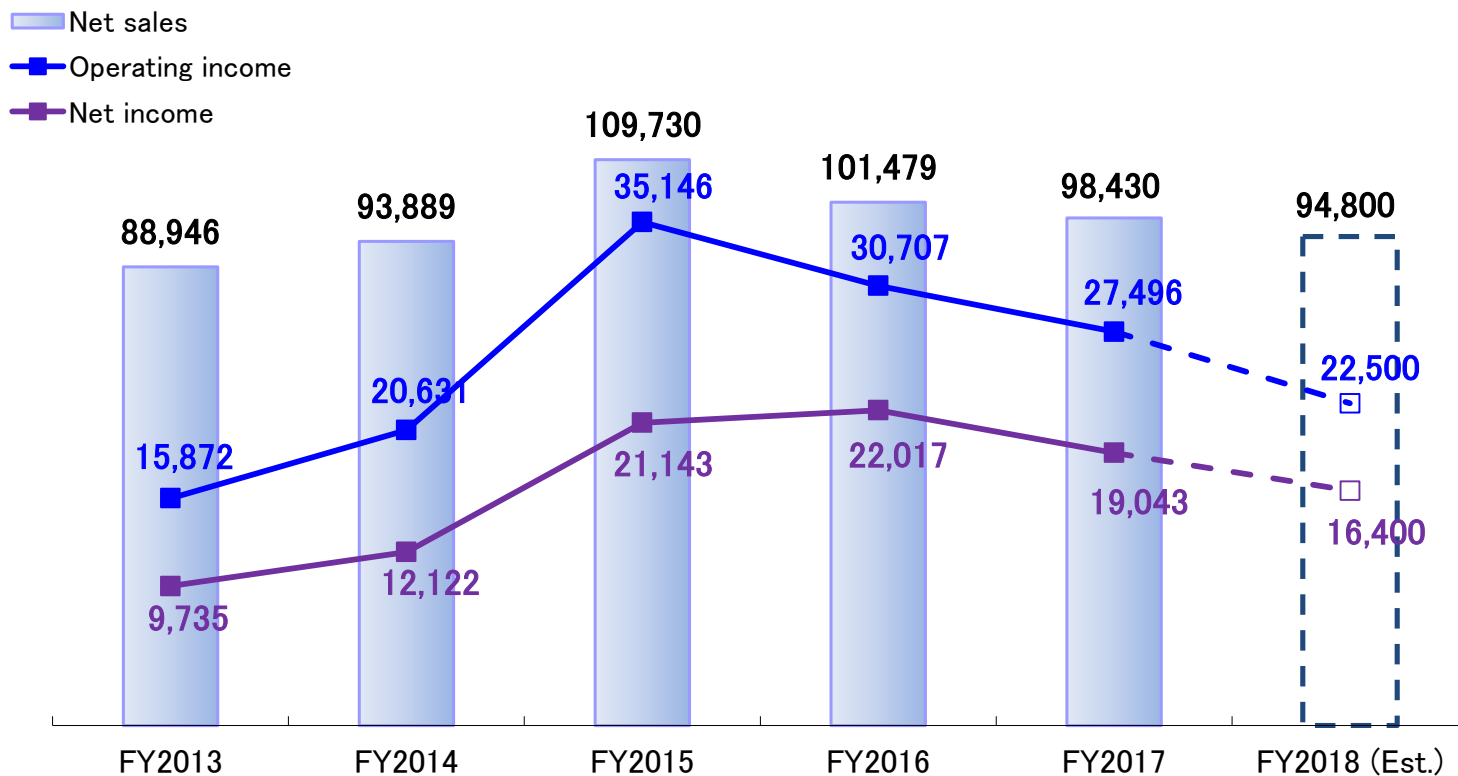
◆ Net cash provided by (used in) investing activities:

Purchase of property, plant and equipment:
1,689 million yen

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

Cash dividends paid: 6,085 million yen

Consolidated Performance



	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Annual Dividends*	96 yen	118 yen	146 yen	150 yen	150 yen	150 yen (Forecast)
ROE	14.5%	16.7%	25.3%	22.9%	17.6%	—

* 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

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

Consolidated Performance Forecast for FY2017 (ending March 2018)

