



KAKEN PHARMACEUTICAL CO., LTD.

IR Meeting

Financial Results for 2nd Quarter of Fiscal 2018

(Six Months Ended September 30, 2018)

Comments:

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

Consolidated Performance in FY2018

(ended September 30, 2018)

(Millions of yen, rounded down)

	Six-Months Period of FY2017	Six-Months Period of FY2018	Change	Change (%)	Six-Months Period of FY2018 (Est.)*
Net sales	49,860	47,521	- 2,338	95.3	47,800
Cost of sales	20,899	19,977	- 922	95.6	-
Selling, general and administrative expenses	13,625	15,187	1,562	111.5	-
R&D expenses	3,644	5,708	2,063	156.6	-
Operating profit	15,335	12,356	- 2,978	80.6	11,700
Ordinary profit	15,517	12,536	- 2,980	80.8	11,900
Profit before income taxes	15,481	12,491	- 2,989	80.7	-
Profit	10,868	8,840	- 2,028	81.3	8,300

* FY2018(Est) : 09th May 2018

○ Decrease revenue by 4.7%

- Impact of NHI drug price revision.
- Impact of generic products and Competing products.
- Decrease in Agrochemicals revenue.

○ Interim dividends: 75.00 yen

Breakdown of Consolidated Net Sales

(Millions of yen, rounded down)

	Six-Months Period of FY2017	Six-Months Period of FY2018	Change	Change (%)
Pharmaceuticals and medical devices (sales to medical institutions)	43,180	39,582	- 3,598	91.7
Agrochemicals	1,867	1,415	- 451	75.8
Real estate rental	1,201	1,166	- 34	97.1
Other	3,611	5,356	1,745	148.3
Total	49,860	47,521	- 2,338	95.3

Sales Breakdown of Pharmaceuticals and Medical Devices

(Millions of yen, rounded down)

	Six-Months Period of FY2017	Six-Months Period of FY2018	Change (%)
Artz	14,820	12,422	83.8
Clenafin	11,849	12,084	102.0
Seprafilm	5,231	5,007	95.7
Fiblast Spray	1,809	1,559	86.2
Lipidil	2,239	1,422	63.5
Generic products (total)	5,953	5,234	87.9

Artz: Decrease revenue due to effect of NHI drug price revision.

Clenafin: Growth owing to an increase in prescriptions to new patients.

Seprafilm: Decrease revenue due to effect of competing products.

Consolidated Balance Sheets / Consolidated Cash Flows

Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of Mar. 31, 2018	As of Sept. 30, 2018	Change
Current assets	103,859	102,099	- 1,760
Non-current assets	48,557	50,335	1,777
Total assets	152,417	152,434	17
Current liabilities	31,401	28,128	- 3,273
Non-current liabilities	7,141	7,126	- 14
Total liabilities	38,543	35,254	- 3,288
Total net assets	113,874	117,180	3,305

Major Changes

◆ Assets:

Cash and cash equivalents: 51,976million yen
(-718 million yen)

◆ Liabilities:

Interest-bearing debt: 3,875 million yen

◆ Net assets:

Retained earnings: 103,101 million yen
(+5,816 million yen)

Treasury stock: -26,778 million yen
(-3,519 million yen)

Consolidated Cash Flows

	Six-Months Period of FY2017	Six-Months Period of FY2018	Change
Net cash provided by (used in) operating activities	11,086	7,040	- 4,046
Net cash provided by (used in) investing activities	- 822	- 1,217	- 395
Net cash provided by (used in) financing activities	- 6,500	- 6,541	- 40
Cash and cash equivalents at end of period	47,530	51,976	4,445

Major Changes

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

Income before income taxes: 12,491million yen

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

Purchase of property, plant and equipment:
613 million yen

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

Purchase of treasury stock: 3,519 million yen
Cash dividends paid: 3,021 million yen

Progress for the first half of FY2017_(ending March 2018)

~Topics~

- Launched “HERNICORE”, Indicated for Treatment of Lumber Disc Herniation.

~Overseas expansion of Clenafin/Jublia~

Taiwan: Licensing partner, Tai Tian Pharmaceuticals Co., Ltd., which is a consolidated subsidiary of Mitsubishi Tanabe, has been granted the Marketing Authorization for “Jublia”.

China: Application for clinical trials accepted by regulatory authorities.
Negotiating contacts with candidates of licensing-out.

Hong Kong/ Macao: Licensed to Main Life Corp., Ltd. in Hong Kong.

