

Kyowa Hakko Kirin Announces Q3 results Full-year forecasts unchanged, including an 11.6% YoY increase in operating income

Tokyo, October 26, 2012-- Kyowa Hakko Kirin Co., Ltd. (Kyowa Hakko Kirin; TSE 4151) today announced its consolidated financial results for the third quarter of the fiscal year ending December 2012 (the nine-month period from January 1, 2012 to September 30, 2012).

Net sales for the nine-month period were ¥244.6 billion (down 6.7% compared to the first nine months of the previous fiscal year), operating income was ¥37.3 billion (down 3.0%), ordinary income was ¥32.5 billion (down 15.4%), and net income was ¥15.4 billion (down 31.9%).

These figures include the effect of the disposal of the Chemicals business completed in March 2011. The Chemicals business contributed net sales of ¥33.5 billion and operating profit of ¥2.1 billion to our nine-month results last fiscal year.

Forecasts for the full year results to December 31, 2012 are unchanged from the upwardly revised figures announced on July 19, 2012. Forecast consolidated net sales of ¥333.0 billion represent a decline of 3.1% compared to the previous fiscal year, mainly due to the exclusion of the Chemicals segment from consolidation in April 2011. Operating income is forecast to rise by 11.6% to ¥52.0 billion while net income is forecast to decline by 10.2% to ¥23.0 billion.

Commenting on the results, Nobuo Hanai, President and CEO of Kyowa Hakko Kirin said, *“The year-on-year comparisons were affected by the sale of Kyowa Hakko Chemical, which was consolidated until the end of the first quarter of last fiscal year. In 2012, I am pleased to report continued strong growth in our core pharmaceuticals business and our full-year forecasts are unchanged. Kyowa Hakko Kirin continues to make good progress towards its goal of becoming a world-class, R&D-based life sciences company, founded on biotechnology with the pharmaceuticals business at its core”*

Performance by segment

Pharmaceuticals

Consolidated net sales for the Pharmaceuticals business were ¥182.4 billion (up 8.4% compared to the same period of the previous year), and operating income was ¥34.8 billion (up 5.2%).

Despite a strong performance by core products, domestic sales of pharmaceuticals were down compared to the same period of the previous year, affected by government drug price revisions implemented in April 2012.

Sales of core product *NESP*[®], a treatment for renal anemia, performed favorably, and *REGPARA*[®], an agent to treat secondary hyperparathyroidism associated with dialysis, *Fentos*[®], a transdermal analgesic for persistent cancer pain, and *ASACOL*[®], for ulcerative colitis, all advanced. Furthermore, we began sales of *POTELIGEO*[®] for adult T-cell leukemia-lymphoma in May 2012, and *Apokyn*[®], a treatment for Parkinson’s disease in July 2012, both of which performed well. However, revenues of *ALLELOCK*[®], an anti-allergy agent, and *Patano*[®] anti-allergy eye drops, both declined compared with the same period of the last fiscal year.

Revenues from pharmaceutical exports and licensing revenues increased due to firm exports and the booking of licensing revenue from FUJIFILM KYOWA KIRIN BIOLOGICS.

The ProStrakan Group plc (the parent company and its 11 subsidiaries) which was newly consolidated as of June 30, 2011, performed broadly in line with expectations, contributing net sales of ¥11.5 billion with an operating loss (after amortization of goodwill) of ¥2.5 billion.

In new drug development in oncology, in Japan we received approval in March for *POTELIGEO*[®] for adult T-cell leukemia-lymphoma (ATL) and began sales in May. Also, in March Kyowa Medex secured approval for *POTELIGEO*[®] TEST, an in vitro diagnostic reagent designed to identify patients most likely to respond to *POTELIGEO*[®] and began sales in May. Overseas, in Europe and the U.S. we began phase II studies in August on KW-0761 for adult T-cell leukemia-lymphoma, and in South Korea, we secured approval in May for pegfilgrastim (brand name Neulasta).

In nephrology in Japan, we filed for approval of KRN321 for renal anemia in infants in September. We also began domestic early phase II trials in February on RTA 402 in chronic kidney disease with concomitant Type 2 diabetes mellitus. However, we suspended this trial in October after the overseas phase III trial being conducted by Reata Pharmaceuticals was terminated on safety grounds. Overseas, we discontinued the Indian phase III trials in September on KRN321 for dialysis patients with renal anemia after reviewing our portfolio in response to changes in the business environment and other factors.

In the CNS area, in Japan we obtained approval in March for *Apokyn*[®] for the treatment of Parkinson's disease and began sales in July. We filed in March for approval of KW-6002, also for Parkinson's disease. Furthermore, we began phase II trials in May on KHK6188, an agent for neuropathic pain in post-herpes zoster patients.

Bio-Chemicals

Consolidated net sales for the Bio-Chemicals business were ¥57.4 billion (down 2.5% compared to the same period of the previous year), while operating income was ¥2.2 billion (down 26.7%).

Due to continued buoyant overseas demand for pharmaceutical and industrial use raw materials, mainly amino acids, nucleic acids and related compounds, we implemented an increase in production and a review of sales prices, but net sales fell compared with the same period of last fiscal year due to the impact of the strength of the yen.

In healthcare products, mail order revenues advanced steadily helped by sales of *Remake Ornithine* and other products, but sales of raw materials for food and drinks were sluggish with the result that overall sales were below the same period of the previous year.

Sales at Daiichi Fine Chemical advanced sharply over the same period of last fiscal year as the new production facilities for tranexamic acid completed last year came fully online.

Other

In the Other segment, consolidated net sales were ¥7.7 billion (down 1.9% compared to the same period of the previous year), while operating income was ¥0.2 billion (up 1.6%).

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

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