

# KYOWA KIRIN

FOR IMMEDIATE RELEASE

## **Kyowa Hakko Kirin Forecasts 16.4% increase in 2010 Operating Income; 2009 Results in line with Revised Forecasts**

**Tokyo, January 29, 2010--** Kyowa Hakko Kirin Co., Ltd. (Kyowa Hakko Kirin; TSE 4151) today announced its consolidated financial results for the fiscal period ended December 31, 2009 (the nine-month period ended December 30, 2009),\* and its 2010 earnings forecasts. The 2009 results were in line with revised forecasts released on January 22.

Results for the nine-month period were affected by the exclusion of the Food business from consolidation, deterioration in results from the Chemicals business and the stronger yen. Compared to the same nine-month period of the previous year consolidated net sales decreased 14.7% to ¥309.1 billion, operating income decreased 33.8% to ¥28.2 billion and recurring income decreased 31.9% to ¥29.4 billion. Net income decreased by 16.1% to ¥8.7 billion, due to ¥8.8 billion of extraordinary losses such as extraordinary depreciation of fixed assets, impairment losses and other factors.

For fiscal 2010 (January 1, 2010 to December 31, 2010) Kyowa Hakko Kirin is forecasting a decline in sales of 1.7% but an increase in operating income of 16.4%, compared to the previous twelve-month period. Sales volumes of core pharmaceutical products are forecast to grow, but sales and profits in the Pharmaceuticals business are expected to decline due to the effects of price revisions scheduled for April 2010. The forecast dividend for fiscal 2010 is ¥20 per share compared to ¥15 per share for the nine-month fiscal period ended December 31, 2009.

Commenting on the results, Yuzuru Matsuda, President and CEO of Kyowa Hakko Kirin said, *"Our results were affected by the challenges posed by a strong yen and a slow recovery of the global economy as well as extraordinary losses. In 2010 pharmaceutical product sales and profits will be affected by price revisions but we forecast growth in sales volume of core pharmaceuticals products and we expect 2010 operating income to return to growth. Today we also announced our medium-term business plan for 2010 to 2012 and targets for 2012. \*\* In our plan we aim to grow 2012 operating income by more than 50% compared to the 2009 level, focusing our resources on our core Pharmaceuticals and Bio-Chemicals businesses, developing our target markets internationally and pursuing further significant reforms of our cost structure. Based on our strong financial foundations we will continue to evolve from our foundations in biotechnology to become a world-class R&D-based life sciences Group, focused on Pharmaceuticals."*

\*As a result of a change in fiscal year end, the fiscal period ended December 31, 2009 is for the nine-month period from April 1, 2009 to December 31, 2009. Comparisons to the previous period are with the nine-month period from April 1, 2008 to December 31, 2008.

\*\*For further details of the plan and targets please see the announcement released today 'Kyowa Hakko Kirin Group: Medium-term Business Plan FY2010-2012'.

**Summary of operating results for the nine months ended December 31, 2009  
(the nine-month period ended December 31, 2009)**

(Amounts less than ¥100 million have been ignored)

(Billions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
Net sales	309.1	362.2	-53.1
Operating income	28.2	42.6	-14.4
Recurring income	29.4	43.2	-13.7
Net income	8.7	10.4	-1.6
Net income per share (¥)	¥15.41	¥18.26	-¥2.85

Note: Due to the change in financial year-end to December 31, figures for the nine-month period ended December 31, 2008 are provided for comparison.

**Segmental results for the nine months ended December 31, 2009**

**Sales**

(Billions of Yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change (%)
Pharmaceuticals	158.2	161.3	-1.9%
Bio-Chemicals	69.7	67.5	+3.3%
Chemicals	52.3	77.3	-32.3%
Food	--	32.8	--
Other	49.5	54.5	-9.2%

**Operating Income**

(Billions of Yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change (%)
Pharmaceuticals	26.6	29.6	-10.1%
Bio-Chemicals	3.0	7.4	-58.9%
Chemicals	-1.9	3.5	--
Food	--	0.9	--
Other	0.4	1.0	-62.2%

**Segmental performance**

In the Pharmaceuticals business, consolidated net sales decreased 1.9% to ¥158.2 billion and operating income decreased 10.1% to ¥26.6 billion compared to the nine months ended December 31, 2008. Regarding domestic sales by product, anemia treatments Nesp and Espo, Regpara tablets, a treatment for secondary hyperthyroidism during dialysis therapy, Allelock, an antiallergic agent, and Patanol, an antiallergic ophthalmic solution, each increased. Further, in December we launched sales of *Asacol*, an ulcerative colitis treatment through our joint marketing agreement with Zeria Pharmaceutical Co., Ltd.