	FY2017	FY2017 (Est.)	Change	Change (%)
Net sales	98,430	94,800	-3,630	96.3
Operating income	27,496	22,500	-4,996	81.8
Ordinary income	27,854	22,800	-5,054	81.9
Income before income taxes	27,686	22,700	-4,986	82.0
Net income	19,043	16,400	-2,643	86.1
Selling, general and administrative expenses	28,530	31,400	2,870	110.1
R&D expenses	8,152	11,700	3,548	143.5

Medium-term business plan 2018

Changes Target Figures: Consolidated net sales 110billion yen → 94.8billion yen

~ Factors behind the revision ~

- Intensified competition (Clenafin•Seprafilm): -10billion yen
- Effect of NHI drug price revision and generic products(Artz and other Long-listed products)
- Decrease in Jublia-related revenue in the U.S.

Sales Forecast for Pharmaceuticals and Medical Devices

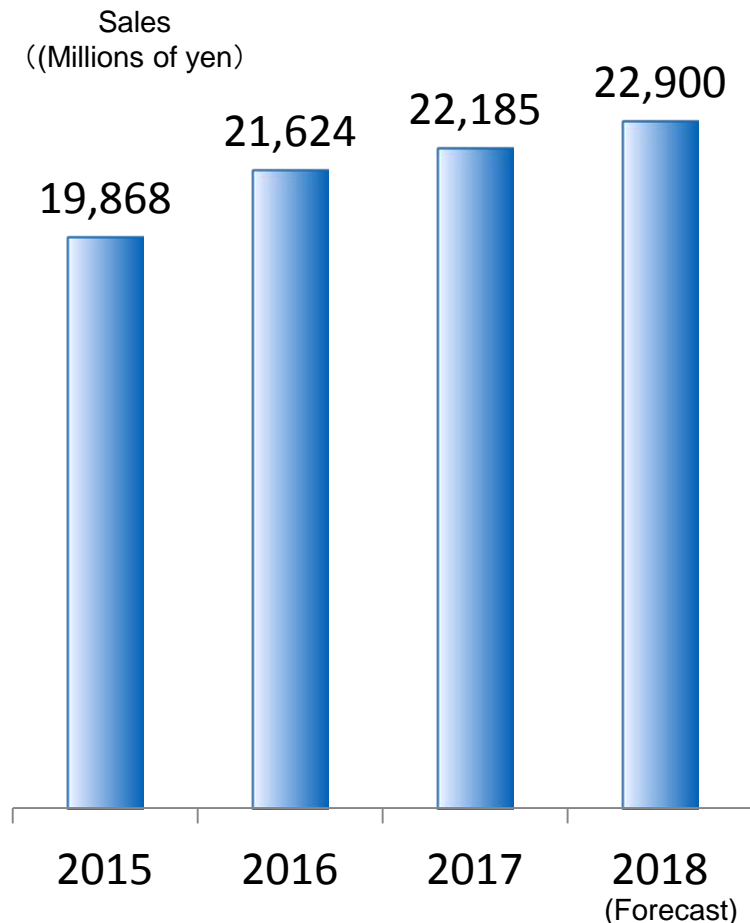
(Millions of yen, rounded down)

	FY2017	FY2018 (Est.)	Change (%)
Artz	28,351	24,800	87.5
Clenafin	22,185	22,900	103.2
Seprafilm	10,162	10,200	100.4
Lipidil	4,208	2,900	68.9
Fiblast Spray	3,616	3,100	85.7
Generic products (total)	11,793	11,200	95.0

Domestic pharmaceuticals and medical devices

Topical onychomycosis treatment

Clenafin



Forecasts for FY2018: 103.2%, year on year

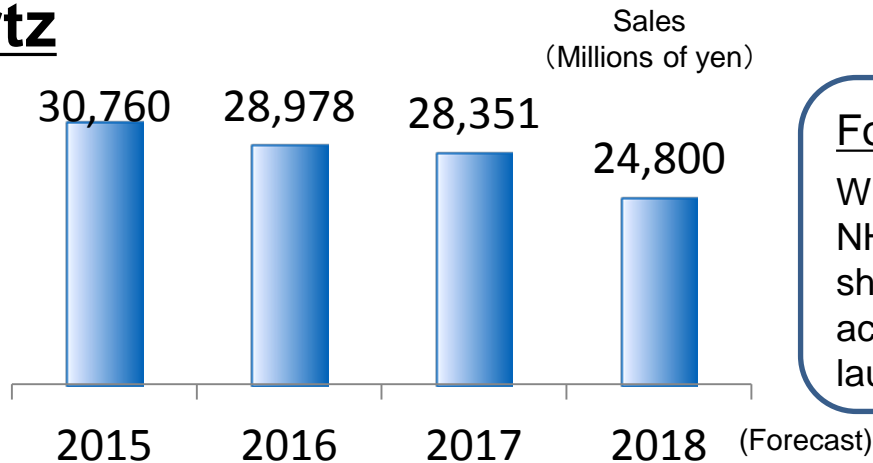
Aim to expand the market by capturing prescription demand from potential patients

