KYOWA KIRIN

BIOTECHNOLOGY FOR GLOBAL HEALTH




Kyowa Hakko Kirin

Annual Report 2009/12

Transitional nine-month period ended December 31, 2009

ABOUT KYOWA HAKKO KIRIN

Kyowa Hakko Kirin Co., Ltd., was inaugurated in October 2008 as an R&D-based company with special strengths in biotechnology, following the integration of Kirin Pharma Company, Limited, of the Kirin Group, and Kyowa Hakko Kogyo Co., Ltd. The Company is dedicated to the creation of new value in the life sciences, especially in its core business segments of Pharmaceuticals and Bio-Chemicals, and strives to contribute to the health and well-being of people around the world. We are seeking new heights by aggressively promoting our proprietary technologies in each business domain.

In Pharmaceuticals operations, the Company has actively engaged in the R&D, production, and sale of pharmaceuticals that address medical needs in such areas as renal anemia, cancer, allergies, and hypertension. Utilizing leading-edge biotechnologies, particularly antibody technologies, we are aiming to be a global specialty pharmaceutical company that creates innovative pharmaceuticals.

Bio-Chemicals operations are centered on Kyowa Hakko Bio Co., Ltd., which was established as a separate company at the same time as the inauguration of Kyowa Hakko Kirin and is a global leader in fermented bulk products, such as amino acids, nucleic acids, and related compounds.

In Chemicals operations, the Company is expanding lineups of specialty chemicals that contribute to environmental conservation.

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NOTE TO PERFORMANCE FORECASTS:
Forecasts contained in Annual Report 2009/12 represent judgments based on information available as of March 24, 2010.
It should be noted that there is a possibility that actual results could differ significantly due to a variety of factors.

CORPORATE STANCE

The Group Management Philosophy

The Kyowa Hakko Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies.

The Group Action Guidelines

- We will work together in a sincere and mutually respectful manner.
- We will take a forward-looking, energetic approach to change.
- We will do our utmost to add value and contribute to a brighter future around the world.
- We will always act with integrity in everything that we do.

The Group Vision

To create a Japan-based, leading world-class Japanese research and development-centered life sciences company focusing on pharmaceuticals with a firm foundation in biotechnology.

Pharmaceuticals Business Vision

Kyowa Hakko Kirin will be a Japan-based specialty pharmaceutical company contributing to human health and well-being worldwide through innovative drug discovery and global commercialization, driven by state-of-the-art antibody technology mainly in the core therapeutic areas of oncology, nephrology, and immunology.

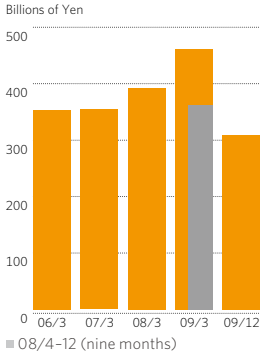
FINANCIAL HIGHLIGHTS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

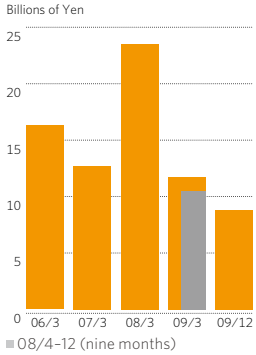
	Millions of Yen			Thousands of U.S. Dollars[1]
	2009/12	2009/3	2008/3	2009/12
For the Year:				
Net sales	**¥309,112**	¥460,184	¥392,120	**$3,356,261**
Operating income	**28,244**	45,387	39,390	**306,665**
Net income	**8,797**	11,727	23,477	**95,520**
Capital expenditures	**25,135**	18,523	14,796	**272,911**
Depreciation and amortization	**17,003**	18,780	14,347	**184,617**
R&D expenses	**34,980**	48,389	34,110	**379,800**
At Year-End:				
Total assets	**695,268**	699,041	394,081	**7,549,056**
Interest-bearing debt	**13,229**	13,540	12,790	**143,629**
Total net assets	**540,344**	543,070	256,758	**5,866,925**
Total shareholders' equity	**539,304**	547,203	239,329	**5,855,640**
		Yen		U.S. Dollars[1]
Per Share Data:				
Net income-basic[2]	**¥ 15.4**	¥ 20.4	¥ 59.0	**$ 0.167**
Net assets	**940.8**	938.4	639.7	**10.215**
Cash dividends	**15.0**	20.0	10.0	**0.163**
Financial Ratios:				
Return on assets (ROA)	**1.26%**	1.62%	6.07%	
Return on equity (ROE)	**1.64%**	2.17%	9.47%	

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥92.10=U.S.$1, the approximate exchange rate at December 31, 2009.
2. Net income per share-basic is based upon the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for subsequent free distributions of common stock.

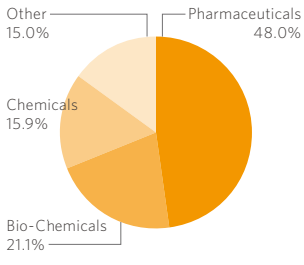
NET SALES



NET INCOME

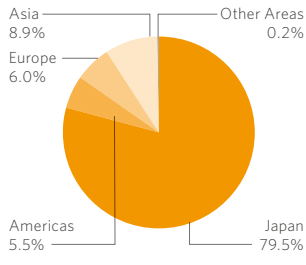


SALES COMPOSITION BY INDUSTRY SEGMENT*
(2009/12)



* Including intersegment transactions

SALES COMPOSITION BY GEOGRAPHIC AREA
(2009/12)



LETTER TO OUR SHAREHOLDERS AND FRIENDS

YUZURU MATSUDA
President and Chief Executive Officer

Change of Fiscal Year-End

Starting with the fiscal period under review, Kyowa Hakko Kirin has changed its fiscal year-end from March 31 to December 31. This step was taken to facilitate efficient operational execution in the Kirin Group by changing the fiscal year-end of Kyowa Hakko Kirin to match that of its parent company, Kirin Holdings Company, Limited, which has a December 31 fiscal year-end. The change, which was made by a resolution at the general meeting of shareholders held on June 25, 2009, is effective from the fiscal period under review, which consequently is the nine-month period ended December 31, 2009.

Management Environment

In the fiscal period under review, despite signs of recovery in certain sectors, overall demand remained sluggish in Japan and overseas. The prospects for Japan's real economy remained uncertain.

In Pharmaceuticals operations, the operating environment remained challenging as a result of ongoing measures to curb spending on drugs in Japan and of intensifying competition in Japan and overseas. In Bio-Chemicals operations, the growing prominence of manufacturers from China and other countries fueled a trend toward lower prices. In addition, the yen appreciated rapidly. In Chemicals operations, due to the global economic recession, demand declined and market conditions remained sluggish. Overall, conditions were challenging.

Performance in the Fiscal Period Under Review

In this setting, the Kyowa Hakko Kirin Group aggressively allocated management resources to its core Pharmaceuticals operations and Bio-Chemicals operations and worked to further bolster its earnings capacity, targeting future growth. Moreover, we worked to reform operations with the objective of enhancing our competitiveness, while we leveraged external resources as we took steps to strengthen operations and increase efficiency in R&D.

As a result, consolidated net sales in the period under review were down 14.7% from the corresponding period of the previous year, to ¥309.1 billion, due in part to the transition of the Food segment from consolidated to equity-method treatment. Operating income was down 33.8%, to ¥28.2 billion. However, we did reach the initial targets that we listed in the previous year's annual report—net sales of ¥300.0 billion and operating income of ¥27.0 billion. We recorded special losses of ¥8.8 billion, such as extraordinary depreciation of fixed assets accompanying plant reorganization and impairment loss. Net income declined 16.1%, to ¥8.8 billion. In consideration of the nine-month fiscal period, dividends per share were ¥15 per share in the period under review, including an interim dividend of ¥10 per share, compared with ¥20 per share in the 12-month fiscal year ended March 31, 2009.

* The Company's fiscal year-end was changed in the period under review, which is the nine-month period from April 1, 2009, to December 31, 2009. Except where otherwise indicated, comparisons are made with the corresponding period of the previous year, the nine-month period from April 1, 2008, to December 31, 2008.

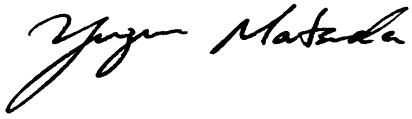
New Medium-Term Management Plan

As mentioned in the previous annual report, we have formulated a new medium-term management plan due to the change in our fiscal year-end and the removal of the Food segment from the scope of consolidation. The theme of the new plan is to efficiently use business resources to promote rapid progress in our development pipeline. In this way, the plan clarifies the course that we must follow. The plan is covered in more detail on page 12 of this report.

In Closing

As spelled out in our corporate philosophy, we will leverage our proprietary biotechnologies to "contribute to the health and well-being of people around the world." In our core Pharmaceuticals operations, we will continue to boldly take on challenges as we strive to respond to unmet medical needs. I would like to thank our shareholders for your understanding and encouragement and to ask for your continued support in the years ahead.

March 24, 2010



Yuzuru Matsuda
President and Chief Executive Officer

AN INTERVIEW WITH THE PRESIDENT

Start of Medium-Term Management Plan—2010 to 2012

Efficiently Using Management Resources to Promote Rapid Progress in Our Development Pipeline

Kyowa Hakko Kirin has commenced the Medium-Term Management Plan—2010 to 2012. In this interview, President and CEO Yuzuru Matsuda discusses Kyowa Hakko Kirin's goals under the new plan and the Company's results in the nine-month period ended December 31, 2009.

Aggressive, Future-Focused Investment in the Fiscal Period Ended December 31, 2009

Q Would you comment on the Company's performance in the nine-month period ended December 31, 2009?

A We recorded declines in sales and profits due to the removal of the Food segment from the scope of consolidation, to sluggish conditions faced by our Chemicals operations resulting from the economic slump, and to lower sales in Bio-Chemicals operations stemming from the appreciation of the yen. Nonetheless, we did achieve the initial targets spelled out in our previous annual report: net sales of ¥300.0 billion and operating income of ¥27.0 billion.

In our core Pharmaceuticals operations, overall sales declined because we were unable to offset the influence of a special factor that was recorded in the previous year: the ¥9.8 billion up-front payment resulting from the out-licensing agreement of KW-0761. However, we did record higher sales of our mainstay products, such as Nesp®, Espo®, Coniel®, Allelock®, Patanol®, and Regpara®.

Furthermore, as a move to position the Company for the future, in March 2010 we completed production facilities at the Takasaki Plant for therapeutic antibodies for clinical trials. We will also construct a new facility for discovery research in biopharmaceuticals at the Tokyo Research Park. These are examples of how our consolidation of domestic research bases is proceeding as planned. In addition, we aggressively introduced new drug development candidates and technologies, such as the introduction of a treatment for chronic kidney disease from Reata Pharmaceuticals, Inc., of the United States. So, despite the challenging operating environment, we can say that we made solid advances during the year, recording favorable results in our core Pharmaceuticals operations and aggressively allocating financial resources to the completion of new facilities and the enhancement of our pipeline for future growth.

Key Points of Medium-Term Management Plan—2010 to 2012

Q Would you discuss the positioning and key points of the Company's medium-term management plan for fiscal years 2010 to 2012?

A We have positioned the three years covered by the plan as a period for laying the foundation for strong growth in the future. In our core Pharmaceuticals operations, our main focus will be promoting rapid progress in our development pipeline through the efficient allocation of management resources. We will provide new value by launching differentiated drugs that meet diverse needs. At the same time, we will move ahead with globalization and cost structure reforms to bolster our profitability. In the year ending December 31, 2012, the final year of the plan, we are targeting consolidated net sales of ¥454.0 billion and operating income of ¥51.7 billion, or ¥61.0 billion before amortization of goodwill.

(For more information, see page 12.)

The plan has three key points. The first is the implementation of the principles of selection and concentration in our business portfolio. In addition to Pharmaceuticals operations, Bio-Chemicals operations are also one of our core fields of business. In Bio-Chemicals operations, we transferred our livestock and fisheries products businesses to ASKA Pharmaceutical Co., Ltd., in April 2010, and in July 2010 we will integrate our alcohol sales operations with Kirin Group member Mercian Corporation. Following these measures, our Bio-Chemicals operations will be focused on pharmaceutical-related fields. These will include amino acids and other fine chemicals that are used as pharmaceutical raw materials and intermediates, as well as health care products and their related raw materials.

The Kyowa Hakko Kirin Group has two core business areas. Pharmaceuticals operations are centered on ethical pharmaceuticals, principally antibodies, and on diagnostic reagents, while Bio-Chemicals operations cover pharmaceutical-related fields, such as pharmaceutical raw materials and health care products. In addition, our Chemicals operations complement those two core operations. As an R&D-based company with a distinctive business portfolio unlike that of any other company in the world, we will strive to implement global business development.

The second key point of the plan is the achievement of higher profitability through the reorganization of production bases. We will take steps to resolve the issues of aging pharmaceutical production equipment and poorly located facilities, while at the same time increasing productivity through the promotion of outsourcing and automation.

For small molecule compounds, bulk pharmaceuticals are currently being produced at the Sakai Plant and the Yokkaichi Plant. We will transfer this production to Daiichi Fine Chemical Co., Ltd., a subsidiary of Kyowa Hakko Bio Co., Ltd., and close the Sakai and Yokkaichi plants. Currently, the formulation of drugs is carried out at two locations, the Fuji Plant and the Ube Plant. Oral formulations and injectable formulations are now made at the Fuji Plant. After we transfer oral formulations to the Ube Plant and injectable formulations to the Takasaki Plant, we will close the Fuji Plant. Also, the Takasaki Plant will be positioned as a production base for biopharmaceuticals, including therapeutic antibodies for which we anticipate future product launches. Moreover, the Chemical Process Research and Development Laboratories, which conduct

BUSINESS PORTFOLIO

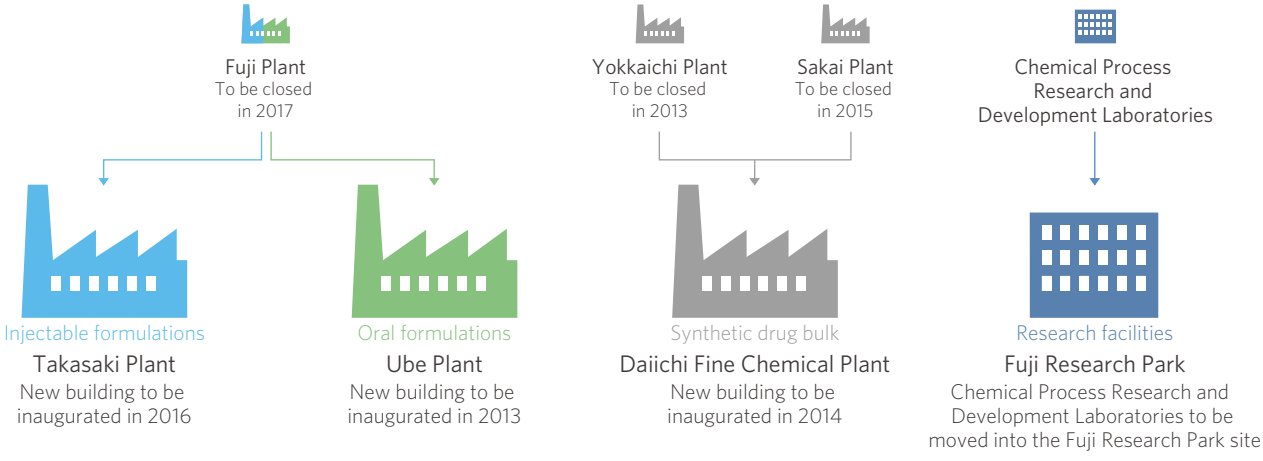
Pharmaceuticals	• Ethical drugs	
	• Diagnostic reagents	
Bio-Chemicals	• Fine chemicals	
	• Health care products	
	• Livestock and fisheries products →	Transferred to ASKA Pharmaceutical Co., Ltd., in April 2010
	• Alcohol →	Sales operations will be integrated with Mercian Corporation in July 2010
Chemicals	• Solvents	
	• Raw materials for plasticizers	
	• Specialty chemicals	
Food	On April 1, 2009, merged with Kirin Food-Tech Company, Limited, to form Kirin Kyowa Foods Company, Limited, an equity-method affiliate of the Company	

research into production processes for small molecule compounds, is currently located in the Sakai Plant site, but will be moved into the Fuji Research Park site, which is a discovery research base for these compounds. These reorganization initiatives will be implemented in stages over seven years at an investment of more than ¥10 billion. When the reorganization is finished, we will have achieved annual cost reductions of several billion yen in comparison with current levels.

The third key point of the plan is the development of our therapeutic antibody business, centered on our world-class antibody technologies. Our therapeutic antibody business is based principally on Potelligent®, which we expect to become a global standard in antibody production technology. In therapeutic antibodies, we use three business models: (1) our in-house antibody pipeline, (2) out-licensing of Potelligent® and other antibody technologies, and (3) collaborative alliances with bio-venture companies, under which we provide our antibody technologies and funding and then participate in the process of developing therapeutic antibodies held by the alliance partner to acquire their marketing rights. For example, if we out-license Potelligent® technology or products from our in-house pipeline that utilize that technology, we receive an up-front payment when the agreement comes into effect, milestone payments as the therapeutic antibody proceeds through the development process, and royalty payments from the sales of the therapeutic antibody if it is eventually launched.