In the licensing-out of technologies and export of pharmaceutical products, revenues were significantly lower compared to the same nine-month period of the previous year, which benefited from a one-off contract payment for the licensing of KW-0761, an anti-CCR4 humanized monoclonal antibody.

In new drug development in Japan, we have filed applications for additional indications for Nesp, a treatment of anemia, and we are preparing to file for approval of new drug applications for KW-2246, an analgesic for cancer pain, after having received results from Phase III clinical trials, as well as for AMG 531, a treatment for thrombocytopenia. Meanwhile, Phase III clinical

trials for anti-Parkinson's disease treatments KW-6002 and KW-6500, began in August and October respectively. Phase II clinical trials for KRN125, a treatment for neutropenia are progressing and KW-0761, a blood cancer treatment (an antibody pharmaceutical) commenced Phase II trials in June. Further, Phase I clinical trials for KW-3357, an agent for inhibiting blood coagulation and ARQ 197, an anticancer agent are progressing, and Phase I clinical trials for KRN951, an anticancer agent, began in September.

Overseas, in the U.S. Phase I/IIa clinical trials are progressing for anticancer agents KW-2449, KRN330 (an antibody pharmaceutical) and BIW-8962 (an antibody pharmaceutical), while antibody pharmaceutical KRN-23, a hypophosphatemic rickets treatment, is in Phase I trials. Meanwhile Phase I clinical trials for KW-2450, an anticancer agent, began in June, and in July, KW-0761, a blood cancer treatment (an antibody pharmaceutical) began Phase I/IIa trials. In Europe, Phase I trials are progressing for anticancer agent KW-2478, and in August, Phase I trials for KW-3357, an agent for inhibiting blood coagulation commenced. In China, we have filed applications for approval of Allelock, an antiallergic agent, and Phase II trials are progressing for Nesp, a treatment for anemia.

In the Bio-Chemicals business, compared to the nine months ended December 31, 2008, sales increased 3.3% to ¥69.7 billion and operating income decreased 58.9% to ¥3.0 billion. Sales for pharmaceutical and industrial use raw materials, primarily amino acids, nucleic acids and related compounds were lower due to the considerable impact of a stronger yen and despite efforts to expand sales, particularly those of pharmaceuticals and intravenous liquids.

In healthcare products, sales were higher due to factors such as strong growth in sales to regular customers of the *Remake series*.

In agrochemicals and products for the livestock and fisheries industry, sales decreased due to intensifying competition in agrochemicals in overseas markets and sluggish sales in the livestock and fisheries industries in the domestic market.

In alcohol, revenues were considerably higher due to a sharp increase in demand for industrial use alcohol due to the prevalence of influenza and proactive efforts to acquire new customers, and despite sales of beverage use alcohol trending lower.

Sales of Daiichi Fine Chemical were lower due to sluggish vitamin markets and other factors.

In R&D, at our technical research laboratory and Bioprocess Development Center we focused research on raising the efficiency of fermentation production aimed at cost reductions in the production of amino acids and related compounds, while at Daiichi Fine Chemical we continued our synthesis process research while also focusing on the research and development of new products. In the Healthcare Products Development Center we continue the development of applications and the search for functionalities in all types of amino acids.

In the Chemicals business, compared to the nine months ended December 31, 2008, sales declined 32.3% to ¥52.3 billion, while an operating loss of ¥1.9 billion was recorded compared to operating income of ¥3.5 billion in the same nine-month period of the previous fiscal year. Although there have been indications of a recovery in certain parts of the domestic economy, the effect of the slump in demand in the first six months of the period under review was significant, and both sales volumes and sales are below the level of those in the same

nine-month period of the previous year. Regarding exports, sales volumes grew due to growth in demand from China and other factors, but the large decline in global markets led to a decline in sales.

By category, both domestic and export sales volumes of functional products were higher than in the same nine-month period of the previous fiscal year and sales volumes of solvents and plasticizer materials in the third quarter were also higher than in the third quarter of the previous year. However, despite a recovery trend in these two areas, sales were lower than in the previous nine-month period due to a decrease in sales prices.

Following the partial sale of shares held in consolidated subsidiary Kyowa Hakko Food Specialties (now Kirin Kyowa Foods) and its three consolidated subsidiaries (Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd., Kyowa Hifoods Co., Ltd.) they became equity-accounted affiliates as of the end of the previous fiscal year. Accordingly, as of the current consolidated fiscal period there are no consolidated subsidiaries in the Food business and the Food segment has been eliminated. As a result, net sales and operating income for the Food business in respect of the period under review have not been recorded. In the same nine-month period of the previous fiscal year consolidated net sales in the Food business was ¥32.8 billion and operating income was ¥0.9 billion.