- Disease awareness activities for patients (Newspaper ads, put up posters in medical institutions, etc.)
- Strengthen providing information to dermatologists (Focus on explaining difference from competing drugs)
- Disease awareness activities targeting doctors in other departments (Recommend diagnostic collaborations with dermatologists)

Domestic pharmaceuticals and medical devices

Anti-osteoarthritis product

Artz

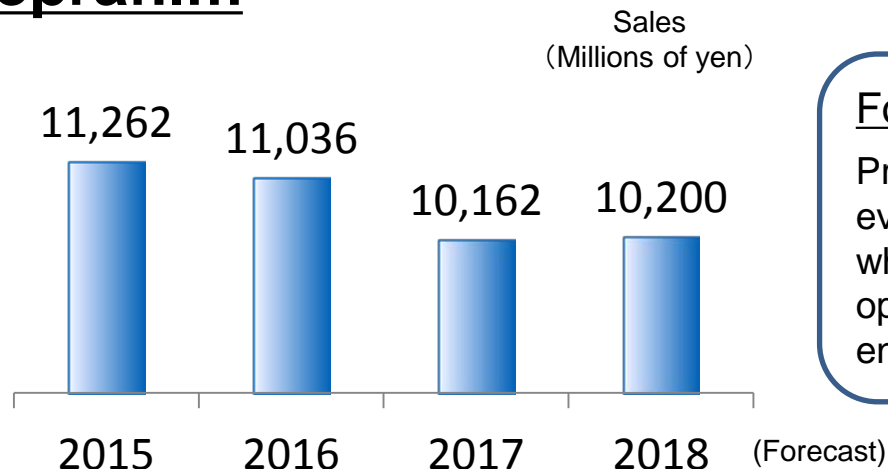


Forecasts for FY2018: 87.5%, year on year

While expected decrease in sales by the effect of NHI drug price revision, 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



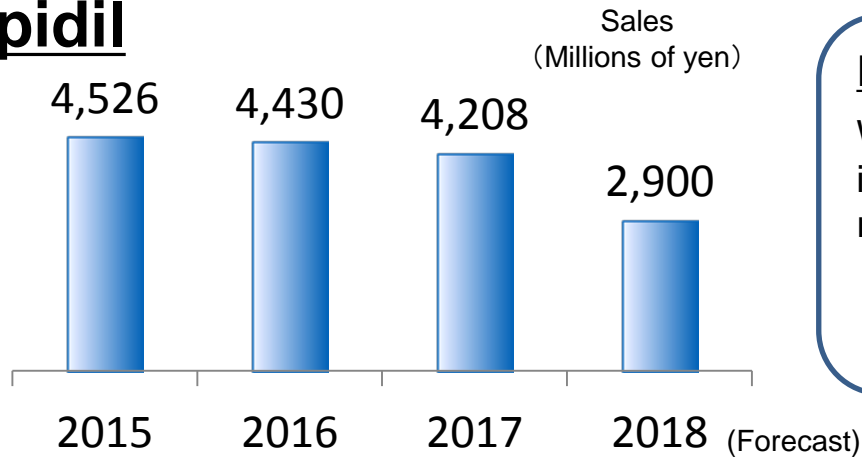
Forecasts for FY2018: 100.4% year on year