In our therapeutic antibody business, we have licensed Potelligent® technology to 14 large pharmaceutical companies and bio-venture companies, and five antibodies utilizing Potelligent® technology are now in clinical development by licensees. Furthermore, including the five products from our therapeutic antibody pipeline that are now in clinical development and the four therapeutic antibodies that are licensed out (less one that is included in two categories) there are now 13 antibodies using Potelligent® technology that have advanced to the clinical trial stage. These therapeutic antibodies will advance through the development process, and it is likely that some of them will be launched. Accordingly, we expect our therapeutic antibody business to start to generate substantial returns at some point in the near future.
(For more information, see page 16.)

REORGANIZATION PLAN FOR PRODUCTION AND RESEARCH BASES



Pharmaceuticals Operations: Targeting Growth into a Global Specialty Pharmaceutical Company

Q Investors are paying considerable attention to the therapeutic antibody business. How will the Company achieve growth in this business?

A The trial implementation of the new drug pricing system started in April 2010. This system is intended to promote the development of new drugs and eliminate off-label drug use, and we believe that it will have a significant influence on the pharmaceutical industry. Under this new drug pricing system, the prices of new drugs will generally not be reduced while they are on patent, while the prices of drugs that have gone off patent and face competition from generics will be substantially reduced. For Kyowa Hakko Kirin, which has advanced capabilities in new drug development, this will be a very beneficial system. We have a robust pipeline, centered on therapeutic antibodies, and I am confident that we will benefit from this new system.

Fiscal 2012, the final year of the medium-term management plan, will be a turning point for the Company. KW-0761, which targets blood cancers, is the first Potelligent® therapeutic antibody, and we anticipate its launch in 2012. On the other hand, fiscal 2012 is also the year in which Allelock®, one of our major drugs, will go off patent.

In the next medium-term management plan, covering fiscal years 2013 to 2015, the number of products in late-stage development will increase, and if progress is favorable, we will see the launch of some products. Until that point, we will strive to increase sales of our mainstay existing products—Nesp®, Espo®, Coniel®, Allelock®, Patanol®, and Regpara®—and steadily expand our market share. Using the construction of a building as an example, during the period covered by the management plan that started this year, we will build a solid first floor.

The second floor of this building we will build with new products, such as Asacol®, a drug for the treatment of ulcerative colitis that is marketed jointly with Zeria Pharmaceutical Co., Ltd., and HFT-290, a transdermal analgesic for persistent cancer pain that will be jointly marketed with Hisamitsu Pharmaceutical Co., Inc. In addition, the Company introduced Permax®, domestic sales of which were transferred to Kyowa Hakko Kirin from Eli Lilly Japan K.K.

In 2012 and thereafter, we anticipate a series of launches of drugs developed in-house, including our KW-0761 therapeutic antibody. These drugs will form the third floor of the building. The Medium-Term Management Plan—2010 to 2012 calls for comparatively moderate growth.

In 2015 and thereafter, we expect to see progress in the development stages of therapeutic antibodies, including

IN-HOUSE ANTIBODY CLINICAL TRIAL SCHEDULE

○ Scheduled for NDA ● Scheduled for launch

Note: The above forecasts are based on information available and assumptions made as of April 2010 about a number of uncertain factors that can affect results in the future. It is possible that actual results are materially different for a variety of reasons.

those being developed by licensees of Potelligent® technology and those that we have licensed out. Some of these therapeutic antibodies will be launched, and accordingly, we expect to receive milestone and royalty payments. Collectively, with the addition of therapeutic antibodies developed in-house, we will reach the point where the therapeutic antibody business drives growth in our Pharmaceuticals operations.

Kyowa Hakko Kirin aims to be a global specialty pharmaceutical company. As a biotechnology-based, R&D-oriented company with strengths in leading-edge technologies such as therapeutic antibodies, we will take on the challenge of developing new drugs that respond to unmet medical needs.

Q What approach will the Company take to global development in the years ahead?

A In Asia, we have five sales bases that we inherited from the former Kirin Pharma. Thus, among Japanese pharmaceutical manufacturers, we have a relatively strong sales network in the region. In Asian markets, we will not only bolster our own sales network, we will also develop a global joint clinical trial system and thereby focus on clinical development initiatives, centered on China, South Korea, and Singapore.

> “Kyowa Hakko Kirin aims to be a global specialty pharmaceutical company.”

In Europe and North America, we have development bases in the United States and the United Kingdom. We also have a sales network in certain parts of Europe, such as the United Kingdom, but we do not have any sales bases in the United States. We will pay careful attention to progress in the development of therapeutic antibodies, such as KW-0761, for treating malignant tumors, and KRN23, for treating hypophosphatemic rickets. As we monitor that progress, we will consider measures to establish stronger sales capabilities in Europe and the United States, including M&A initiatives, during the period of the current medium-term management plan.

Strategy in Bio-Chemicals Operations, which Cover Pharmaceutical-Related Fields

Q What is the fundamental strategy in Bio-Chemicals operations, the Company's other core business field?

A In Bio-Chemicals operations, first, we will focus our application of management resources on high-value-added amino acids and nucleic acids for pharmaceutical-related fields, such as pharmaceutical raw materials. In this way, we will aim for further growth through aggressive marketing. Accompanying higher medical standards in developing countries, we are seeing steady growth in demand

for amino acids used in pharmaceutical products, such as infusions.

Furthermore, guided by the key words of the Kirin Group—food and health—we will take steps to promote the use of our amino acids as materials for health foods and functional foods. Under the Kirin Health Project, our amino acids will be used in the Kirin Group's beverages and food products, and in the field of health care, we will bolster our collaboration with Kirin Group members in the years ahead.

Outlook and Strategy for Chemicals Operations

Q Would you discuss the Company's Chemicals operations, including future prospects in this field?

A I often receive questions from shareholders and investors regarding our Chemicals operations. Certainly, Chemicals operations may not seem to be an obvious match for our Pharmaceuticals and Bio-Chemicals operations. Currently, our Chemicals operations essentially comprise the production of petrochemicals. Originally, however, these were fermentation-based operations and were one of the fields in which the Company got its start. As a CEO, in addition to enhancing value for shareholders, my responsibilities include the growth and continuation of our operations, the provision of stable employment, and the supply of products. There is no change in my basic approach. With consideration for the expected reorganization of the domestic petrochemical industry, I am working to determine the optimal method of meeting those responsibilities. In Chemicals operations, our basic strategy is to stabilize the profit foundation for our core basic chemicals and to implement global development and increase sales of our environment-friendly functional products.

Future Direction of the Kyowa Hakko Kirin Group

Q Would you discuss the Group's future direction?

A The Group's corporate philosophy calls for "contributing to the health and well-being of people around the world" by creating new value with the pursuit of advances in life sciences and technology. As we move ahead, we will focus our allocation of management resources to the core fields of Pharmaceuticals and Bio-Chemicals. We will endeavor to enhance corporate value by leveraging our capabilities in biotechnology and other leading-edge technologies, developing therapeutic antibodies and other new drugs, and providing raw materials for pharmaceutical products, such as amino acids.

It goes without saying that CSR issues, such as the environment, society, and corporate governance, will be reflected in our management. I believe that, from the viewpoint of society, it is essential for companies to contribute to society through their business activities. After the Second World War, we introduced production technology for Streptomycin, an antitubercular drug, and contributed to the elimination in Japan of tuberculosis, which was said to be incurable at the time. This was the beginning of our involvement in pharmaceutical operations. This commitment to contributing to society by responding to unmet medical needs is our founding spirit, and it continues to guide the Company's actions to this day. There are still many diseases for which there are no effective drugs. Our mission is to continue to develop leading-edge drugs that respond to unmet medical needs, such as therapeutic antibodies with high effectiveness and low side effects that utilize our proprietary Potelligent® technology.

Kyowa Hakko Kirin, established in October 2008 through the integration of Kyowa Hakko and Kirin Pharma, is still a new company. As guidelines shared by all employees, we formulated "Sharing Values, Aims, and

Ideals; Team Kyowa Hakko Kirin." These are not top-down guidelines. They resulted from workshops attended by large numbers of employees and from discussions including managers. As a pharmaceutical company that has a responsibility to protect precious lives, Kyowa Hakko Kirin's philosophy and values are reflected in the thoughts and actions of all of our employees and become the driving force behind our development of new drugs.
(For more information, see page 42.)

Shareholder Return Policy

Q What is the Company's policy with regard to shareholder returns?

A Our parent company, Kirin Holdings, now owns 50.10% of our shares, but there has been no change in our consideration for the position of all of our shareholders. For the period covered by the Medium-Term Management Plan—2010 to 2012, our target for dividends is a payout ratio of 30%, using profit before amortization of goodwill. When we entered the strategic alliance with Kirin Holdings, we concluded a contract that called for Kirin Holdings to maintain a shareholder ratio of 50.10% for 10 years, and consequently it is difficult at this point for the Company to acquire its own shares. I believe that the Group can meet the expectations of our shareholders by steadily implementing the new medium-term management plan, achieving favorable progress in our pipeline, and continuing to create new drugs that respond to unmet medical needs.

Outlook for the Fiscal Year Ending December 31, 2010

Q What are your thoughts on the outlook for the year ahead?

A The future course of business conditions remains uncertain, and in accordance with the Group's new medium-term management plan, we will focus our allocation of management resources on Pharmaceuticals and Bio-Chemicals operations. We will provide new value by launching differentiated products and services. At the same time, we will move ahead with globalization and cost structure reforms to bolster profitability.

We are forecasting net sales of ¥400.0 billion, down 1.7%; operating income of ¥36.0 billion, up 16.4%; and net income of ¥20.0 billion, an increase of 99.2%. We plan dividends of ¥20 per share for the year.

* Figures provided for comparison purposes. Because the fiscal period under review was a nine-month period, for the 12-month fiscal year ending December 31, 2010, year-on-year comparisons are made with the sum of figures for the fourth quarter of the fiscal year ended March 31, 2009 (January to March, 2009) and the nine-month period ended December 31, 2009 (April to December, 2009).

> Our mission is to continue to develop leading-edge drugs that respond to unmet medical needs.

MEDIUM-TERM MANAGEMENT PLAN—2010 TO 2012

Achieving Rapid Progress in our Development Pipeline through the Efficient Use of Management Resources

- Implementing the principles of selection and concentration in our business portfolio
- Improving profitability by reorganizing production bases
- Further developing our world-class therapeutic antibody business

CONSOLIDATED TARGETS

Billions of Yen

	2009/12*	2010/12	2011/12	2012/12
Net sales	¥407.0	¥400.0	¥427.0	¥454.0
Operating income (before amortization of goodwill)	40.3	45.3	50.0	61.0
Operating income (after amortization of goodwill)	30.9	36.0	40.7	51.7
EPS (before amortization of goodwill, Yen)	33.97	N/A	N/A	70.58
R&D expenses	46.4	46.4	49.5	45.0
Capital expenditures (tangible assets only)	29.6	27.8	20.0	23.0
Depreciation	21.4	22.1	28.0	24.0

PHARMACEUTICALS SEGMENT TARGETS

Billions of Yen

	2009/12*	2010/12	2011/12	2012/12
Sales	¥207.3	¥205.0	¥215.0	¥225.0
Operating income (before amortization of goodwill)	40.4	376	395	450
Operating income (after amortization of goodwill)	31.8	29.0	30.9	36.4
R&D expenses	41.6	41.5	44.5	40.0
Capital expenditures (tangible assets only)	19.5	15.6	7.0	11.5
Depreciation	10.9	11.5	16.0	12.5

Fundamental Strategies

R&D

- Leverage our leading-edge biotechnologies, primarily antibody technologies, to promote discovery research in key areas—oncology, nephrology, and immunology—and enhance our development pipeline
  - Commence development of four products each year
  - Integrate R&D facilities to enhance efficiencies, complete new facility in Tokyo Research Park in April 2010
  - Leverage external networks, such as the La Jolla Institute for Allergy & Immunology (LIAI), in the United States
- Accelerate new drug development through the effective utilization of overseas development bases and strive to quickly acquire Proof of Concept (POC) for several products in development
  - Expand the regions in which clinical trials are implemented, such as to emerging nations
  - Join and contribute to global clinical trial systems in Asia
  - Build a global structure for in-house development
- Obtain manufacturing approval for two or more products each year (including additional indications)

Production

- Increase production efficiency by reorganizing production facilities and promoting outsourcing
  - Optimize the use of facilities throughout the Group
- Begin operation of new manufacturing facilities with large-scale animal cell culture tanks for investigational therapeutic antibodies
  - March 2010—Complete construction inside the Bio Process Research and Development Laboratories (Takasaki)

Domestic Sales

- Continue to expand the market share for existing core products
  - Expand market share for erythropoiesis stimulating agents (ESA) in hemodialysis and non-dialysis
  - Continue to grow Regpara® sales
  - Maximize Allelock® value
- Rapidly penetrate markets with new products
  - Promptly earn market acceptance for Asacol® and HFT-290
  - Achieve smooth transfer of Permax® sales
- Reorganize marketing structure to improve sales efficiency
  - Optimize structure to improve medical representative (MR) productivity

Overseas Operations

- Expand sales in Asia by strengthening in-house sales capabilities, improve reliability assurance system
  - Integrate locations and sales channels and expand product lineups
  - Improve reliability assurance system
- Improve organizations in the United States and Europe with a view to commencing new drug sales
  - Improve organization in line with progress in product development (including the consideration of alliances)

MAIN PRODUCT SALES FORECAST (NON-CONSOLIDATED BASIS)

Billions of Yen

	2009/12*	2010/12	2011/12	2012/12
Nesp/Espo	¥48.9	¥49.7	¥48.5	¥45.0
Coniel	23.3	21.3	20.5	19.0
Allelock	26.7	26.0	28.0	28.0
Patanol	7.4	7.9	9.0	10.0
Gran/Neu-up	17.0	15.1	14.5	13.5
Depakane	11.2	11.0	11.0	11.0
Regpara	6.8	7.3	8.0	9.0
Permax	—	2.0	2.5	2.5
New drugs	0.0	1.4	6.0	11.5
Bulk export and licencing	18.0	22.6	22.0	24.0

Note: The 2009/12 figures are on a shipments basis and figures from 2010/12 onwards are on a consumption basis.

BIO-CHEMICALS SEGMENT TARGETS

Billions of Yen

	2009/12*	2010/12	2011/12	2012/12
Sales	¥90.6	¥84.0	¥84.0	¥88.0
Operating income (before amortization of goodwill)	4.5	4.6	6.5	9.0
Operating income (after amortization of goodwill)	3.9	4.0	5.9	8.4

Fundamental Strategies

- Expand sales of core products, such as high-value-added amino acids
- Strengthen alliances in health care areas within the Kirin Group
- Expand production infrastructure to ensure a steady supply of pharmaceutical raw materials and fine chemical products

Factors Supporting Higher Profits

- Cost reductions (from technology development, etc.): About ¥2.0 billion
- Profit increase from higher amino acid sales volumes (8% annual growth): About ¥2.5 billion

CHEMICALS SEGMENT TARGETS

Billions of Yen

	2009/12*	2010/12	2011/12	2012/12
Sales	¥64.2	¥121.0	¥135.0	¥147.0
Operating income (before amortization of goodwill)	−5.5	2.7	4.0	7.0
Operating income (after amortization of goodwill)	−5.5	2.7	4.0	7.0

Fundamental Strategies

- Strengthen business fundamentals to stabilize profits and expand sales of core products
- Expand sales of environment-friendly chemical products, advance global development
- Maintain a safe and stable operating structure

Factors Supporting Higher Profits

- Increased sales volumes from rise in demand for chemical products accompanying global economic recovery
- Higher sales of environment-friendly functional products—one of our strengths
- Revision of product prices accompanying increased raw material and fuel prices
- Effective January 1, 2010, changes in consolidated subsidiaries' segments resulting in transfer of annual sales (over ¥40 billion) from the Other Segment to the Chemicals Segment
  - Kashiwagi Corporation
  - Miyako Kagaku Co., Ltd.

* Fiscal 2009/12 was a nine-month period due to a change in the Company's fiscal year-end. The figures in the 2009/12 columns in this section are for the 12-month period from January 1, 2009, to December 31, 2009, and consist of the sum of the consolidated results in the fourth quarter of fiscal 2009/03 (the three month period from January 1, 2009, to March 31, 2009) and the consolidated results in fiscal 2009/12 (the nine-month period from April 1, 2009, to December 31, 2009).

BIOTECHNOLOGY FOR GLOBAL HEALTH

Leading the Way in Antibody Technologies

SPECIAL FEATURE

Therapeutic antibodies are currently the focus of growing attention in new drug development. These drugs, which utilize the ability of antibodies to recognize antigens, offer an extremely effective method of treatment with high efficacy and low side effects. Utilizing its leading-edge biotechnologies, Kyowa Hakko Kirin is working to establish the global standard technology in therapeutic antibodies. As a pioneer in this field, the Company will contribute to global health by developing new drugs that respond to unmet medical needs, centered on its therapeutic antibodies.

PHARMACEUTICALS R&D STRATEGY

In R&D, Kyowa Hakko Kirin is focusing on new therapeutic antibodies that use the Company's original antibody technologies, such as Potelligent® and KM Mouse, which produces fully human antibodies from mice, as well as on low molecular weight pharmaceuticals. In the three key fields of oncology, nephrology, and immunology, we will take steps to enhance our discovery research and our development pipeline and to advance four new candidates to the development stage each year.

Following the establishment of Kyowa Hakko Kirin, we consolidated our R&D bases. As of April 2010, our network has two research bases in Japan—Tokyo Research Park and Fuji Research Park—and two overseas—Kyowa Hakko Kirin California, Inc., and Hematech, Inc. We have further strengthened our alliance with the La Jolla Institute for Allergy & Immunology (LIAI), a non-profit research organization based in the United States, to which we provide support for research, and are also actively engaging in alliances with external research organizations. We expect these endeavors to lead to active joint research initiatives and a stronger pipeline.