In the Other business segment, net sales decreased 9.2% to ¥49.5 billion and operating income decreased 62.2% to ¥0.4 billion.

## 2. Consolidated financial forecasts

### II. Forecasts for the fiscal for fiscal year 2010

<i>(Billions of Yen)</i>			
Forecast compared to the twelve-month period January 1, 2009 to December 31, 2009			
FORECAST	Fiscal year to December 31, 2010	Amount change	% change
Net sales	400.0	-7.0	-1.7%
Operating income	36.0	+5.0	+16.4%
Recurring income	37.5	+4.8	+14.9%
Net income	20.0	+9.9	+99.2%

1. These forecasts assume average exchange rates for fiscal 2010 of ¥91/US\$ and ¥133/euro.

2. The change to the consolidated fiscal year end during fiscal 2009 resulted in a nine-month fiscal period, and therefore forecasts for the following fiscal year (the 12-month period from January 1, 2010 to December 31, 2010) will be made in reference to the 12-month period from January 1, 2009 to December 31, 2009 consisting of the consolidated fourth quarter of fiscal 2008 (the 3-month period from January 1, 2009 to March 31, 2009) and the consolidated fiscal period 2009 (the 9-month period from April 1, 2009 to December 31, 2009).

We expect the domestic economy to continue on an upward trend, however the future continues to remain very uncertain with economic risks such as the continued worsening of the employment situation, concerns of downside risks in the outlook for overseas economies, and the impact of deflation and changes to the capital markets.

In this environment, in fiscal 2010, the first year of our three year medium-term business plan, the Kyowa Hakko Kirin Group will focus its resources on its core businesses—the Pharmaceuticals and Bio-Chemicals businesses, endeavor to strengthen profitability by providing new value through differentiated products and services that address diverse

customer needs, implement cost reforms, and promote group internationalization.

Our consolidated financial results forecasts for fiscal 2010 (the twelve-month period from January 1, 2010 to December 31, 2010) are for net sales of ¥400.0 billion, a decrease of 1.7%, operating income of ¥36.0 billion, up 16.4% and recurring income of ¥37.5 billion, up 14.9%. As extraordinary losses are expected to decline significantly, net income is forecast to increase 99.2% to ¥20.0 billion.

In the Pharmaceuticals business, we forecast growth in sales volume of core products including anemia products Nesp and Espo, Regpara tablets, a treatment for secondary hyperthyroidism during dialysis therapy, and *Patanol*, an antiallergic ophthalmic solution, in addition to contributions from sales of new products such as *Asacol*, an ulcerative colitis treatment launched in December 2009. However, due to the anticipated large impact from the effects of price revisions scheduled for April 2010, we expect sales and profits to decrease compared to the previous twelve-month period.

In the Bio-Chemicals business, we expect that sales will be lower but that operating income will remain largely unchanged. We are anticipating growth in sales volumes, primarily in core amino acids and related compounds, however we are also forecasting a decreasing trend in sales prices due to the emergence of Chinese manufacturers primarily in the health foods market, and results will also be affected by the transfer of the alcohol business, scheduled for July 2010, and the transfer of the domestic sales operations related to the agrochemicals and products for the livestock and fisheries industry, scheduled for April 2010.

In the Chemicals business we are forecasting a large rise in both sales and operating income due to anticipated growth in sales volumes and product price revisions against a background of an improved oil and naphtha market, and improvements in the domestic and overseas economies. Please also note that from fiscal 2010, the results of chemical product wholesaling subsidiaries Miyako Kagaku Co., Ltd., and Kashiwagi Corporation, will be reported under the Chemicals segment rather than the Other segment.

*\*The above forecasts are based on information available and assumptions made at the time of release of this document about a number of uncertain factors that can affect results in the future. It is possible that actual results are materially different for a wide variety of reasons.*

\* \* \*

**Contact:**

Mr. Kenshiro Honda, Corporate Communications Department Tel: 81 3 3282 0969  
kenshiro.honda@kyowa-kirin.co.jp

For further information please access: <http://www.kyowa-kirin.co.jp/english/index.html>

-----  
This document is an English translation of parts of the Japanese-language original. All financial information has been prepared in accordance with generally accepted accounting principles in Japan. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including fluctuations in exchange rates, changing economic conditions, legislative and regulatory developments, delays in new product launches, and pricing and product initiatives of competitors.  
-----