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	PIII	Licensed from MediWound Ltd.; Topically-applied enzymatic product Overseas product name : NexoBrid
KP-607	Onychomycosis	PI	In-house drug discovery Post Clenafin / Jublia

KP-470 : Licensing partner, Bausch Health Companies Inc. is preparing for exploratory clinical trial.

* KAG-308 : Completion of Joint Development Agreement between Kaken Pharmaceutical Co., Ltd. and AGC Inc.

Consolidated Performance Forecast for FY2017 (ending March 2018)

	FY2017	FY2018 (Est.)	Change	Change (%)
Net sales	98,430	94,800	- 3,630	96.3
Operating profit	27,496	22,500	- 4,996	81.8
Ordinary profit	27,854	22,800	- 5,054	81.9
Profit before income taxes	27,686	22,700	- 4,986	82.0
Profit	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

Sales Forecast for Pharmaceuticals and Medical Devices

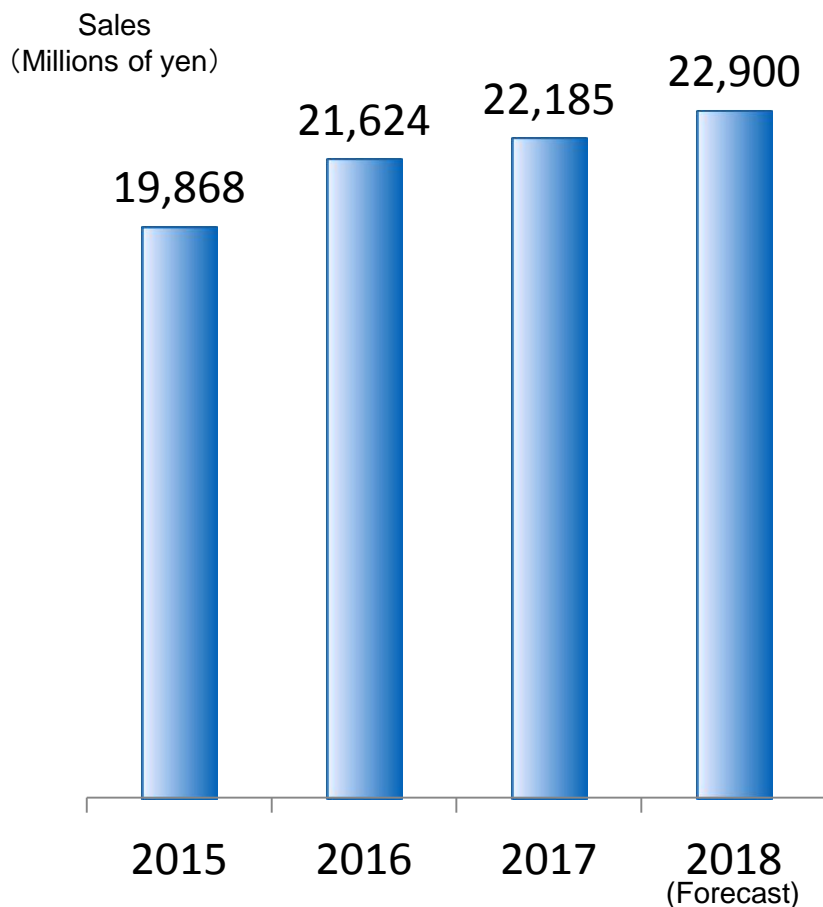
(Millions of yen, rounded down)

	FY2017	FY20178(Est.)	Change (%)
Artz	28,351	24,800	87.5
Clenafin	22,185	22,900	103.2
Seprafilm	10,162	10,200	100.4
Fiblast Spray	3,616	3,100	85.7
Lipidil	4,208	2,900	68.9
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

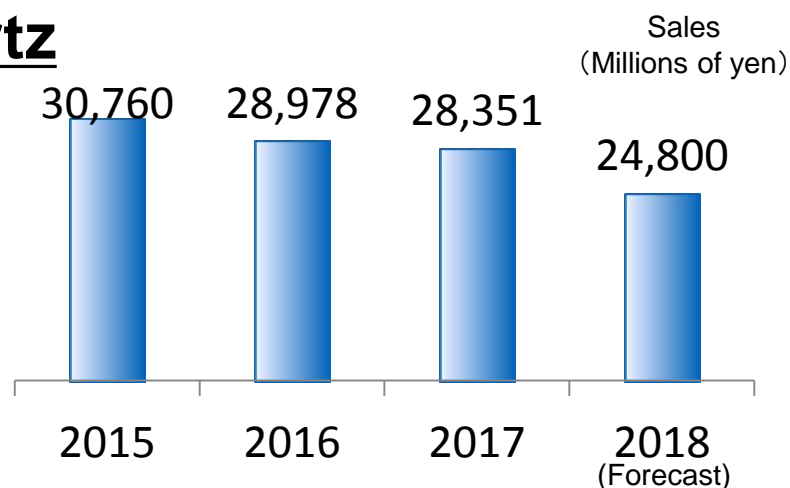
Aim to expand the market by capturing prescription demand from potential patients