We have development bases in Japan, the United States, the United Kingdom, and China. We will work to accelerate new drug development initiatives by establishing our own global development network and by participating in global joint development initiatives.

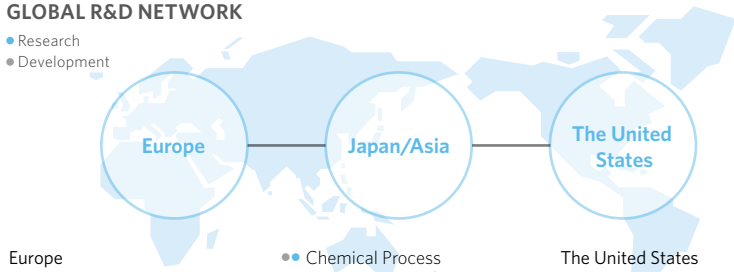
In addition, the Bio Process Research and Development Laboratories, the Chemical Process Research and Development Laboratories, and the Drug Formulation Research and Development Laboratories conduct research in the fields of pharmaceutical production-related bio processes, chemical processes, and drug formulation.

In the production of drugs for clinical trials, we are actively utilizing contract manufacturing organizations (CMOs) in Japan and overseas for the production of low molecular weight pharmaceuticals. For therapeutic antibodies, we now have worldwide supply capability. At the Bio Process Research and Development Laboratories in Takasaki, Gunma Prefecture—our principal antibody production base—we completed one of the world's leading antibody production facilities in March 2010.

AUGMENTING PIPELINES

PRINCIPAL THERAPEUTIC AREA	
Oncology	Utilizing our leading-edge **biotechnology**, advance four compounds each year into development stage • Therapeutic antibodies • Small molecule drugs
Nephrology	
Immunology	

GLOBAL R&D NETWORK



Europe
- Kyowa Hakko Kirin UK

Japan/Asia
- Tokyo Research Park
- Fuji Research Park
- Bio Process Research and Development Laboratories
- Chemical Process Research and Development Laboratories
- Drug Formulation Research and Development Laboratories
- Kirin Kunpeng (China) Bio-Pharmaceutical
- Jeil-Kirin Pharm.

The United States
- Kyowa Hakko Kirin Pharma
- Kyowa Hakko Kirin California
  - LIAI (sponsored)
- Hematech
- Kirin-Amgen

ANTIBODY PHARMACEUTICALS PIPELINE

As of January 2010

THERAPEUTIC AREA	PRECLINICAL	CODE NAME	PHASE I	PHASE II		REMARKS
Hematology/ Cancer	10 in-house antibodies (including 8 Potelligent® antibodies, 5 KM Mouse antibodies)	● KW-0761 (CCR4)			(Phase I/IIa)	• In U.S.
						• In Japan
		● BIW-8962 (GM2)			(Phase I/IIa)	
		● KRN330 (A33)			(Phase I/IIa)	
		KW-2871 (GD3)				• Out-licensed to Life Science Pharmaceuticals
Immunology/ Allergy		● AMG 761 (CCR4)				• Out-licensed to Amgen
		● ASKP1240 (CD40)				• Co-developed with Astellas Pharma
		● MEDI-563 (IL-5R)				• Out-licensed to MedImmune
Other		● KRN23 (FGF23)				

● Potelligent® technology applied ● KM Mouse technology applied

SPECIAL FEATURE

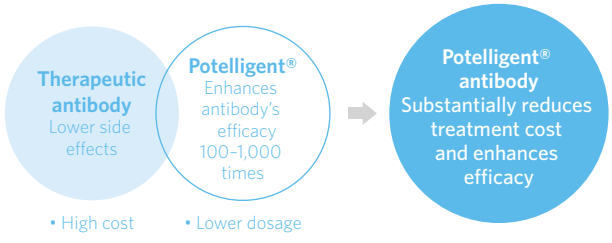
DRIVING PROGRESS IN ANTIBODIES

Therapeutic Antibody Business

Using the antigen-antibody reaction that is a natural function of the human body, therapeutic antibodies target malignant cells, such as cancer, with pinpoint accuracy. Accordingly, therapeutic antibodies are expected to have limited side effects and to show high efficacy against diseases that have been difficult to treat with traditional pharmaceuticals. However, therapeutic antibodies are produced with mammalian cell cultures, requiring sophisticated production processes and large-scale facilities. Accordingly, one of the major issues with these drugs is their high cost. Our original antibody-dependent cellular cytotoxicity (ADCC) enhancing technology, Potelligent®, increases antibody activity, such as the ability to kill cancer cells, by 100 times to 1,000 times. Consequently, this technology is highly anticipated as a means of solving the issue of high cost. The market for therapeutic antibodies has continued to grow rapidly in recent years—the global market value reached more than ¥2.5 trillion in 2007 and is expected to surpass ¥5.0 trillion by 2015.

In this growing market, the Company will leverage its world-leading antibody technologies, which include Potelligent® ADCC enhancing technology, which is becoming a global standard antibody technology; Complegent® complement-dependent cytotoxicity (CDC) technology; KM Mouse technology for the generation of fully human antibodies; and manufacturing technologies for use in the production of biopharmaceuticals. Centered on these technologies, we will bolster our discovery capabilities, expand our opportunities to acquire new antigens through an enhanced presence in the field of therapeutic antibody technologies, and accelerate our development of therapeutic antibodies.

POTELLIGENT® ADVANTAGES



ENHANCING DEVELOPMENT MODELS:

THREE BUSINESS MODELS FOR OUR THERAPEUTIC ANTIBODY OPERATIONS

In-House Antibody Pipeline

Our therapeutic antibody development pipeline now includes various antibodies that utilize our Potelligent® technology as well as antibodies that use KM Mouse technology. Current drug candidates under development are in early clinical trial or preclinical trial stages. To maximize value, we assess each drug candidate to decide how far along the development process it should be taken in-house, whether it should be out-licensed, or whether we should complete the development process in-house. In December 2006, we licensed the anti-IL-5R antibody BIW-8405, which uses Potelligent®, to MedImmune, LLC, of the United States (MedImmune development code: MEDI-563). In December 2008, MedImmune commenced phase II clinical trials of MEDI-563 for asthma patients. In addition, in March 2008 we licensed the anti-CCR4 (CC chemokine receptor 4) antibody KW-0761 to Amgen Inc. and received an up-front payment of $100.0 million when the agreement came into effect. In the future, the KW-0761 licensing agreement also provides for milestone payments totaling $420.0 million in line with progress in development and sales. After the product is launched, we will receive royalty payments from Amgen based on the amount of sales. Moreover, in May 2009 we signed a research collaboration and licensing agreement under which sanofi-aventis, of France, receives worldwide rights, except for Japan and Asia, to Kyowa Hakko Kirin's anti-LIGHT fully human monoclonal antibodies, which utilize KM Mouse technology.

Antibody Technology Licensing

The Company has steadily licensed out its Potelligent® technology through U.S. subsidiary BioWa, Inc. In May 2007, a U.S. patent was issued covering all antibodies with fucose-free complex-type sugar chains (a type of mammalian sugar chain), irrespective of the antigen or type of production method. This means that a license from BioWa is essential to commercialize Potelligent® antibodies in the United States. This patent further strengthened the exclusive position of Kyowa Hakko Kirin and BioWa in the R&D of Potelligent® antibodies, and we are making progress toward our goal of making Potelligent® a global standard. At this point, we have

POTELLIGENT® TECHNOLOGY ALLIANCES

As of January 2010

Antibody Pipeline

- KW-0761
  (Out-licensed to Amgen)
- BIW-8405
  (Out-licensed to MedImmune)
- LIV-1205
  (In-licensed from LivTech)

Antibody Technology Licensing

- Biogen Idec
- CSL Limited
- Genentech
- GlaxoSmithKline
- KaloBios
- Medarex
- MedImmune
- Merck KGaA
- NKT Therapeutics
- Novartis
- Otsuka Pharmaceutical
- sanofi-aventis
- Takeda Pharmaceutical
- UCB-Celltech

Five Potelligent® antibodies are under clinical trials.

Collaborative Alliances

- Arana Therapeutics
- Lonza

granted licenses for Potelligent® technology to 14 companies —world leaders in the field of therapeutic antibodies and major pharmaceutical companies. These companies include Genentech, Inc., Biogen Idec Inc., GlaxoSmithKline plc, Novartis AG, Takeda Pharmaceutical Co., Ltd., and sanofi-aventis. Out-licensing agreements for antibody technologies like Potelligent® include up-front payments when the agreements comes into effect, various milestone payments along the development process, and royalty payments once the product is launched. The KW-0761 licensing agreement with Amgen has both increased the value of KW-0761 as a new drug and further enhanced the reputation of Potelligent® technology. KM Mouse, a technology for producing fully human antibodies, was co-developed by Kyowa Hakko Kirin and Medarex, Inc. KM Mouse has been licensed to a wide range of pharmaceutical manufacturers by the Company and Medarex.

Collaborative Alliances

Since 2004, Kyowa Hakko Kirin has participated in collaborative alliances conducting joint R&D initiatives. These efforts have combined ADCC Potelligent® and CDC Complegent® technologies with promising antibodies for cancer or inflammatory allergic treatment held by bio-venture companies. In April 2008, these initiatives produced their first results when we entered into a co-development agreement with Arana Therapeutics Limited, of Australia, to develop an antibody to treat colorectal cancer. Under this agreement, we have the exclusive option to develop and market this product in Asia, including Japan, China, South Korea, and Taiwan. In the United States and Europe, the rights to this product line are shared by Kyowa Hakko Kirin and Arana Therapeutics.

Development Status of KW-0761, a Humanized Monoclonal Antibody Targeting CCR4 Utilizing the Potelligent® Technology Platform

In Japan, we have completed phase I clinical trials of KW-0761 in relapsed patients with CCR4-positive adult T-cell leukemia-lymphoma (ATL) and peripheral T-cell lymphoma (PTCL). The results of these trials were extremely positive, indicating both safety and efficacy at the minimum dosages of 0.01mg/kg to 1.0mg/kg. We began phase II clinical trials in June 2009. In the United States, phase I/IIa clinical trials started in July 2009 for an indication of hematologic tumors.

LICENSING ACTIVITIES

To enhance our development pipeline and to maximize the value of our intellectual property, we are actively engaged in both out-licensing and in-licensing activities.

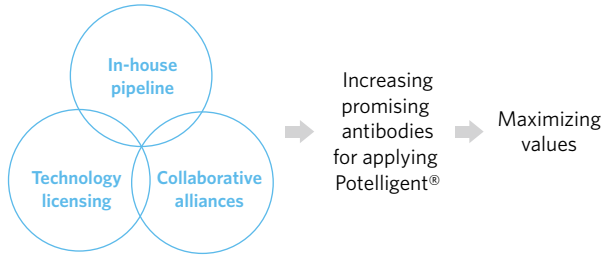
Out-Licensing

In the out-licensing of therapeutic antibodies, our activities extend beyond BIW-8405 and KW-0761, the previously mentioned antibodies that use Potelligent® technology. In January 2007, for example, we entered into a worldwide licensing and collaborative research and development agreement with Astellas Pharma Inc. for our fully human anti-CD40 antagonistic monoclonal antibody ASKP1240. Further, in February 2007 we licensed the malignant melanoma treatment KW-2871 to Life Science Pharmaceuticals, Inc., of the United States, which is now conducting phase I/II clinical trials. In May 2009, moreover, we completed a collaboration and licensing agreement with sanofi-aventis for developing and marketing rights worldwide, except for Japan and Asian countries, to our fully human anti-LIGHT monoclonal antibodies, which are in preclinical development for autoimmune diseases.

In the out-licensing of low molecular weight pharmaceuticals, in January 2007 we licensed KRN951, an anticancer agent with angiogenesis inhibition action, to AVEO Pharmaceuticals, Inc., of the United States. Phase III clinical trials are now underway. The mitotic kinesin Eg5 inhibitor that we licensed to Eli Lilly and Company in December 2005 is now in phase II clinical trials.

Moreover, export sales and royalties for olopatadine hydrochloride, the active ingredient in the antiallergic agent

POTELLIGENT®: THREE BUSINESS MODELS



PROGRESS OF OUT-LICENSING COMPOUNDS

As of March 2010

	CODE NAME	COMPANY	STAGE	REMARKS
Out-Licensing	KW-2871	Life Science Pharmaceuticals	Phase II	Anticancer (malignant melanoma), low-fucose antibody
	BIW-8405 (MEDI-563)	MedImmune	Phase II	Asthma (anti-IL-5R antibody), Potelligent® antibody
	KRN951 (AV-951)	AVEO	Phase III	Anticancer (renal cell carcinoma)
	LY2523355	Eli Lilly	Phase II	Anticancer (Eg5 inhibitor)
	KRN5500	DARA BioSciences	Phase II	Neuropathic pain in cancer patients
	KW-0761 (AMG 761)	Amgen	Phase I	Antiallergic (anti-CCR4 antibody), Potelligent® antibody
	ASKP1240	Astellas Pharma	Phase I	Organ transplant rejection, fully human monoclonal antibody
	Debio0719	Debio	Preclinical	Bone metastasis (LPA receptor inhibitor)
	KRN7000 (RGI-2001)	REGiMMUNE	Preclinical	Immunosuppressive agent
	anti-LIGHT antibody	sanofi-aventis	Preclinical	Autoimmune disease, fully human monoclonal antibody

Allelock®, are making a significant contribution to our revenues. Olopatadine hydrochloride, which has been licensed to Alcon, Inc., is marketed in more than 100 countries as opthalmic formulations under the brand names Patanol® and Pataday™. It is also available in the United States as a nasal spray.

In-Licensing

In December 2009, we entered into an exclusive license agreement for anti-amyloid-beta-peptide antibody with Immunas Pharma, Inc., of Japan. In January 2010, we entered into a research collaboration and license agreement with Dicerna Pharmaceuticals, Inc., of the United States, for their dicer substrate siRNA (DsiRNA) pharmaceuticals and our drug delivery system. In January 2010, we also announced the signing of a licensing agreement for exclusive development and sales rights in Japan and Asia for RTA 402, which is in phase II clinical trials in the United States as a treatment for diabetic chronic kidney disease. In March 2010, we announced we would license-in SP-01 (extended release transdermal granisetron patch), from Solasia Pharma K.K., in Taiwan, Hong Kong, Singapore, and Malaysia. In these ways, we continue to aggressively implement activities to enhance our pipeline.

In addition to in-licensing activities for our pipeline, we are also focusing on product licensing to enhance our product lineup. We acquired the sales rights for Permax®, for the treatment of Parkinson's disease, in Japan from Eli Lilly Japan as of April 2010. In April 2008, we acquired exclusive marketing rights for the antihypertensive drug Coversyl® in Japan from Daiichi Sankyo Company, Limited.

In January 2007, we entered into an agreement with Zeria Pharmaceutical for co-development and co-marketing of Asacol®, which we launched in Japan for the treatment of ulcerative colitis in December 2009. We are steadily proceeding to launch products that we have in-licensed. At this point, we have filed NDAs for two drugs in Japan. One is HFT-290, a transdermal, sustained-release treatment for cancer pain for which we have concluded a co-marketing agreement with Hisamitsu Pharmaceutical. The other is KW-2246, a sublingual tablet for cancer pain licensed from Orexo AB of Sweden.

In April 2007, we entered into an agreement with ArQule, Inc., of the United States, for exclusive development and marketing rights for Japan and parts of Asia for ARQ 197, an anticancer agent for the treatment of solid malignant tumors, and we are now conducting phase I clinical trials in Japan. Moreover, in June 2008 we concluded a licensing agreement with Alnylam Pharmaceuticals, Inc., of the United States, for the exclusive development and marketing rights in Japan and principal Asian regions for the RNAi therapeutic ALN-RSV01.

