

Kyowa Hakko Kirin Announces FY2016 - 2020 Mid-term Business Plan

Tokyo, January 29, 2016 -- Kyowa Hakko Kirin Co., Ltd. (Kyowa Hakko Kirin Group) today announced its mid-term business plan for the period 2016 to 2020 (January 1, 2016 to December 31, 2020).

1. Basic Strategy

Considering the environment changes surrounding us and aiming to achieve the future growth in longer view point, Kyowa Hakko Kirin Group has established following four core strategies for the 5-year mid-term business plan under the theme of “Leaping Forward for Global Specialty Pharmaceutical Company (GSP)”.

- 1) Improvement of Global Competitiveness
- 2) Creating Innovation
- 3) Continuous Improvement for Operational Excellence
- 4) Contribution to Health and Well-being of People

This 5-year mid-term business plan consists of two phases: “Investment Phase” from FY2016 to FY2017 and “Leaping Forward Phase” from FY2018 to FY2020. We will strive to achieve an outstanding growth through the implementation of four core strategies.

2. Management Targets

Aiming at outstanding growth in comparison to FY2015, the group consolidated targets in FY2020 (as a final year of the mid-term business plan) are established as follows,

Indicators	Targets
Sustainable Growth	Core Operating Profit*: 100 billion JPY or more
Leaping Forward for GSP	Percentage of overseas sales: 50%
Increasing shareholder Value	ROE**: 10% or higher

* Operating Profit + Amortization of goodwill + Share of profit/loss of entities accounted for using equity method

** (Net Income + Amortization of goodwill) / Shareholder's Equity

3. Action Plans for Each Core Strategy

1) Improvement of Global Competitiveness

Achieve outstanding growth through the launch of three global products*, and establish globalized organization and sales network.

* KW-0761, KRN23 and KW-6002

Major Actions

- Continuous creation of innovative drugs
- Achievement of early launch of three global products in Western countries
- Establishment of market access approaches in the US
- Penetration of “KYOWA KIRIN” brand through the rename of subsidiaries in the US and Europe
- (Bio-chemicals) Reinforcement of production capability by the expansion of worldwide production site
- (Diagnosis) Achievement of product launch in the US by accelerating of global development

2) Creating Innovation

Address the creation of new value, combining deep insights into diseases in the “Four Categories”* and innovative technologies.

* Nephrology, Oncology, Immunology and Allergy and Central Nervous System

Major Actions

- Enrichment of pipelines and value maximization through the strategic partnering in Immuno-oncology field.
- Technology-driven drug discovery leveraging technological advantages and open innovation

3) Continuous Improvement for Operational Excellence

Improve our business process to make our asset management more efficient, and ensure the cash flow for aggressive and strategic investment.

Major Actions

- Manufacturing cost reduction by advanced production technology
- Pursuing continuous improvement of operational efficiency
- Reorganization and reinforcement of functions responding to the domestic business environment change, such as implementation of “Area Strategy” and introduction of MSL
- Establishment of reliable business processes developed by thorough compliance rules and application for Corporate Governance Code

- Participation in the KENKO KIGYOKAI corporate community; “Healthy employees and healthy companies”

4) Contribution to Health and Well-being of People

Provide solutions responding to various medical needs, making use of our various business bases

Major Actions

- Providing new medical value to customer, such as creation of innovative new drugs that meet unmet medical needs and development of new applications
- Assessment of business feasibility for NESP authorized generic drugs and production & supply of biosimilar products, responding to the social demands for medical cost containment
- Contribution of preventive and presymptomatic care: expansion of health food business promoting “Evidenced Nutrition” in bio-chemicals business and reinforcement of POCT* and OTC** in diagnosis business

* Point Of Care Testing ** Over The Counter

4. Policies on Shareholder Returns

Kyowa Hakko Kirin regards the return of profits to its shareholders as one of its key priorities. Regarding dividends, we consider the delivery of stable and sustainable dividends to be the basis of our policy, while maintaining fully adequate internal reserves, and considering factors such as our consolidated results and the dividend payout ratio.

(1) Dividend policy

We aim to achieve a stable consolidated dividend payout ratio of 40% on net income prior to amortization of goodwill

(2) Repurchase of own shares

We plan to improve our capital efficiency by acting flexibly and promptly with regards to the repurchase of shares