- Strengthen providing information to dermatologists (Hold Web seminars and enhance product sites)
- Disease awareness activities for patients (put up posters in medical institutions, etc.)
- Disease awareness activities targeting doctors in other departments (Recommend diagnostic collaborations with dermatologists)

Domestic pharmaceuticals and medical devices

Anti-osteoarthritis product

Artz

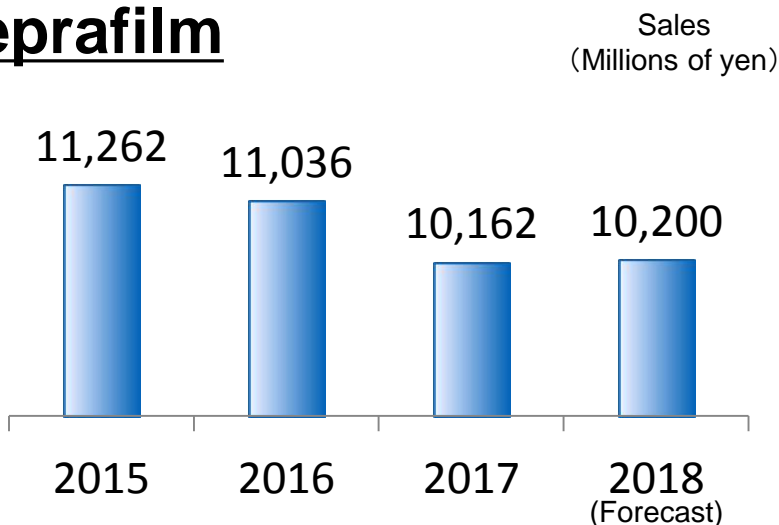


Forecasts for FY2018: 87.5%, year on year

While an impact is expected from NHI drug price revision, aim to expand market share by improving the formulation to respond to medical field needs and by raising awareness of the disease

Anti-adhesive absorbent barrier

Seprafilm



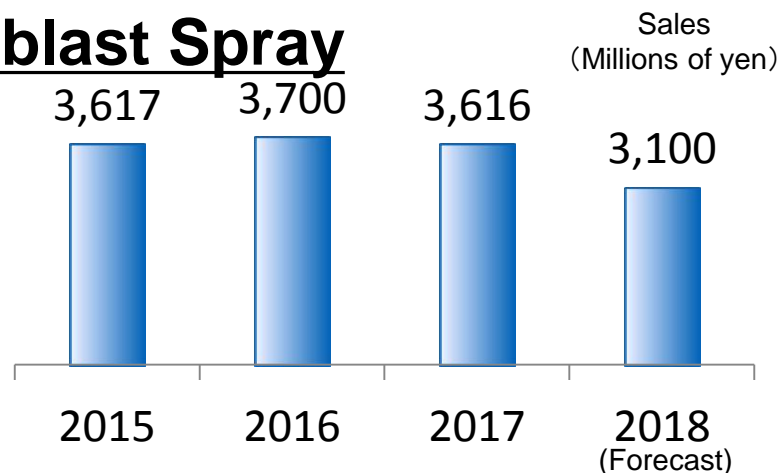
Forecasts for FY2018: 100.4% year on year

Aim to disseminate the significance of use and the usage method for various cases by enhancing promotions with videos

Domestic pharmaceuticals and medical devices

Wound-healing product

Fiblast Spray

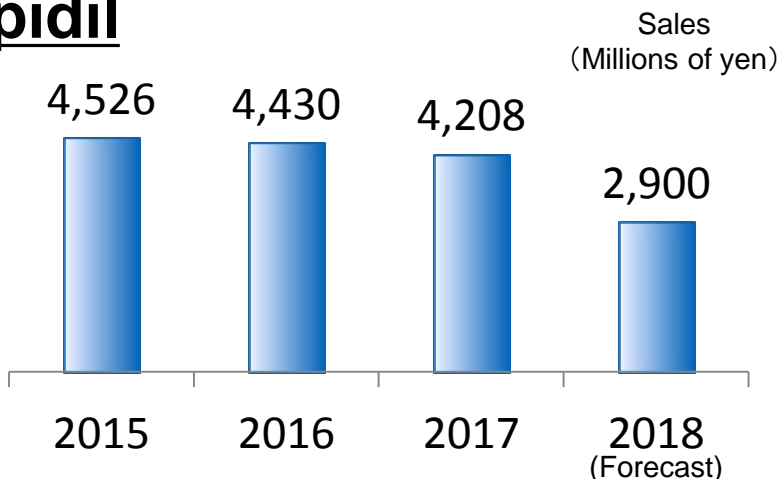


Forecasts for FY2018: 85.7% year on year

While an impact is expected from NHI drug price revision, work to expand further by appealing the revised wound/burn guidelines effectively