PROGRESS OF IN-LICENSING COMPOUNDS

As of March 2010

	CODE NAME	COMPANY	STAGE	REMARKS
In-Licensing	Asacol®	Zeria Pharmaceutical	Phase III	Inflammatory bowel disease (Crohn's disease) Launched for ulcerative colitis
	KW-2246	Orexo	NDA	Cancer pain, sublingual tablet
	KW-6500	Britannia Pharma	Phase III	Parkinson's disease, injection
	ARQ 197	ArQule	Phase I	Anticancer
	KRN654	Shire	Phase I/II	Essential thrombocythemia
	ALN-RSV01	Alnylam Pharmaceuticals	Preclinical	RSV infection (RNAi therapeutic)
	LIV-1205	LivTech	Preclinical	Anticancer
	HFT-290	Hisamitsu Pharmaceutical	NDA	Transdermal analgesic for persistent cancer pain
	Anti-amyloid-beta-peptide antibody	Immunas Pharma	Preclinical	Alzheimer's disease
	RTA 402	Reata Pharmaceuticals	Preparation for clinical	Chronic kidney disease
	SP-01*	Solasia Pharma	Preparation for NDA	Chemotherapy-induced nausea and vomiting, transdermal patch

* Exclusive sales right in Asia (Taiwan, Hong Kong, Singapore, and Malaysia)

PHARMACEUTICAL PIPELINE

As of March 31, 2010

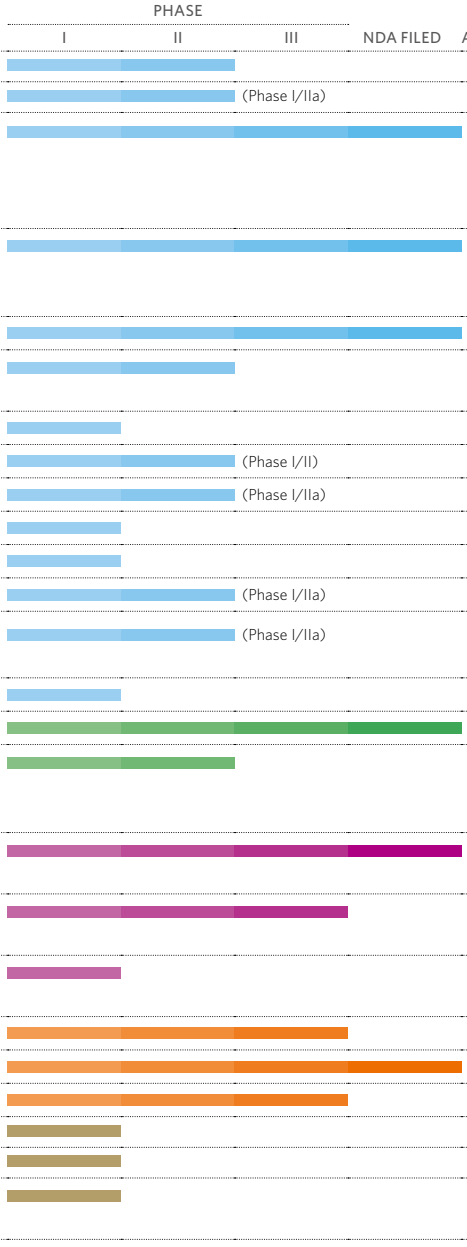
	CODE NAME (PRODUCT NAME)	GENERIC NAME	INDICATION	COUNTRY	FORMULATION
Hematology/ Cancer	KW-0761		Anticancer (Hematologic tumor)	Japan	Injection
				U.S.	Injection
	KRN321* (Nesp)	Darbepoetin Alpha	Anemia (After chemotherapy for cancer)	Japan	Injection
	AMG531	Romiplostim	Ideopathic thrombocytopenic purpura	Japan	Injection
	KW-2246	Fentanyl citrate	Cancer pain	Japan	Sublingual tablet
	KRN125	Pegfilgrastim	Neutropenia	Japan	Injection
	KW-2450		Anticancer	U.S.	Oral
	KRN654	Anagrelide hydrochloride	Essential thrombocythemia	Japan	Oral
	KW-2449		Anticancer	U.S.	Oral
	KW-2478		Anticancer	Europe	Injection
	ARQ 197		Anticancer	Japan	Oral
	KRN330		Anticancer	U.S.	Injection
	BIW-8962		Anticancer	U.S.	Injection
	KRN951		Anticancer	Japan	Oral
Kidney	KRN321* (Nesp)	Darbepoetin Alpha	Anemia (For CKD patients not on dialysis)	Japan	Injection
			Anemia (For CKD patients on dialysis)	China	Injection
Immunology/ Allergy	KW-4679 (Allelock)	Olopatadine hydrochloride	Antiallergic	China	Oral
	Z-206 (Asacol)	Mesalazine	Inflammatory bowel disease (Crohn's disease)	Japan	Oral
	ASKP1240		Organ transplant rejection	—	Injection
Central Nervous System	KW-6002	Istradefylline	Parkinson's disease	Japan	Oral
				U.S.	Oral
	KW-6500	Apomorphine hydrochloride	Parkinson's disease	Japan	Injection
Other	KW-3357	Antithrombin	Blood coagulation (Disseminated intravascular coagulation)	Japan	Injection
				Europe	Injection
	KRN23		Hypophosphatemic disease such as X-linked Hypophosphatemia (XLH)	U.S.	Injection

* For additional indication

NOTES FOR ADDITIONAL PIPELINE:

In the Philippines, application for approval has been filed for Filgrastim (G-CSF). In Thailand, Singapore, Malaysia, and the Philippines, approval for Nesp (long-acting erythropoiesis stimulating protein) has been filed. In Korea, Taiwan, and Hong Kong, Nesp has been approved. In Korea, Taiwan, Hong Kong, and Macau, Regpara (treatment for secondary hyperparathyroidism) has been approved.

Discontinued (Due to reconsideration of the Company's pipeline portfolio)	NU206		Inflammatory bowel disease	Australia	Injection
	AGS-003		Renal cell carcinoma	U.S. and Canada	Injection
	AGS-004		HIV	U.S. and Canada	Injection



REMARKS
• Humanized monoclonal antibody (Potelligent® technology applied)
• Licensed from Kirin-Amgen • Long-acting erythropoiesis stimulating protein • Approval has been given in Japan for anemia of CKD patients on dialysis
• Thrombopoiesis stimulating peptibody • In accordance with our agreement, the clinical development is being conducted by Amgen Development KK
• Licensed from Orexo
• Licensed from Kirin-Amgen • Long-acting G-CSF
• Licensed from Shire
• Licensed from ArQule
• Fully human monoclonal antibody
• Humanized monoclonal antibody (Potelligent® technology applied)
• Licensed from Kirin-Amgen • Long-acting erythropoiesis stimulating protein • Approval has been given in Japan for anemia of CKD patients on dialysis
• Prescribed in Japan as Allelock®
• Licensed from and jointly developed with Zeria Pharmaceutical
• Fully human monoclonal antibody • Jointly developed with Astellas Pharma
• Monotherapy* in Japan in phase IIa
• Licensed from Britannia Pharma
• Recombinant antithrombin product
• Fully human monoclonal antibody
• Licensed from ARCA biopharma (the former Nuvelo)
• Jointly developed with Argos Therapeutics • Dentritic cell-based immunotherapeutics
• Jointly developed with Argos Therapeutics • Dentritic cell-based immunotherapeutics

Hematology/Cancer

KW-2246

KW-2246, a fentanyl citrate tablet for breakthrough cancer pain, was in-licensed from Orexo, of Sweden. As a sublingual tablet, it is expected to show rapid absorption and analgesic effects. After it was in-licensed, we moved ahead with clinical trials in Japan, and in phase III clinical trials its efficacy and safety were confirmed. We filed an NDA in February 2010.

AMG531

AMG531 is being jointly developed with Amgen. It increases platelets through stimulation of the thrombopoietin (TPO) receptor. Amgen Development (Amgen's Japan subsidiary) confirmed its efficacy and safety in phase III clinical trials in Japan, and Kyowa Hakko Kirin filed an NDA in March 2010.

KW-0761

KW-0761 is a humanized antibody against CCR4 selectively expressed on T helper type 2 (Th2), regulatory T cells, and certain types of T-cell neoplasms. KW-0761 is in phase I clinical trials in Europe as a treatment for allergic disorders. Subsequently, in March 2008, we concluded an out-licensing agreement granting Amgen exclusive development and marketing rights for all indications except cancer—with an option to expand its license to include cancer after our phase IIa clinical trials—in all countries except Japan, China, South Korea, and Taiwan. Phase I clinical trials in Japan demonstrated KW-0761's efficacy as a treatment for malignant tumors (hematologic cancer) in which CCR4 is highly expressed, and Proof of Concept (POC) was established. Phase II clinical trials started in June 2009. Phase I/IIa clinical trials were also started in the United States for blood cancers in July 2009.

KW-2449

This compound inhibits multiple kinases, such as FMS-like tyrosine kinase 3 (FLT3), which is known as a poor prognostic factor expressed in many acute myeloid leukemia (AML) patients. In addition to FLT3, KW-2449 also inhibits aurora kinases, making it a unique and very promising anticancer treatment. Indications include not only AML but also chronic myeloid leukemia (CML) and solid tumors. It is now in phase I/IIa clinical trials in the United States.

ARQ 197

In the United States, ArQule has completed phase I clinical trials for ARQ 197, an orally administered proprietary small molecule for treating malignant tumors. It selectively inhibits c-Met, a receptor tyrosine kinase, and the anticancer action comes about through molecular targeting. In April 2007, we entered into an agreement with ArQule for exclusive development and marketing rights for Japan and certain parts of Asia. ARQ 197 entered phase I clinical trials in Japan in February 2008.

KW-2478

Starting with a compound obtained through microbial screening and designed using our organic synthesis and X-ray crystallography technologies, KW-2478 possesses a new type of anticancer action. This compound inhibits the functions of heat shock protein 90 (Hsp90) client proteins and induces degradation of these proteins, which are involved in the survival, proliferation, metastasis, and other processes of cancer cells. Primary indications are for myeloma and lymphoma. Its safety was confirmed in phase I clinical trials in Europe. Currently, preparations are underway for the next stage of clinical trials.

BIW-8962

BIW-8962 is a humanized antibody that targets the GM2, which is expressed at high levels in multiple myeloma, small cell lung cancer, and brain tumors. It utilizes Potelligent® technology to increase ADCC activity and has shown promising antitumor effects by destroying GM2 positive cancer cells through ADCC and CDD activities. Phase I clinical trials in the United States for multiple myeloma began in February 2009 and are currently in progress.

KRN125

This is a long-acting type of the genetically modified protein G-CSF that has been chemically modified with polyethylene glycol. It is currently in phase II clinical trials in Japan as a treatment for persistent leukopenia, targeting the reduction in neutrophilic leucocytes resulting from cancer chemotherapy.

Kidney

KRN321

In phase III clinical trials targeting additional indications for the antianemia agent Nesp® (novel erythropoiesis stimulating protein), efficacy and safety were verified for anemia in chronic

kidney disease (CKD) for patients not on dialysis and for anemia in patients undergoing chemotherapy for cancer. Based on the results of these trials, we filed applications for an indication for anemia induced cancer chemotherapy in November 2008 and for renal anemia in December 2008.

Immunology/Allergy

Z-206

In January 2007, we concluded a co-development and co-marketing agreement with Zeria Pharmaceutical for Asacol®, a treatment for inflammatory bowel disease (Crohn's disease). Clinical trials are in progress in Japan, and preparations for additional clinical trials are underway. Z-206 is an enteric product comprising mesalazine coated with a pH-dependent controlled-release substance. It is already marketed in 53 countries worldwide for other gastrointestinal indications and holds the leading share of one-third of the global market for inflammatory bowel disease treatments. In April 2008, Zeria Pharmaceutical filed an NDA for the additional indication of ulcerative colitis, and the application was approved in October 2009. From December 2009, in accordance with the sales contract, sales began, under a single brand name, through the sales channels of both companies. For Crohn's disease, we are preparing for additional clinical trials.

ASKP1240

This fully humanized antibody is combined with CD40, which blocks the molecular interaction with CD40 ligand (CD154). By inhibiting cellularity and humoral immunity, this antibody is expected to meet needs that are not being met by existing therapeutic agents for organ transplants. In January 2007, we entered into a joint-research agreement with Astellas Pharma. In December 2009, phase I clinical trials were concluded and preparations for phase II clinical trials are underway overseas.

Central Nervous System

KW-6002

This is the world's first selective adenosine A2A receptor antagonist for treating Parkinson's disease. We completed phase III clinical trials in Europe and the United States and filed an NDA in the United States in April 2007. Unfortunately, in February 2008 we received a Not Approvable Letter from the U.S. Food and Drug Administration (FDA). However, the results of a phase IIb study in Japan demonstrated the efficacy of KW-6002 compared with a placebo, and we decided to continue its domestic development, starting phase III clinical trials in August 2009.

KW-6500

The dopamine D1 and D2 agonist Apomorphine is the active ingredient in KW-6500, which is self-administered as an injection. It improves the symptoms of patients in the final stage of Parkinson's disease and can be used when the effectiveness of existing treatments is wearing off or becoming inconsistent. In February 2006, an in-licensing agreement was completed with Britannia Pharma Limited for exclusive development and sales rights in Japan and certain countries in Asia. In Japan, phase I clinical trials were started in March 2007 and phase II clinical trials were completed in November 2008, confirming the trial outcomes. Consequently, we began phase III clinical trials in October 2009.

Other

KW-3357

KW-3357 is a recombinant human antithrombin produced from Chinese Hamster Ovary (CHO) expressions system by using the sugar chain control technology that we acquired during the development of Potelligent® technology. Because the antithrombins currently marketed in Japan are all blood products, KW-3357 will have a key advantage as a substitute treatment that eliminates any risk of infection. It entered phase I clinical trials in Japan in December 2007, and its safety was confirmed. Preparations for phase IIa clinical trials are underway. Further, phase I clinical trials were commenced in Europe in August 2009.

KRN23

This fully human monoclonal antibody with neutralizing activity targets the excessive production of FGF23 within blood plasma. In patients with X-linked hypophosphatemic rickets, the excessive production of FGF23 accentuates the excretion of phosphorous from the kidney. By normalizing phosphorous concentrations within blood plasma, this antibody is expected to improve such disease conditions as underdevelopment of both legs, small-stature syndrome, and osteomalasia. It is undergoing phase I clinical trials in the United States.

REVIEW OF OPERATIONS
AT A GLANCE

As of December 31, 2009

PHARMACEUTICALS

Sales Composition
including intersegment transactions **48.0**%

The Pharmaceuticals segment conducts R&D, production, and sales of ethical drugs—principally in the fields of cancer, allergies, renal anemia, and hypertension—and of diagnostic reagents. In ethical pharmaceuticals, the segment is working to expand its business in overseas markets. To this end, we are conducting clinical development of new drugs in Europe, North America, and China and are moving ahead with therapeutic antibody operations based on our original strong-acting antibody technologies.

Ethical Drugs: Nesp®, Espo® (ESA formulation), Coniel® (hypertension and angina pectoris), Allelock® (antiallergic agent), Depakene® (antiepileptic agent), 5-FU (anticancer agent), Gran®, Neu-up® (G-CSF agent), Regpara® (secondary hyperparathyroidism)

Diagnostic Reagents: Determiner® series (clinical chemistry diagnostic reagents)

BIO-CHEMICALS

Sales Composition
including intersegment transactions **21.1**%

In domestic and overseas markets, the Bio-Chemicals segment conducts production and sales of fermented bulk products, such as amino acids, nucleic acids, and related compounds, which are used as raw materials for pharmaceuticals, health foods and dietary supplements, cosmetics, and pharmaceutical intermediates. In addition, the segment conducts mail-order sales of health care products in Japan, produces and markets alcohol for the alcoholic beverages and food industries, and supplies agrochemicals as well as livestock and fisheries products.

Fine Chemicals: Amino acids, nucleic acids, related compounds

Health Care Products: Amino acids, vitamins, minerals, carotenoids, peptides, Remake® series, Enguard® series

Agrochemicals and Livestock and Fisheries Products: Plant growth regulators, animal health products

Alcohol: For use in alcoholic beverages, in food preservatives, in disinfectants

CHEMICALS

Sales Composition
including intersegment transactions **15.9**%

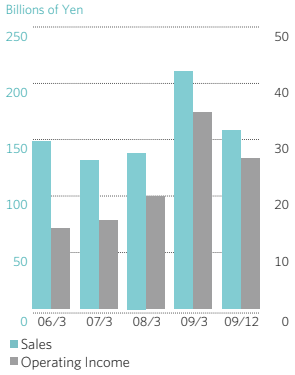
The Chemicals segment produces and markets basic chemicals and specialty chemicals. Basic chemicals include solvents used in paints and inks as well as raw materials for plasticizers used as additives in PVC products. Recently, the segment places particular emphasis on specialty chemicals, including environment-friendly products and products for advanced technologies.

Solvents: Butyl alcohol, butyl acetate, ethyl acetate, acetone, glycol ethers, MIBK, PM, PMA

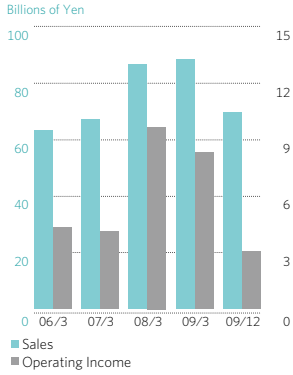
Raw Materials for Plasticizers: 2-ethylhexyl alcohol, isononyl alcohol (INA), isodecyl alcohol (IDA)

Specialty Chemicals: 2-ethyl hexanoic acid, isononanoic acid, DAAM (diacetone acrylamide), high-purity solvents (PM-P, PMA-P, etc.), Diols

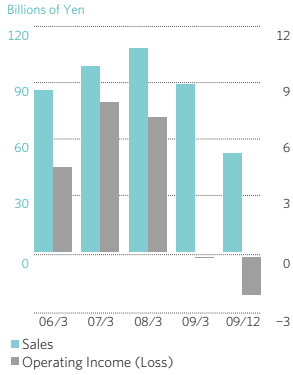
SALES/OPERATING INCOME*



SALES/OPERATING INCOME*



SALES/OPERATING INCOME (LOSS)*



* Including intersegment transactions

PHARMACEUTICALS

INDUSTRY TREND

Japan's pharmaceutical companies continue to face a competitive operating environment that has been influenced by the government's revision of drug pricing, the accelerating use of generic drugs, and intensified competition in new drug development on a global scale. Under these circumstances, the Company aims to contribute to the widespread utilization of evidence-based medicine (EBM) by providing good, quality medical information, thereby earning the trust of patients and health care professionals. In addition, centered on the fields of oncology, nephrology, and immunology, we will strive to rapidly and continually create innovative new drugs that meet medical needs by virtue of making the best of our leading-edge biotechnologies, the core of which is antibody technologies, as well as strengthening strategic alliances and partnerships.

OPERATIONAL STRATEGY

We have identified three strategic themes that will drive our progress toward becoming a global specialty pharmaceutical company that contributes to the health and well-being of people around the world.