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

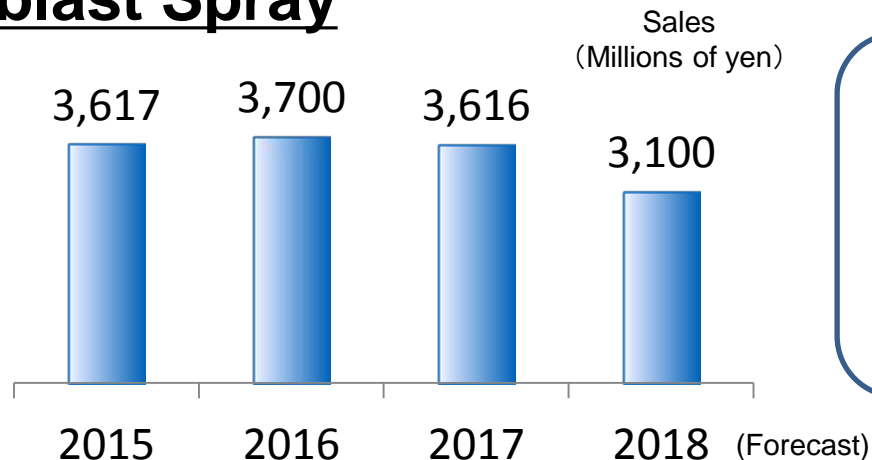


Forecasts for FY2018: 68.9% year on year

While expected the impacts of generic product, improve understanding of efficacy by employing related guidelines.

Wound-healing product

Fiblast Spray



Forecasts for FY2018: 85.7% year on year

While expected decrease in sales by the effect of NHI drug price revision, work to expand further by appealing the revised wound/burn guidelines effectively.

Medium-term business plan 2018

Establish growth platform that eyes the future

**[Priority measure-1]
Enhancement of pipeline**

**[Priority measure-2]
Maximize Value for Clenafin & new products
Strengthen of ales bases and boost efficiency
for existing products**

**[Priority measure-3]
Foster personnel with strong
creativity**

~ Changes Target Figures ~
Consolidated net sales for Fiscal 2018: 94.8 billion yen

Key Topic-1: Enhancement of Pipeline

1. Strengthen drug discovery capabilities

- Plan to focus on themes that leverage our experience, technologies, and platforms mainly in the following domains

Inflammation & allergy

Mycosis

Pain

Perioperative

- 「KP-607」, external preparation for Onychomycosis, started clinical trial
- Overseas licensing-out for 「KP-470」, a new chemical entity for treatment of psoriasis

- Continue to consider new research themes
- Expand range of joint researches

- Started collaboration research for drug discovery of new antibody drugs with Numab Therapeutics AG in Switzerland

2. Effectively use business opportunities from outside

- Licensing-in targets, opportunities mainly in domains where Kaken has a strong presence (orthopedic surgery, dermatology)

- 「BBI-4000」 started PIII, 「KMW-1」 preparing PIII
- Negotiating about licensing-in of several products

Key Topic-2: Maximize value for Clenafin & new products

Strengthen and boost efficiency and sales bases for existing products

◆ Domestic ◆

1. Clenafin

Focus on disease awareness activities for potential patients

- Results for FY2017: 22,185 millions of yen (111.7%, March,2016 compared)



2. New products

~ Medicinal product for periodontal regeneration REGROTH ~

Provided information to dentists highly-experienced in periodontal surgery and members of academic societies of periodontology.



- As a base for expansion, medical institutions delivered Regroth steadily Increased

3. Existing products

Further enhance presence by strengthening sales bases and boosting efficiency in areas of expertise

Improve quality and efficiency of information supply by introducing system for sales support and restructuring sales organization

Key Topic-2: Maximize value for Clenafin & new products

Strengthen and boost efficiency and sales bases for existing products

◆ Overseas ◆

1. Clenafin (Jublia)

(1) North America market

- Valeant: Strengthen structure in dermatology domain (increase sales staff, etc.)
- Strengthen cooperation with Kaken (Continue to set up opportunities for high-level comprehensive discussions)

(2) Kaken territory

- Korea : Licensing partner, Dong-A ST Co., Ltd. launched Jublia in June, 2017 in Korea, and showing good performance
- Taiwan: Licensed to Tai Tien Pharmaceuticals Co., Ltd., consolidated subsidiary of Mitsubishi Tanabe Pharma Corporation
- Hong Kong/ Macao: Negotiating contracts with candidates of licensing-out
- China : Application for clinical trials accepted by regulatory authorities.
Negotiating contracts with candidates of licensing-out

(3) Valeant territory outside the US and Canada

- Currently in discussions with Valeant to begin sales in regions in Europe and Asia, etc.

2. Regroth, Fiblast Spray

⇒ Start searching for new partner to pursue overseas expansion