Anti-hyperlipidemia product

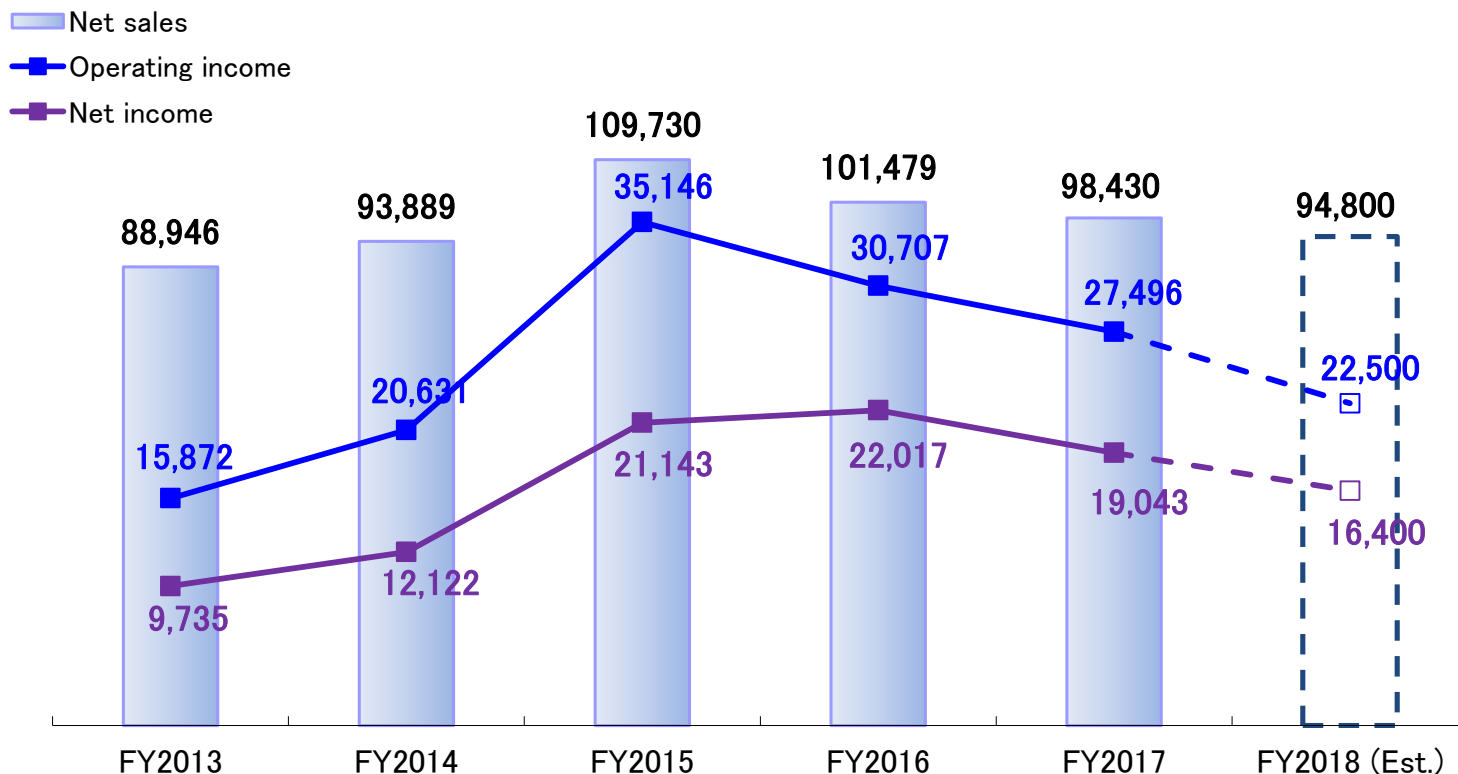
Lipidil



Forecasts for FY2018: 68.9% year on year

While an impact is expected from generic product and NHI drug price revision, improve understanding of efficacy by employing related guidelines

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.