First, we will increase productivity. Through the strategic allocation of limited management resources, we will endeavor to secure a top share of the erythropoiesis stimulating agent (ESA) market, record further growth in mainstay products, achieve rapid market penetration with newly launched drugs, and earn the high regard of customers. Moreover, we will reorganize our plants in Sakai, Fuji, and Yokkaichi to enhance cost competitiveness by increasing productivity. In Asian markets, where growth is anticipated, we will work to expand sales of existing drugs, centered on mainstay products in the fields of nephrology and oncology. We will also advance development targeting the launch of new drugs and the expansion of indications, following which we will expand our business and build profitability for the long term.

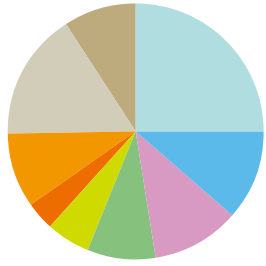
Second, we will aim for steady progress in the global development of new drugs. The Frontier Laboratory and the Innovative Drug Research Laboratories have been reorganized into the laboratories in the Tokyo Research Park and the Fuji Research Park. As a result, we will be able to efficiently make progress in the discovery of new drug candidates, centered on therapeutic antibodies using our antibody technologies, such as Potelligent®, an antibody-dependent cellular cytotoxicity (ADCC) enhancing technology. In clinical development, in addition to domestic trials we will take steps to implement development more rapidly and globally, such as expanding overseas clinical trials and establishing a global joint clinical trial system.

Third, targeting the establishment of sales bases and alliances in Europe and the United States, we will strive to further enhance our network in line with progress in our development pipeline.

In accordance with these strategies, we will leverage advanced biotechnologies, principally therapeutic antibodies, which are centered on the fields of oncology, nephrology, and immunology. We will endeavor to continually discover innovative new drugs and implement global development and marketing. In this way, we will work to be a Japan-based, global specialty pharmaceutical company that contributes to the health and well-being of people around the world.

Yuzuru Matsuda
Kyowa Hakko Kirin Co., Ltd.
President and Chief Executive Officer

SALES COMPOSITION BY PRODUCT CATEGORY
(2009/12)



Non-consolidated

Nesp/Espo	25.0%
Coniel	11.6%
Allelock	10.9%
Gran/Neu-up	8.7%
Depakene	5.6%
Regpara	3.5%
Bulk export and licensing	9.5%
Others	16.1%
Subsidiaries	9.1%

OVERVIEW

In the Pharmaceuticals business, in comparison with the nine-month period ended December 31, 2008, consolidated net sales decreased 1.9%, to ¥158.3 billion, and operating income declined 10.1%, to ¥26.7 billion. Domestic sales of pharmaceutical products were favorable, but in a rebound from the previous year, when we recorded an up-front payment of ¥9.8 billion for the out-licensing of KW-0761. Overall, sales and profits were down in Pharmaceuticals operations.

* The Company's fiscal year-end was changed in the period under review, which is the nine-month period from April 1, 2009, to December 31, 2009. Comparisons are made with the corresponding period of the previous year, the nine-month period from April 1, 2008, to December 31, 2008.

Ethical Drugs

Domestic sales of pharmaceutical products increased, with support from steady growth in sales of mainstay products.

Anemia treatments Nesp® and Espo® increased their combined market share, and higher sales were recorded by Allelock®, an antiallergic agent, and Patanol®, an antiallergic ophthalmic solution. Sales of Regpara® tablets, a treatment for secondary hyperparathyroidism during dialysis therapy, and Coniel®, an antihypertensive agent, were firm. Further, in December 2009 we launched sales of Asacol®, an ulcerative colitis treatment, through our joint marketing agreement with Zeria Pharmaceutical. As of March 1, 2010, we transferred manufacturing and sales rights for Neu-up®, a G-CSF agent, to Yakult Honsha Co., Ltd.

In the licensing-out of technologies and the export of pharmaceutical products, revenues decreased significantly from the corresponding nine-month period of the previous year, in which we recorded an up-front payment for the out-licensing to Amgen of KW-0761, an anti-CCR4 humanized monoclonal antibody.

Nesp®, an ESA formulation

Allelock®, an antiallergic agent

Diagnostic Reagents

Subsidiary Kyowa Medex Co., Ltd., is responsible for the manufacture and marketing of diagnostic reagents. In the period under review, sales were higher than in the corresponding nine-month period of the previous year, due in part to growth in exports to Asia, especially South Korea and Taiwan.

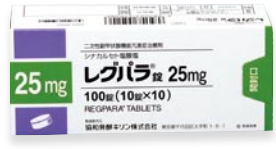
NEW DRUG DEVELOPMENT

Regarding new drug development in Japan, we filed applications for additional indications for Nesp®, a treatment for anemia.

In February 2010, we filed an NDA for KW-2246, an analgesic for cancer pain, and in April 2010 for AMG531, a treatment for thrombocytopenia. Meanwhile, phase III clinical trials began in August 2009 for anti-Parkinson's disease treatment KW-6002 and in October 2009 for anti-Parkinson's disease treatment KW-6500. Phase II clinical trials for KRN125, a treatment for neutropenia, made progress, and phase II clinical trials for therapeutic antibody KW-0761, a blood cancer treatment, were started in June 2009. Moreover, phase I clinical trials for KW-3357, an agent for inhibiting blood coagulation, and ARQ 197, an anticancer agent, made progress, and phase I clinical trials for KRN951, an anticancer agent, began in September 2009.

Coniel®, an agent for hypertension and angina pectoris

Overseas, in the United States phase I/IIa clinical trials are progressing for KW-2449, an anticancer agent; therapeutic antibody KRN330, an anticancer agent; and therapeutic antibody BIW-8962, an anticancer agent. Therapeutic antibody KRN23, a treatment for hypophosphatemic rickets, is in phase I clinical trials. Also, phase I clinical trials for KW-2450, an anticancer agent, began in June 2009, and phase I/IIa clinical trials for therapeutic antibody KW-0761, a blood cancer treatment, began in July of the same year. In Europe, phase I clinical trials are progressing for anticancer agent KW-2478, and phase I clinical trials for KW-3357, an agent for inhibiting blood coagulation, commenced in August 2009. In China, we have filed an application for Allelock®, an antiallergic agent, and phase II clinical trials are progressing for Nesp®, a treatment for anemia.



Regpara®, a treatment for secondary hyperparathyroidism


HM-JACKarc, a fully automatic human hemoglobin analyzer

PRINCIPAL DRUG SALES[1]

PRODUCT	INDICATION	Billions of Yen 2009/12	2009/3	2008/3
Nesp/Espo	ESA formulation	¥39.6	¥43.7	¥ —
Coniel	Cardiovascular (hypertension and angina pectoris)	18.3	23.1	25.4
Allelock	Antiallergic	17.3	25.0	23.3
Gran/Neu-up[2]	G-CSF	13.8	17.6	4.4
Depakene	Antiepileptic	8.8	10.7	10.5
Regpara	Secondary hyperparathyroidism	5.5	4.6	—
Farmorubicin + Adriacin	Anticancer	4.9	7.4	8.7
Nauzelin	Gastrointestinal	3.8	5.5	6.1
Coversyl	Cardiovascular (hypertension)	3.7	5.0	—
Patanol	Antiallergic eyedrops	3.0	6.6	4.3
5-FU	Anticancer	2.9	3.6	3.4
Inovan + Pre Dopa	Cardiovascular	2.7	3.7	4.1
Celtect	Antiallergic	2.3	3.6	4.1
Navelbine	Anticancer	2.2	3.1	3.1
Topina	Antiepileptic	1.2	0.9	0.1
Bulk export and licensing		15.1	29.1	16.3

1. Non-consolidated basis
2. The figure for 2008 represents Neu-up sales only

BIO-CHEMICALS

Shuichi Ishino
Kyowa Hakko Bio Co., Ltd.
President and Chief Executive Officer

INDUSTRY TREND

Our mainstay fermented bulk products, including amino acids, nucleic acids, and related compounds, are used widely in such products as pharmaceuticals, pharmaceutical intermediates, foods and dietary supplements, and cosmetics. We expect continued solid growth in demand for amino acids for pharmaceutical and industrial use. In particular, in the BRICs and Asia, where in the past infusions have not been widely used, demand for amino acids for use in infusions has been recording notable growth. However, conditions were difficult from the second half of the fiscal period, as customers made temporary inventory adjustments due to the global recession.

Conditions in the domestic market for health foods bottomed out and then turned upward, and there were noticeable differences in demand for certain products. The industry has begun to focus on products that the market is demanding, with clear-cut functions and high recognition. In recent years, sharply rising prices for raw materials and crude oil have led to unavoidable cost increases, and the market is paying growing attention to product safety and quality. In Bio-Chemicals operations, to maximize customer value we are taking steps to increase production efficiency, and to provide safe, high-quality products we are working to further strengthen our global quality assurance system.

OPERATIONAL STRATEGY

In Bio-Chemicals, we have three strategic objectives that guide efforts to strengthen our business base in fine chemicals, such as amino acids, and to promote growth in the pharmaceutical raw materials and health care products markets.

First, we aim to increase amino acid sales volume in the key areas of infusions and nutritional supplements. Kyowa Hakko Bio is one of the world's two largest manufacturers of amino acids for pharmaceuticals, foods, and industrial use, but in recent years competitors from China have begun to make their mark in the health care foods market with aggressive low-pricing strategies. Throughout its production system, which includes bases in Japan, the United States, and China, Kyowa Hakko Bio is reinforcing its position in the global market by enhancing the cost-competitiveness of its amino acids through increased production capacity and production process innovation.

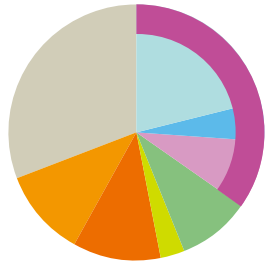
Second, we will take steps to strengthen cooperation with Daiichi Fine Chemical Co., Ltd., a Kyowa Hakko Bio subsidiary. By combining Kyowa Hakko Bio's fermentation technologies and Daiichi Fine Chemical's synthesis technologies, we will strive to create innovative production processes for high-value-added products and to increase our business in pharmaceutical raw materials and intermediates.

Third, we will cultivate and strengthen our health care business in Japan. To achieve this, we are bolstering our marketing system, including consumer needs tracking, product development, and product proposal capabilities, as well as meeting latent demand for key products, such as ornithine and citrulline, in mail order, raw material, and OEM operations. Moreover, we will work to increase sales of products that meet needs in existing markets, such as glucosamine.

OVERVIEW

In Bio-Chemicals operations, compared with the nine-month period ended December 31, 2008, sales increased 3.3%, to ¥69.8 billion, while operating income

SALES COMPOSITION BY PRODUCT CATEGORY
(2009/12)



Non-consolidated
- Fine Chemicals 34.8%
  - Amino acids 21.2%
  - Nucleic acids and vitamins 5.0%
  - Other fine chemicals 8.6%
- Health care products 9.3%
- Agrochemicals and livestock and fisheries products 3.0%
- Alcohol 11.2%
- Others 10.9%

Subsidiaries 30.8%

decreased 58.9%, to ¥3.0 billion. Demand for amino acids for use in infusions and pharmaceutical raw materials increased on a global basis, but the overseas sales ratio for these products is high as appreciation of the yen led to a decline in profits.

* The Company's fiscal year-end was changed in the period under review, which is the nine-month period from April 1, 2009, to December 31, 2009. Comparisons are made with the corresponding period of the previous year, the nine-month period from April 1, 2008, to December 31, 2008.

Fine Chemicals

In raw materials for pharmaceutical and industrial use—primarily amino acids, nucleic acids, and related compounds—we worked to expand sales, particularly for use in infusions and pharmaceutical raw materials. Nonetheless, due to the considerable effect of a stronger yen, sales declined.

Moreover, Daiichi Fine Chemical recorded lower sales due to sluggish demand in vitamin markets and other factors.

Health Care Products

In health care products, we recorded an increase in sales.

In Japan, the mail-order Remake® series registered an increase in the number of regular customers, principally for ornithine, and sales were favorable. In addition, OEM and raw material operations were favorable due to an increase in sales of fermented glucosamine and other products that met market needs. Moving forward, we will continue to implement activities that contribute to higher sales in the mail order, raw material, and OEM businesses by increasing the recognition of ornithine and citrulline.

Agrochemicals and Livestock and Fisheries Products

Sales of these products decreased due to intensifying competition in agrochemicals in overseas markets and sluggish sales in the livestock and fisheries industries in the domestic market. We transferred our livestock and fisheries businesses to ASKA Pharmaceutical on April 1, 2010.

Alcohol

Sales of beverage-use alcohol trended lower, but there was a sharp increase in demand for industrial-use alcohol due to our aggressive efforts to cultivate new customers and the spread of influenza. In consideration of operational efficiency in the Kirin Group, we will integrate our alcohol sales operations with Kirin Group member Mercian and establish a new joint venture company, Daiichi Alcohol, in July 2010. Plans call for Kyowa Hakko Bio to own 35% of the new company, which will not be consolidated.

R&D

At the Technical Research Laboratories and the Bioprocess Development Center, we targeted cost reductions in the production of amino acids and related compounds by focusing research efforts on raising the efficiency of fermentation production. At Daiichi Fine Chemical, meanwhile, we continued our synthesis process research while also focusing on new product R&D. At the Healthcare Products Development Center, we continued working to discover new functions and develop applications for all types of amino acids.

SALES BREAKDOWN BY PRODUCT CATEGORY
(NON-CONSOLIDATED BASIS)

Billions of Yen

	2009/12	2009/3	2008/3
Fine chemicals			
Amino acids	¥14.8	¥19.3	¥14.9
Nucleic acids	3.5	5.0	4.0
Other fine chemicals	6.0	8.4	6.3
	24.3	32.7	25.2
Health care products	6.5	8.1	6.2
Agrochemicals and livestock and fisheries products	2.1	3.6	2.5
Alcohol	7.8	9.3	7.2
Others	1.6	1.5	1.0
TOTAL	¥42.3	¥55.2	¥42.1

Ornithine (left) and Citrulline, Remake® series of health care products

Coenzyme Q10, Remake® series of health care products

CHEMICALS

Makoto Kikkawa
Kyowa Hakko Chemical Co., Ltd.
President and Chief Executive Officer

INDUSTRY TREND

From April to September 2009, demand in the petrochemical industry was sluggish due to the rapid worsening of the global economy from fall 2008. Market conditions for major petrochemical products were also weak, and our operating environment remained challenging. From October to December 2009, however, economic stimulus measures in Japan and overseas began to take effect, and recovery was seen in Asian economies, especially China. Consequently, demand for petrochemical products gradually showed signs of a moderate recovery.

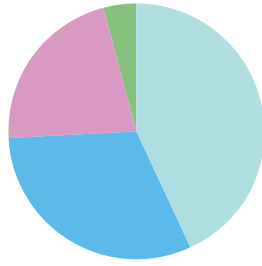
Nonetheless, employment conditions are poor and consumer spending and private-sector capital investment continue to flag. The recovery in business conditions lacks strength. In addition, due to the start-up of new large-scale ethylene plants in the Middle East and Asia and the uncertainty of price trends in such products as crude oil and naphtha, the operating environment is expected to remain difficult. Key challenges for domestic petrochemical companies include bolstering international competitiveness by reducing costs and establishing operational frameworks that are less susceptible to fluctuations in economic conditions.

OPERATIONAL STRATEGY

For the petrochemical industry, the operating environment has turned upward, but there are many points of uncertainty about such factors as raw materials prices and currency exchange rates, and it remains difficult to forecast trends in global economic conditions. We are aiming to secure stable earnings by formulating and implementing production, sales, and purchasing initiatives suitable for the operating environment and by implementing thorough cost-cutting initiatives. With the objective of reinforcing our operating foundation, we are working to achieve the following strategic objectives:

(1) Further strengthen our business foundation in basic chemicals, centered on oxo-related products, including the possibility of alliances with other companies.
(2) Accelerate global business development as one of the world's leading suppliers of environment-friendly lubricant raw materials for refrigeration systems and high-purity solvents for the IT industry.
(3) Bolster our R&D system to support the development of new products, particularly in the key areas of raw materials for lubricants, recording materials, and water-borne resins. In addition to maintaining an in-house system that fosters efficient R&D activities, we are actively working with universities and other outside research organizations to cultivate the future growth and development of our business.

SALES COMPOSITION BY PRODUCT CATEGORY
(2009/12)



Solvents	43.2%
Plasticizer raw materials	31.2%
Functional products	21.6%
Others	4.0%

OVERVIEW

In Chemicals operations, compared to the nine-month period ended December 31, 2008, sales declined 32.3%, to ¥52.3 billion, while an operating loss of ¥2.0 billion was recorded, compared to operating income of ¥3.5 billion in the corresponding nine-month period of the previous fiscal year.

There have been signs of a recovery in certain sectors of the domestic economy, but the sluggish demand in the first six months of the period under review had a significant influence, and sales volumes and sales value both declined. In exports, sales volume increased due to growth in demand from China and other factors, but the significant deterioration in global market conditions led to a decline in sales value.

* The Company's fiscal year-end was changed in the period under review, which is the nine-month period from April 1, 2009, to December 31, 2009. Comparisons are made with the corresponding period of the previous year, the nine-month period from April 1, 2008, to December 31, 2008.

Basic Chemicals

From October to December 2009, demand for basic chemicals, which include products such as solvents and plasticizer raw materials, followed a course of recovery, and sales volume increased. However, from April to September domestic demand declined substantially, and product market conditions worsened accompanying declines in raw materials and energy prices. As a result, for the period under review sales volume and sales value declined.

Specialty Chemicals

In specialty chemicals, we implemented aggressive sales promotion measures on a global basis. These were centered on environment-friendly products, such as raw materials for lubricants used in refrigeration systems that utilize ozone-friendly chlorofluorocarbon (CFC) substitutes. Consequently, despite stagnant demand from April to September, sales volume rose substantially over the same nine-month period of the previous year. However, the higher sales volume was not sufficient to offset the decline in selling prices that accompanied lower raw materials and energy prices, and thus sales value for the period decreased.

SALES BREAKDOWN BY PRODUCT CATEGORY

Billions of Yen

	2009/12	2009/3	2008/3
Solvents	¥22.6	¥39.7	¥35.0
Plasticizer raw materials	16.3	29.4	25.9
Functional products	11.3	16.4	13.2
Others	2.1	3.7	3.2
TOTAL	¥52.3	¥89.2	¥77.3

Our product lineup includes raw materials for lubricants used in CFC substitutes for air conditioners.

Yokkaichi Plant

INTELLECTUAL PROPERTY

BASIC POLICIES REGARDING INTELLECTUAL PROPERTY

Kyowa Hakko Kirin is an R&D-based company that considers intellectual property (IP) to be one of its key management resources. In particular, the Company aggressively pursues wide-ranging, robust, and effective rights to the IP that underpins its business strategies. Also, we respect the IP rights of third parties and refrain from infringing on them. This enables us to not only ensure compliance but also maintain a high degree of freedom in our research and business activities, which in turn contributes to the achievement of maximum value in each individual business.

To this end, the Company is strengthening its systems to conduct such activities as acquiring and protecting IP rights, managing licensing, and monitoring third-parties' rights from a global perspective. For example, in Pharmaceuticals, the Company protects core technologies and prolongs the life of products through the strategic filing of relevant patents.

FUNCTIONS OF THE INTELLECTUAL PROPERTY DEPARTMENT

The Intellectual Property Department is responsible for the IP-related activities of the Company's Pharmaceuticals operations. The department is also working to make operations more efficient and to reinforce IP-related risk management through the provision of IP-related support to major subsidiaries. As a result of the merger with Kirin Pharma in October 2008, the intellectual property departments of the two predecessor companies were also integrated, thereby further enhancing the Company's supervisory function with regard to its pharmaceutical IP management.

In recent years, the Company has recognized integrating business and IP strategies as an important Companywide issue. The Intellectual Property Department is strengthening its coordination with each business division, the head office of each business division, and research laboratories by holding regular meetings as well as exchanging information and consulting with research laboratories more frequently.

Moreover, we recognize the necessity of being familiar with the IP environment at each important stage of research and business decision making. Members of the Intellectual Property Department therefore participate in major projects related to development themes, existing products, licensing, and other relevant issues.

Another important function of the Intellectual Property Department is the education of employees on IP rights. The department sends IP supervisors on overseas training courses and regularly upgrades its in-house employee training programs, including programs for specific fields or groups of employees. Also, the Company has close relationships with lawyers and patent attorneys with expertise in related fields in Japan and overseas to appropriately address highly specialized issues.

CONTRIBUTIONS TO LICENSING ACTIVITIES

As it is becoming increasingly difficult to continue to independently develop new products, the Company selectively out-licenses products developed in-house and actively in-licenses to be a "Global Specialty Pharma" in its Pharmaceuticals operations, which in turn has raised the importance of the evaluation of IP issues related to in-licensed candidates.

The Company has accumulated numerous core technologies that are founded on unique and innovative research and technology. These include the proprietary Potelligent® technology, which dramatically enhances the antibody-dependent cellular cytotoxicity (ADCC) of antibodies, Complegent® high complement dependent cytotoxicity (CDC) antibody technology, and KM Mouse technology, which develops and evaluates novel fully human monoclonal antibodies for cancer treatment.

While working to acquire multifaceted patent rights for these technologies, the Company is also active in out-licensing them. Moreover, the Company has multiple core technologies related to drug formulation, which are contributing to its profits under the protection of IP rights.

POLICIES RELATED TO THE IP PORTFOLIO

In principle, the Company encourages the filing of patents based on discoveries created from research. Nevertheless, the timing of overseas applications and examination requests as well as post-registration operations, management, and other activities are evaluated in terms of technology, business operations, and IP rights. Each issue or project is prioritized with consideration to the additional factor of cost effectiveness, and decisions are made to maintain only those IP rights deemed necessary. This makes it possible to concentrate IP-related internal resources on the most significant issues. Thus the department facilitates the Company's efforts to build an IP portfolio that is consistent with its business strategy, taking into account the position of individual projects under the strategy as well as the position of each IP right within the project.

NUMBER OF PATENTS OWNED

As of December 31, 2009

	Kyowa Hakko Kirin	Rest of the Kyowa Hakko Kirin Group	Total
Japan	197	196	393
Overseas	1,539	813	2,352

CORPORATE SOCIAL RESPONSIBILITY

At the Kyowa Hakko Kirin Group, we consider CSR activities, such as environment and safety management, quality assurance, and corporate citizenship, to be among our most important management tasks, and under the leadership of top management we are striving to carry out these tasks and fulfill our corporate social responsibilities.

ENVIRONMENT AND SAFETY MANAGEMENT

Management Systems

To deal with its environment and safety management, the Kyowa Hakko Kirin Group has adopted the ISO 14001 standard for environmental issues and established the safety and health management system for the safety, health, and welfare of employees, focused on risk assessment. We have been pushing forward with environment and safety management initiatives by implementing the Plan, Do, Check, and Act (PDCA) cycle, and in addition to complying with environmental and safety-related laws and regulations, we have set our own even higher standards for compliance. We have also acquired ISO 14001 certification on an integrated Companywide basis, including at the head office and at production and R&D bases. Through these activities, we will strive to strengthen environmental governance and will continue working to further reduce the Group's carbon emissions by enhancing our environmental activities throughout the supply chain.

Performance

In the period under review, we worked to reduce the impact of our business activities on the environment through the Groupwide implementation of the Kyowa Hakko Kirin Eco Project, which targets energy and resource conservation and zero emissions. Thanks to our efforts in recycling industrial waste, we were able to achieve Groupwide zero emissions for the sixth consecutive year. In addition, in the period under review our emissions of greenhouse gases were 451,366 tons. On a full-year basis, this means that we achieved a reduction of approximately 22% from the Kyoto Protocol base year of fiscal 1991. We also generated 25,000 kWh on an annualized basis through the solar power generation equipment we installed at our Fuji Plant. We have made favorable progress in the supply of green energy and decided to install this equipment at the new building at the Tokyo Research Park.

Furthermore, the entire Group is engaged in green office plan activities, with a focus on the promotion of a green supply chain along with saving energy and promoting recycling in administrative departments. Thanks to the range of efforts to promote workplace safety, the Group was able to maintain excellent results, with an accident rate of zero at Kyowa Hakko Kirin, Kyowa Hakko Bio, Kyowa Hakko Chemical, and Kyowa Medex.

Communication

The Group published the 2009 Sustainability Report, containing information on the Group's environment and safety efforts. In addition, we are proactively carrying out responsible care (RC) activities, such as holding regular RC discussions with communities, government entities, and NGOs in those areas where we have plants. In addition, we have joined together with local residents in Takasaki, Mishima, and Yamaguchi to carry out forest conservation activities to maintain areas surrounding headwaters.

Solar power generation system installed at the Fuji Plant

Continuous Improvement

An important issue for any company in its corporate activities is the achievement of sustainable growth. More than 50 years ago, we developed a system that recycles liquid waste from fermentation processes into fertilizer and livestock feed. We have also constantly worked to curtail emissions of chemical substances in our chemical production activities. With this attitude, we will continue to strive to be a group that works in harmony with the environment.

QUALITY ASSURANCE

In accordance with its Quality Assurance Action Policy, the Kyowa Hakko Kirin Group is working to maintain high levels of quality throughout the Group, including at overseas subsidiaries. Our goal is to provide products and services that satisfy our customers. To that end, we are striving to bolster our quality assurance system throughout the supply chain, from R&D through to procurement, production, distribution, and sales.

Further, by establishing and enhancing quality assurance systems, including GMP (good manufacturing practice) and ISO 9001, at all our plants to address new laws, such as the Pharmaceutical Affairs Law, we have been successfully implementing highly reliable production control and quality control.

CORPORATE CITIZENSHIP

Local Science Experiment Classrooms

The BioAdventure vehicle is a mobile classroom equipped with microscopes and other scientific equipment that is operated by the Tokyo Research Park, in Machida, Tokyo. Kyowa Hakko Kirin's researchers visit elementary, junior high, and senior high schools to demonstrate science to the students and assist them in conducting experiments. The Group also conducts various community programs in many regions, including the Children's Science Experiment Classroom for local elementary school students at the Fuji Plant in Shizuoka Prefecture, and the Junior Science Classroom for elementary school and junior high school students, located at the Kyowa Hakko Bio Yamaguchi Production Center in Yamaguchi Prefecture.

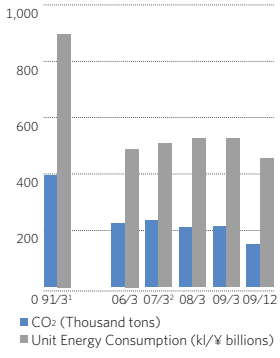
Kato Memorial Bioscience Foundation

Established in 1988 in commemoration of Kyowa Hakko's founder, Dr. Benzaburo Kato, the Kato Memorial Bioscience Foundation supports creative bioscience research through the provision of research and financial assistance to young researchers.

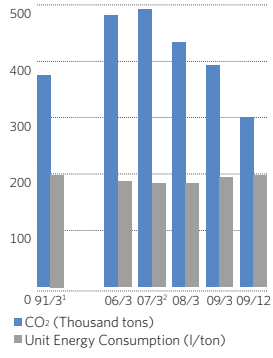
Free Braille Calendars for Schools for the Blind Nationwide

Every year since 1994, Kyowa Hakko Kirin has created a braille calendar for people with visual disabilities and distributed it free to schools for the blind all over Japan. Approximately 4,000 of the 2010 calendars were delivered to 70 schools.

UNIT ENERGY CONSUMPTION
(Kyowa Hakko Kirin, Kyowa Hakko Bio, and Kyowa Medex)



UNIT ENERGY CONSUMPTION
(Kyowa Hakko Chemical)



1. Fiscal 1991 figures are the reference values for numerical targets spelled out in the Kyoto Protocol, which determined emission reduction obligations for CO_2 and other greenhouse gases.
2. Following the revision of the law in 2006, CO_2 equivalent units and the areas for which energy are calculated have been revised.

2010 braille calendar

CORPORATE GOVERNANCE

FUNDAMENTAL APPROACH

Kyowa Hakko Kirin operates its business in accordance with its corporate philosophy of "contributing to the health and well-being of people worldwide by creating new value with the pursuit of advances in life sciences and technology." Our basic goal in corporate governance is to clarify the responsibilities and duties of the management organization, to ensure the policies that we have in place are complied with, and to progress toward the realization of the Company's philosophy. We recognize the importance of increasing management transparency and reinforcing oversight functions and strive to enhance corporate governance to continually raise corporate value.

FUNDAMENTAL STRUCTURE

Kyowa Hakko Kirin's management structure is based on the Board of Directors and the Board of Auditors, which together carry out the functions stipulated under the Corporation Law of Japan. To strengthen the management function and increase management efficiency, the following governance entities have been established.

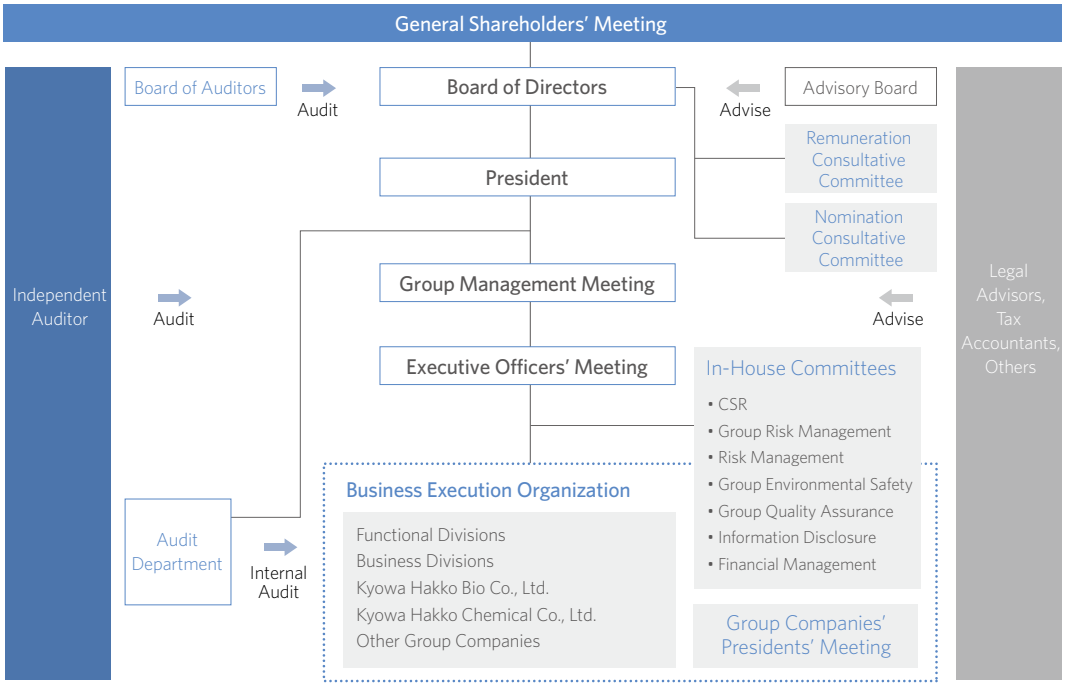
Directors and Board of Directors

In principle, the Board of Directors meets once a month. The Board of Directors had nine members, including three outside directors, as of March 24, 2010. The Board of Directors performs critical Groupwide management functions, including strategic planning, decision making, and the monitoring of operational execution. The Company has not adopted a company-with-committees governance system, but the Company has established the Remuneration Consultative Committee and the Nomination Consultative Committee as advisory bodies to the Board of Directors,. These committees are made up of four directors each, including outside directors. In regard to compensation and nomination issues regarding the Board of Directors and the corporate auditors, these committees provide objective, impartial advice. The Board of Directors met 12 times during the nine-month period ended December 31, 2009.

Company Auditors and Board of Auditors

The Company has adopted the company auditor corporate governance system. The Board of Auditors comprised five

CORPORATE GOVERNANCE STRUCTURE
As of March 24, 2010



members, including four outside auditors, as of March 24, 2010. Based on the audit policies established by the Board, company auditors attend important meetings, including those of the Board of Directors, inspect operations and assets, and audit the work of directors. In performing these duties, the Board of Auditors met 10 times during the nine-month period ended December 31, 2009.

There are no personal interests between the Company's directors and company auditors and its outside auditors. Also, there is no capital, business, or any other interest between the Company and its outside directors.

Group Management Meeting, Executive Officer System, and Advisory Board

The Group Management Meeting has been established as a decision-making body to make accurate and effective management decisions from a strategic viewpoint. It met 11 times during the nine-month period ended December 31, 2009, to deliberate on important and fundamental issues related to the Group's management policies and operational execution.

In addition, an executive officer system has been introduced to facilitate rapid decision making and strengthen operational execution. Also, as a framework for strengthening management and ensuring transparency and soundness, Kyowa Hakko Kirin has established the Advisory Board (three outside advisors). The Advisory Board provides advice from an external management perspective on various management-related issues faced by the Company and the Group. The Advisory Board met once during the nine-month period ended December 31, 2009.

Account Auditing and Legal Compliance

The Company's financial statements are prepared in conformity with generally accepted accounting principles and practices prevailing in Japan. In order to ensure that the presentation, etc., is appropriate, audits are conducted by independent auditors. With regard to problems that arise in the course of operational execution, the Company gives the highest priority to legal compliance, and when necessary the Company receives appropriate advice from third parties, such as attorneys.

Risk Management System and In-House Committees

To address the variety of risks inherent in management issues, a number of in-house committees have been established to strengthen risk management and enhance corporate governance. These committees regularly report on their activities to the Board of Directors. These in-house committees are the CSR Committee, the Group Risk Management Committee, the Risk Management Committee, the Group Environmental Safety Committee, the Group Quality Assurance Committee, the Information Disclosure Committee, and the Financial Management Committee. For details of identified risks, please refer to "Risk Factors" on pages 52 to 53.

CORPORATE ETHICS

To clarify the Company's approach to compliance with corporate ethics in the conduct of business activities, the Company has formulated the Kyowa Hakko Kirin Group Compliance Guidelines and is working to ensure awareness of these guidelines among Group companies and all Group employees.

INTERNAL CONTROL SYSTEM

At a meeting on April 22, 2009, the Company's Board of Directors resolved to revise the internal control system as described below. The Company is moving ahead with the establishment of a system based on the content of that resolution.

- Systems for ensuring that the execution of duties by directors and employees is in compliance with laws, regulations, and the articles of incorporation
- Systems for the storage and control of information related to the execution of duties by directors
- Regulations and systems regarding the risk of losses
- Systems for ensuring the efficiency of the execution of duties by directors
- Systems for ensuring that the actions of the corporate group, comprising the Company, its parent companies, and subsidiaries, are appropriate
- Systems related to the handling of requests from company auditors for support staff and matters related to the independence from directors of those support staff
- Systems for reporting by directors or employees to the Board of Auditors or to company auditors and other systems for reporting to company auditors
- Other systems for ensuring the effectiveness of audits by the company auditors

INDEPENDENT AUDITOR

The Company's independent audit is carried out by three certified public accountants, each of whom is an employee of Ernst & Young ShinNihon LLC. Also, a further four certified public accountants and 15 other staff provide support for the execution of the independent audit.

COMPENSATION TO DIRECTORS AND COMPANY AUDITORS

Executive compensation to directors and company auditors during the year ended March 31, 2009, totaled ¥318 million, of which ¥240 million was compensation for directors (including ¥7 million as compensation paid to outside directors) and ¥78 million was for company auditors.

The Company introduced a performance-based compensation system for its directors and executive officers. Furthermore, a stock option scheme for a stock-linked compensation plan has been offered in place of the discontinued retirement benefit system, and the compensation to directors shown above included stock options of ¥39 million. In addition, ¥119 million in audit fees were paid to the independent auditor, including ¥118 million for audit-certification duties.

RESOLUTIONS REGARDING THE NUMBER OF DIRECTORS AND THE ELECTION OF DIRECTORS

The articles of incorporation stipulate that the Company shall have no more than 10 directors. The articles of incorporation stipulate that the adoption of resolutions at a general meeting of shareholders regarding the election of directors shall require a majority of the voting rights of the shareholders present at a general meeting of shareholders attended by shareholders representing one-third or more of the voting rights of the shareholders who are entitled to vote.

MATTERS THAT CAN BE DECIDED BY RESOLUTION OF THE BOARD OF DIRECTORS INSTEAD OF RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS

To facilitate flexibility in the acquisition of treasury stock and to provide a stable return of profits to shareholders in the form of interim dividends, the articles of incorporation stipulate that these matters can be decided by resolution of the Board of Directors instead of resolution of the general meeting of shareholders.

REQUIREMENTS FOR SPECIAL RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS

With the objective of ensuring the smooth administration of general meetings of shareholders, the articles of incorporation stipulate that special resolutions of the general meeting of shareholders can be adopted with two-thirds or more of the voting rights of the shareholders present at a general meeting of shareholders attended by shareholders representing one-third or more of the voting rights of the shareholders who are entitled to vote.

MANAGEMENT MEMBERS

As of March 24, 2010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MEMBERS OF THE BOARD

DIRECTORS

Yuzuru Matsuda[1*]
President

Ken Yamazumi[2*]

Nobuo Hanai[3]

Kazuyoshi Tachibana[4]

Hiroyuki Kawai[5]

Yoshiki Tsunekane[6]

Kozo Fujita[7**]
Lawyer

Mutsuyoshi Nishimura[8**]

Yoshinori Isozaki[9**]

COMPANY AUDITORS

Akira Taniguchi[10***]

Tomojiro Sato[11***]

Hiroaki Nagai[12***]

Manabu Suzuki[13]

Hiroyuki Takahashi[14***]

MANAGING OFFICERS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yuzuru Matsuda

EXECUTIVE VICE PRESIDENT

Ken Yamazumi

SENIOR EXECUTIVE MANAGING OFFICERS

Nobuo Hanai
Vice President Head
Development Division

Yutaka Yoshida
Vice President Head
Sales & Marketing Division

EXECUTIVE MANAGING OFFICERS

Kazuyoshi Tachibana

Hiroyuki Kawai
Vice President Head
Production Division

Yoshiki Tsunekane
Director
Human Resources Department

MANAGING OFFICERS

Akira Karasawa
Director
External Relations Department

Fumihiro Nishino
Director
Tokyo Branch

Masau Takayanagi
Director
Intellectual Property Department

Shigeru Morotomi
Associate Director
Human Resources Department

Toshifumi Mikayama
Director
Corporate Planning Department

Nobuhisa Yamazaki
Director
Legal Department

Yoichi Sato
Vice President Head
Pharmacovigilance and Quality Assurance Division

Etsuo Oshima
Vice President Head
Research Division

Toshiro Kawano
Director
Osaka Branch

Hiroshi Sugitani
Director
Sales Department

* Representative Director
** Outside Director
*** Outside Company Auditor

SHARING VALUES, AIMS, AND IDEALS
TEAM KYOWA HAKKO KIRIN

Here at Kyowa Hakko Kirin, an abiding respect for life, health, and wellness inspires everything we do. First and foremost, we work to protect and improve the lives of those who depend upon our products. As an up-and-coming pharmaceutical supplier and a driver of health care innovation, we are well-positioned to make a significant impact on public health. We intend to devote all of our resources and capabilities to this worthy goal.

Believe in Ourselves

Let us place our trust in our experience and our substantial shared pool of knowledge. Although we certainly are not the largest pharmaceutical firm, we possess a unique combination of core competencies and capabilities that are unparalleled in the market. Let us draw upon and sustain our history, our legacy, our technological prowess and our unsurpassed knowledge resources. The possibilities of what we can accomplish as a pharmaceutical company are infinite.

Strive to Be Fearlessly Innovative

The path to excellence is neither smooth nor linear. Let us have the courage to identify and overcome difficulties, the passion to reach beyond the conventional way of doing things, and the integrity to recognize and learn from missteps. Innovation is not simply the maturation of ideas; it is a leap of growth that can only be achieved through diligence, a daring dedication to progress, and a willingness to transcend the status quo.

Support Wellness and Quality of Life

Let us endeavor to go beyond just making medicine. Health is more than just the absence of illness, and our work should be carried out with a solemn awareness that wellness and quality of life are equally worthy goals. And, let us engender happiness. Think always of the families whose ailing loved ones depend on us, and support the health care practitioners who strive tirelessly to save lives. Innovative research and business insight are not enough to help us fulfill our mission – we must cultivate kindness, empathy, and sensitivity to the problems facing humanity, as well.

Find Strength in Numbers

Let us aim to become the ultimate team. No matter how talented an individual may be, alone he or she is hardly perfect. Let us take our energy, enthusiasm and pioneering spirit to join as one. Through our combined strength, we can yield unimaginable solutions. This is what we want to show the world.

Accelerate Our Efforts

Let us carry out our work while raising our awareness of the scale of patients' suffering from the diseases that we combat. Each day, lives are lost and families are torn apart by illnesses that our research and products can help to eradicate. The challenge may be overwhelming, but our efforts must be ceaseless – there can be no rest along the way.

Pursue Our Objectives with Honesty and Integrity

At all times and in all things, let us comport ourselves and make decisions in a manner that is consistent with our mission. As a manufacturer of medicine, our company's very survival depends on our customers' implicit trust. Countless lives hang in the balance; let us make a vow to act always with the integrity this mission demands.

Celebrate and Take Pride in Our Shared Mission

The Kyowa Hakko Kirin team comprises a talented group of professionals who hail from all over the globe. Through a remarkable confluence of events, we have all come together to share in this work, forming a unique synergy of hearts and minds in the process. Even though we face difficult challenges, let us also appreciate the opportunity to help protect and improve people's lives.

Let us harness our passion to serve humanity and shape the future. Let us walk the path of hope for every precious life.

We are Kyowa Hakko Kirin.
For each life, we are here.

FINANCIAL SECTION

ELEVEN-YEAR SELECTED FINANCIAL DATA

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the nine months ended December 31, 2009 and years ended March 31

	2009/12	2009/3	2008/3	2007/3
For the Year:				
Net sales	**¥309,112**	¥460,184	¥392,120	¥354,274
Gross profit	**139,740**	200,298	144,918	131,425
Selling, general and administrative expenses	**111,496**	154,911	105,528	100,726
Operating income	**28,244**	45,387	39,390	30,699
Net income	**8,797**	11,727	23,477	12,694
Capital expenditures	**25,135**	18,523	14,796	14,498
Depreciation and amortization	**17,003**	18,780	14,347	10,006
R&D expenses	**34,980**	48,389	34,110	33,342
Cash Flows:				
Net cash provided by operating activities	**24,204**	41,069	30,714	23,381
Net cash (used in) provided by investing activities	**(13,247)**	(3,981)	(9,492)	(8,494)
Net cash used in financing activities	**(16,906)**	(20,978)	(13,500)	(24,417)
Cash and cash equivalents at the end of the year	**63,745**	69,287	44,119	36,614
At Year-End:				
Total current assets	**276,588**	279,476	232,661	214,352
Total assets	**695,268**	699,041	394,081	378,871
Total current liabilities	**110,081**	108,522	111,744	106,566
Interest-bearing debt	**13,229**	13,540	12,790	13,137
Total net assets	**540,344**	543,070	256,758	244,082
Total shareholders' equity[2]	**539,304**	547,203	239,329	220,427
Number of employees	**7,436**	7,256	6,073	5,756
Per Share Data:				
Net income-basic[3]	**¥ 15.4**	¥ 20.4	¥ 59.0	¥ 31.3
Net assets	**940.8**	938.4	639.7	607.5
Cash dividends	**15.0**	20.0	10.0	10.0
Common Stock Price Range (Per share)**:**				
High	**1,178**	1,235	1,430	1,154
Low	**793**	586	933	722
Stock Information (Thousands of shares)**:**				
Number of common stock issued	**576,484**	576,484	399,244	399,244
Weighted average number of common stock issued	**570,936**	574,083	397,717	405,270
Financial Ratios:				
Return on assets (ROA)	**1.26**	1.62	6.07	3.33
Operating return on assets	**4.05**	6.26	10.19	8.04
Return on equity (ROE)	**1.64**	2.17	9.47	5.10
Equity ratio	**77.07**	77.04	64.53	63.80
Debt/equity ratio	**2.47**	2.51	5.03	5.43

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥92.10=U.S.$1, the approximate exchange rate at December 31, 2009.
2. Due to a change in accounting standards, figures for total shareholders' equity in the years ended March 31, 2007 and 2006 have been restated.
3. Net income per share-basic is based upon the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for subsequent free distributions of common stock.

Millions of Yen							Thousands of U.S. Dollars[1]
2006/3	2005/3	2004/3	2003/3	2002/3	2001/3	2000/3	**2009/12**
¥353,440	¥358,963	¥348,838	¥359,285	¥378,668	¥375,610	¥374,910	**$3,356,261**
126,983	132,113	129,507	126,328	128,744	123,945	126,872	**1,517,263**
101,448	98,606	102,671	110,239	108,387	106,233	105,216	**1,210,598**
25,535	33,507	26,836	16,089	20,357	17,712	21,656	**306,665**
16,273	17,932	10,017	8,485	5,535	9,395	11,274	**95,520**
10,859	7,647	9,041	11,791	11,454	17,092	21,053	**272,911**
9,789	10,565	11,358	14,768	17,819	18,502	19,153	**184,617**
32,876	28,762	29,206	31,438	29,294	28,921	25,888	**379,800**
14,303	30,104	34,264	18,193	16,955	28,789	32,737	**262,798**
(1,796)	(8,104)	10,477	2,586	8,377	(1,991)	23,422	**(143,832)**
(5,139)	(9,116)	(44,226)	(38,748)	(16,843)	(20,871)	(50,077)	**(183,565)**
45,820	37,818	24,911	24,588	41,908	32,600	26,215	**692,129**
212,985	210,341	194,062	195,878	244,410	237,852	223,353	**3,003,123**
384,381	374,493	361,096	368,772	430,113	431,410	433,958	**7,549,056**
94,148	103,489	98,914	95,046	162,508	169,821	158,542	**1,195,233**
12,216	12,193	13,358	51,969	74,354	87,624	102,870	**143,629**
257,491	—	—	—	—	—	—	**5,866,925**
232,621	235,439	225,042	219,047	211,652	194,692	195,039	**5,855,640**
5,800	5,960	6,294	6,749	7,299	7,766	7,866	

Yen							U.S. Dollars[1]
¥ 38.4	¥ 41.7	¥ 23.0	¥ 19.4	¥ 12.7	¥ 21.6	¥ 26.0	**$ 0.167**
604.9	556.3	522.6	505.4	487.5	448.3	449.1	**10.215**
10.0	10.0	7.5	7.5	7.5	7.5	10.0	**0.163**
946	864	719	780	899	1,225	1,581	**12.790**
656	661	495	411	587	701	610	**8.610**
434,244	434,244	434,244	434,244	434,244	434,244	434,244	
422,920	427,636	431,497	433,748	434,244	434,244	434,244	

%						
4.29	4.88	2.74	2.12	1.28	2.17	2.47
6.73	9.11	7.35	4.03	4.73	4.09	4.75
6.63	7.79	4.51	3.94	2.72	4.82	5.92
66.55	62.87	62.32	59.40	49.21	45.13	44.94
4.78	5.18	5.94	23.73	35.13	45.01	52.74

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGE OF FISCAL YEAR-END

The Company has changed its fiscal year-end from March 31 to December 31. This change was made to bring the Company's fiscal year-end into line with that of its parent company, Kirin Holdings Company, Limited. Accompanying this change, the fiscal period under review in this annual report is the nine-month period from April 1, 2009, to December 31, 2009, and comparisons (when not stated otherwise) are made with the corresponding period of the previous year, the nine-month period from April 1, 2008, to December 31, 2008.

PROFIT AND LOSS

Sales

Consolidated net sales in the nine-month period ended December 31, 2009, decreased 14.7% from the corresponding period of the previous year, to ¥309.1 billion. This decline was primarily attributable to the removal of the Food segment from the scope of consolidation and, in the core Pharmaceuticals segment, to the absence of the large up-front payment that accompanied an out-licensing agreement that was recorded in the corresponding period of the previous year. While the Bio-Chemicals segment recorded higher sales, the Chemicals segment recorded lower sales due to the economic recession.

Cost of Sales and SG&A Expenses

Cost of sales was down 16.3%, to ¥169.4 billion. Gross profit registered a 12.6% decrease, to ¥139.7 billion. As a result, the gross margin was up 1.1 percentage points, from 44.1% a year earlier to 45.2%. Selling, general and administrative (SG&A) expenses decreased 4.8%, to ¥111.5 billion. This total includes ¥7.0 billion in amortization of goodwill that resulted from the business integration with Kirin Pharma Company, Limited. The ratio of SG&A expenses to net sales increased 3.8 percentage points, from 32.3% to 36.1%.

Operating Income

Operating income decreased 33.8%, to ¥28.2 billion, and the operating margin fell 2.7 percentage points, from 11.8% to 9.1%. The operating margin before amortization of goodwill was 11.4%.

Other Revenue (Expenses)

Other expenses, net, decreased substantially, to ¥7.6 billion from ¥13.4 billion in the corresponding period of the previous year. Extraordinary depreciation of fixed assets was up ¥2.5 billion, loss on impairment of fixed assets increased ¥0.7 billion, and loss on dilution of equity interest in subsidiary was ¥1.4 billion. However, these factors were offset by a ¥4.7 billion decrease in loss on revaluation of investments in securities combined with the absence of ¥4.1 billion in expenses related to business integration under the Strategic Alliance with the Kirin Group, and ¥1.9 billion in compensation for damages that were recorded in the previous period. Consequently, income before income taxes and minority interests was down 29.6%, to ¥20.6 billion.

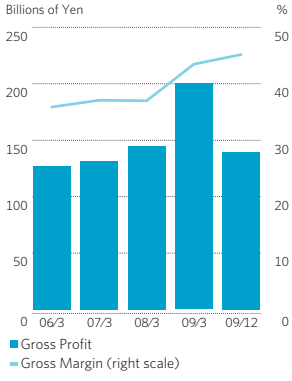
Income Taxes

Income taxes in the fiscal period under review totaled ¥11.6 billion, a decrease of 36.6%. As a percentage of pretax income, the effective tax rate was 56.4%, a decrease from 62.7% in the corresponding period of the previous year.

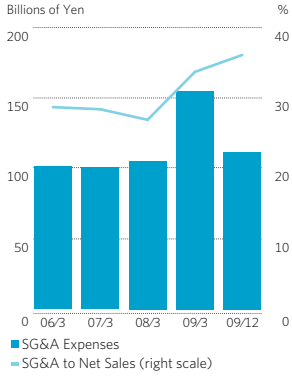
Net Income

Consequently, net income for the nine-month period ended December 31, 2009, declined 16.1%, to ¥8.8 billion, and the net margin fell 0.1 percentage point, to 2.8%.

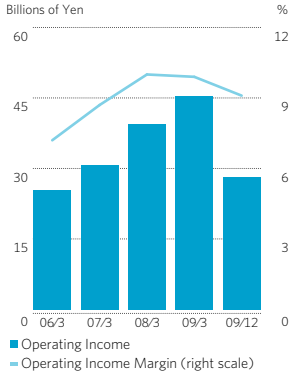
GROSS PROFIT



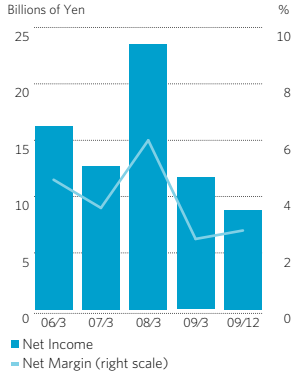
SG&A EXPENSES



OPERATING INCOME



NET INCOME



PERFORMANCE BY INDUSTRY SEGMENT

Sales, operating expenses, and operating income by industry segment are shown in the table below. Segment performance figures include intersegment transactions.

Pharmaceuticals

This segment, Kyowa Hakko Kirin's core business, recorded a 1.9% loss in sales in the nine-month period ended December 31, 2009, to ¥158.3 billion, contributing 48.0% of total sales. Operating expenses remained about the same at ¥131.6 billion, but due to the decrease in sales, operating income fell 10.1%, to ¥26.7 billion. Domestic sales of ethical drugs increased, including mainstay products Nesp® and Espo®. Nonetheless, due to the absence of the large up-front payment that accompanied the out-licensing agreement of KW-0761 to Amgen, Inc., in the corresponding period of the previous year, sales and operating income were down overall.

Bio-Chemicals

Sales from Bio-Chemicals operations increased 3.3%, to ¥69.8 billion, accounting for 21.1% of total sales. Operating expenses rose 10.9%, to ¥66.7 billion, while operating income fell 58.9%, to ¥3.0 billion. Solid demand contributed to increased sales of health care products, but sales of amino acids, nucleic acids, and related compounds declined due to the significant adverse effect of the strong yen. Consequently, this segment recorded higher sales but lower operating income.

Chemicals

Sales were down 32.3%, to ¥52.3 billion, with Chemicals operations contributing 15.9% of total sales. Operating expenses decreased 26.4%, to ¥54.3 billion, but the substantial decrease in sales led to an operating loss of ¥2.0 billion, compared with operating income of ¥3.5 billion in the corresponding period of the previous year. The decrease in sales and the recording of a loss were due to reduced demand resulting from the global recession and to the substantial worsening of international market conditions.

Food

At the beginning of the nine-month period ended December 31, 2009, the consolidated subsidiary that was responsible for Food operations, Kyowa Hakko Food Specialties Co., Ltd., was integrated with Kirin Food-Tech Company, Limited, to form Kirin Kyowa Foods Company, Limited. As a result, the Company now holds a 35% share of the new company, which has become an equity-method affiliate. Accordingly, the Food segment has been removed from the scope of consolidation, and consequently net sales and operating income for the Food business for the period under review have not been recorded.

Other

In the Other segment, sales were down 9.2%, to ¥49.5 billion, with the segment accounting for 15.0% of total sales. Operating expenses decreased 8.1%, to ¥49.1 billion, and operating income fell 62.2%, to ¥0.4 billion. The Other segment includes wholesale and transportation operations at subsidiaries.

	Millions of Yen						Thousands of U.S. Dollars[1]
	2009/12	2009/3	2008/3	2007/3	2006/3	2005/3	**2009/12**
Sales by Industry Segment:							
Pharmaceuticals	**¥158,274**	¥210,449	¥138,377	¥131,526	¥148,939	¥156,426	**$1,718,497**
Bio-Chemicals	**69,752**	88,465	86,820	67,120	63,241	57,767	**757,348**
Chemicals	**52,326**	89,204	108,007	98,650	85,835	77,983	**568,145**
Food[2]	**—**	42,469	43,324	42,589	42,440	44,500	**—**
Other	**49,500**	68,733	49,000	48,480	45,950	57,784	**537,463**
Corporate, elimination and other	**(20,740)**	(39,136)	(33,408)	(34,091)	(32,965)	(35,497)	**(225,192)**
Total	**¥309,112**	¥460,184	¥392,120	¥354,274	¥353,440	¥358,963	**$3,356,261**
Operating Income (Loss) by Industry Segment:							
Pharmaceuticals	**¥26,658**	¥34,832	¥19,962	¥15,746	¥14,268	¥18,100	**$289,446**
Bio-Chemicals	**3,049**	8,342	9,688	4,112	4,341	6,887	**33,097**
Chemicals	**(1,985)**	(47)	7,169	7,974	4,501	5,339	**(21,547)**
Food[2]	**—**	1,087	1,577	1,832	1,602	1,662	**—**
Other	**400**	1,094	839	968	711	1,634	**4,350**
Corporate, elimination and other	**122**	79	155	67	112	(115)	**1,319**
Total	**¥28,244**	¥45,387	¥39,390	¥30,699	¥25,535	¥33,507	**$306,665**

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥92.10=U.S.$1, the approximate exchange rate at December 31, 2009.
2. Due to the reclassification of the Other Segment effective from fiscal 2007, segment information for the Pharmaceuticals, Bio-Chemicals, and Other segments for fiscal 2006 has been restated. However, segment information for years prior to fiscal 2006 has not been restated.

PERFORMANCE BY GEOGRAPHIC SEGMENT

Japan

In Japan, net sales decreased 16.6%, to ¥291.7 billion, accounting for 87.8% of total sales. Operating expenses declined 14.1%, to ¥267.3 billion, and operating income was down 37.2%, to ¥24.5 billion. Major factors in this decrease included the removal of the Food segment from the scope of consolidation and a decline in sales in Chemicals operations due to lower selling prices.

Other

Net sales in Other regions rose 8.7%, to ¥40.6 billion, accounting for 12.2% of total sales. Operating expenses increased 13.0%, to ¥37.2 billion, and operating income decreased 23.7%, to ¥3.4 billion. While the overseas sales of Pharmaceuticals operations and Bio-Chemicals operations were strong for the most part on a local currency basis, the appreciation of the yen had an adverse influence on these results when stated in yen, which was the major factor behind the declines.

CASH FLOWS

The balance of cash and cash equivalents as of December 31, 2009, was down ¥5.5 billion, to ¥63.7 billion, from ¥69.3 billion as of March 31, 2009. Cash flow during the period under review was as follows.

Net cash provided by operating activities was ¥24.2 billion, a decrease of 5.0%. Inflows included income before income taxes and minority interests of ¥20.6 billion, depreciation and amortization of ¥17.0 billion, and amortization of goodwill of ¥7.2 billion. Major outflows included income taxes paid of ¥21.7 billion.

Net cash used in investing activities was ¥13.2 billion, down 14.3%. Major outflows included ¥19.8 billion for the acquisition of property, plant and equipment. Major inflows included a net decrease in short-term debt of ¥4.7 billion.

Net cash used in financing activities was ¥16.9 billion, down 23.1%. The principal factors included dividends paid of ¥11.4 billion and acquisition of treasury stock of ¥4.6 billion.

Quarterly Information by Industry Segment

Millions of Yen

	2009/3					2009/12				Percent Change
	1st Quarter	2nd Quarter	3rd Quarter	Nine Months	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	Nine Months	
Segment Sales:										
Pharmaceuticals	¥ 59,190	¥ 49,529	¥ 52,618	**¥161,337**	¥ 49,111	¥ 52,211	¥ 51,757	¥ 54,306	**¥158,274**	98.1%
Bio-Chemicals	22,944	22,767	21,834	**67,545**	20,919	21,145	20,272	28,335	**69,752**	103.3
Chemicals	25,135	32,069	20,118	**77,322**	11,882	15,034	17,820	19,472	**52,326**	67.7
Food	10,393	10,411	12,030	**32,834**	9,634	—	—	—	**—**	—
Other	17,892	18,680	17,930	**54,502**	14,231	14,195	14,732	20,573	**49,500**	90.8
Total	135,554	133,456	124,530	**393,540**	105,777	102,585	104,581	122,686	**329,852**	83.8
Eliminations	(10,120)	(11,121)	(10,023)	**(31,264)**	(7,871)	(5,770)	(7,002)	(7,968)	**(20,740)**	(66.3)
Consolidated	¥125,435	¥122,334	¥114,509	**¥362,278**	¥ 97,905	¥ 96,816	¥ 97,579	¥114,717	**¥309,112**	85.3%
Operating Income (Loss):										
Pharmaceuticals	¥ 12,851	¥ 6,848	¥ 9,963	**¥ 29,662**	¥ 5,170	¥ 11,570	¥ 9,793	¥ 5,295	**¥ 26,658**	89.9%
Bio-Chemicals	2,972	2,244	2,209	**7,425**	917	1,277	388	1,384	**3,049**	41.1
Chemicals	509	2,451	572	**3,532**	(3,579)	(2,073)	(413)	501	**(1,985)**	(56.2)
Food	396	169	434	**999**	87	—	—	—	**—**	—
Other	273	414	373	**1,060**	34	184	(14)	230	**400**	37.7
Total	17,001	12,126	13,551	**42,678**	2,629	10,958	9,754	7,410	**28,122**	65.9
Eliminations	69	(34)	(20)	**15**	63	81	(14)	55	**122**	806.7
Consolidated	¥ 17,072	¥ 12,092	¥ 13,532	**¥ 42,696**	¥ 2,691	¥ 11,041	¥ 9,738	¥ 7,465	**¥ 28,244**	55.2%

FINANCIAL POSITION

Assets

Total assets at the end of the period under review were down 0.5%, or ¥3.8 billion, from the end of the previous fiscal year, ended March 31, 2009, to ¥695.3 billion.

Total current assets were down 1.0%, or ¥2.9 billion, to ¥276.6 billion. Accounts and notes receivable increased 8.6%, to ¥125.0 billion, but cash and bank deposits fell 8.5%, to ¥30.2 billion, and short-term loans receivable declined 14.6%, to ¥40.3 billion, resulting in the decline in total current assets. Short-term loans receivable includes short-term loans of ¥40.2 billion to Kirin Holdings.

Total property, plant and equipment, net, increased 1.3%, or ¥2.2 billion, to ¥162.6 billion. Factors that led to this included an increase in construction in progress due to higher capital expenditures and a decrease in buildings and structures due to the recording of extraordinary depreciation of fixed assets and losses on impairment of fixed assets.

Total investments and other assets (including intangible fixed assets) fell 1.2%, or ¥3.0 billion, to ¥256.1 billion. Included in this total is goodwill of ¥169.8 billion due to reverse acquisition. Investments in securities increased due to higher prices for stocks held by the Company, but the decrease in goodwill due to amortization resulted in the overall decline in total investments and other assets.

Liabilities

Total liabilities were down 0.7%, or ¥1.0 billion, from the end of the previous fiscal year, to ¥154.9 billion.

Total current liabilities increased 1.4%, to ¥110.1 billion. While there were substantial decreases in income taxes payable and accrued bonuses, the increase in accounts and notes payable resulted in the increase in total current liabilities.

Total long-term liabilities fell 5.5%, or ¥2.6 billion, to ¥44.8 billion. This decrease was primarily due to a decline in deferred tax liabilities.

Interest-bearing debt at the end of the period was down 2.3%, to ¥13.2 billion, while cash and bank deposits remained considerably higher than borrowings.

Net Assets

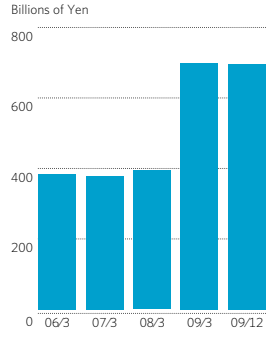
Total net assets at the end of the period under review were down 0.5%, or ¥2.7 billion, from the end of the previous fiscal year, to ¥540.3 billion.

Total shareholders' equity was ¥539.3 billion at the end of the period, a decrease of 1.4%, or ¥7.9 billion. Valuation, translation adjustments and others increased due to a rise in valuation difference on other marketable securities, but this increase was offset by dividends paid and the acquisition of treasury stock.

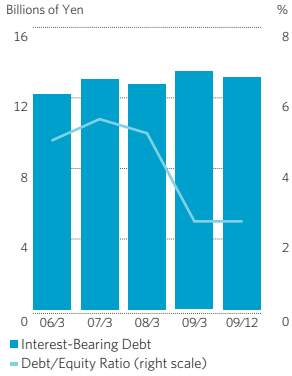
As a result, the equity ratio[1] rose 0.1 percentage point, to 77.1%. A high level of stability was maintained, with the debt/equity ratio[2] remaining level at 2.5%.

1. Equity ratio = (Total shareholders' equity + Total valuation, translation adjustments and others) / Total assets x 100
2. Debt/equity ratio = Interest-bearing debt (Short-term borrowings + Current portion of long-term debt + Long-term debt) / (Total shareholders' equity + Total valuation, translation adjustments and others) x 100

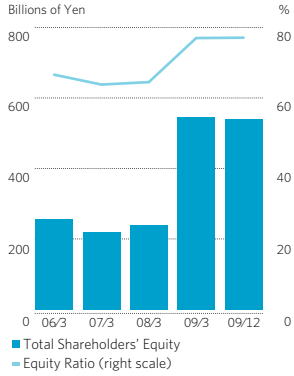
TOTAL ASSETS



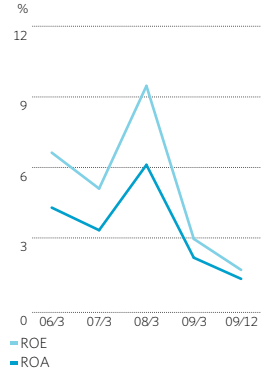
INTEREST-BEARING DEBT



TOTAL SHAREHOLDERS' EQUITY



ROE AND ROA



MANAGEMENT INDEXES

Both return on equity (ROE) and return on assets (ROA) fell substantially from the end of previous fiscal year, from 2.17% to 1.64% and from 1.62% to 1.26%, respectively. The primary factor in these declines was the decrease in net income. Operating return on assets also fell, from 6.26% to 4.05%.

Return on invested capital (ROIC)[3] was 9.2%, down from 12.1% from the corresponding period of the previous year. This is primarily due to a decrease in operating income. Because the business integration generated goodwill, ROIC was calculated excluding goodwill and the amortization of goodwill. Earnings before income tax, interest, depreciation, and amortization (EBITDA)[4] for the period decreased 14.0%, to ¥37.9 billion.

3. ROIC = Operating income / Total fixed assets + (Accounts receivable + Inventories – Trade payables)
4. EBITDA = Income before income taxes and minority interests + Interest expenses + Depreciation and amortization

CAPITAL EXPENDITURES

Capital expenditures increased 93.9%, to ¥25.1 billion. In the period under review, this mainly related to investing in expanding production facilities for clinical trial-use antibodies and the construction of new research buildings in Pharmaceuticals operations. Depreciation and amortization increased 18.3%, to ¥17.0 billion. Capital expenditures were greater than depreciation and amortization but were covered by net cash provided by operating activities.

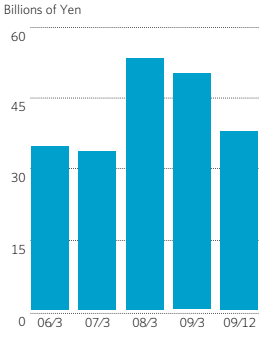
Our policy for capital expenditures is to invest strategically with consideration for the balance between capital expenditures and depreciation and amortization. However, we have positioned our investment during the period under review as aggressive investment for future growth that was implemented in consideration of the business integration, operational efficiency, and expanding leading-edge facilities.

The breakdown of capital expenditures and depreciation and amortization are shown in the following table.

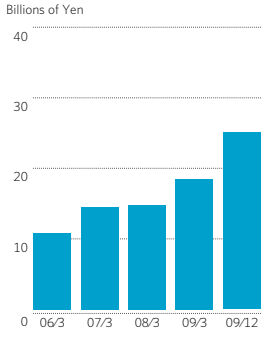
Millions of Yen

	Capital Expenditures			Depreciation and Amortization		
	2009/12	2009/3	2008/3	**2009/12**	2009/3	2008/3
Pharmaceuticals	**¥16,508**	¥ 9,641	¥ 4,233	**¥ 9,212**	¥ 8,394	¥ 3,947
Bio-Chemicals	**5,000**	5,376	4,192	**4,322**	5,027	5,540
Chemicals	**3,583**	4,359	4,345	**3,358**	4,218	3,772
Food	**—**	566	1,955	**—**	998	978
Other	**45**	103	71	**113**	150	120
Corporate, elimination and other	**(1)**	(1,522)	—	**(2)**	(7)	(10)
Consolidated Total	**¥25,135**	¥18,523	¥14,796	**¥17,003**	¥18,780	¥14,347

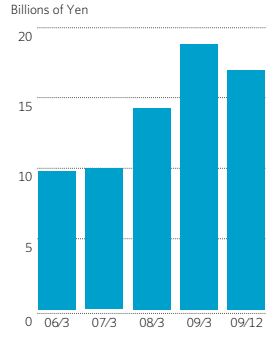
EBITDA



CAPITAL EXPENDITURES



DEPRECIATION AND AMORTIZATION



R&D EXPENSES

R&D expenses, which are accounted for under production expenses and SG&A expenses, declined 5.3%, to ¥35.0 billion. This represented 11.3% of consolidated net sales for the nine-month period ended December 31, 2009, an increase of 1.1 percentage points from the level of 10.2% in the corresponding period of the previous year.

R&D expenses in Pharmaceuticals operations of ¥31.6 billion constituted 90.5% of total R&D expenses. This represented 20.0% of Pharmaceuticals operations sales, a decline of 0.3 percentage point. Future plans for R&D expenses in Pharmaceuticals call for 20% of Pharmaceuticals operations sales to be invested in the development of new drugs.

PER SHARE DATA

Net income per share–basic in the nine-month period ended December 31, 2009, fell to ¥15.41 from ¥18.26. Net income per share before the amortization of goodwill was ¥27.63. Net assets per share at the end of the period grew to ¥940.79 from ¥938.42 at the end of the corresponding period of the previous year.

DISTRIBUTION OF PROFITS

Kyowa Hakko Kirin considers returns to shareholders to be one of its most important management principles.

Its dividend policy balances the need to augment retained earnings as a foundation for future business growth with the desire to make stable and consistent dividend payments after giving thorough consideration of each fiscal period's consolidated business results, the dividend payout ratio, and the yield of net assets.

Internal reserves, including retained earnings, are used to supplement the investments that will help us achieve our next growth stage, including R&D and capital expenditures that will contribute to future increases in corporate value. In accordance with this policy, and in consideration of the fact that the period under review is a nine-month period as a result of the change in the fiscal year-end, dividends for the period under review were ¥15.0 per share, which was in line with our plans.

Under the Medium-Term Management Plan–2010 to 2012, we will continue to target a consolidated dividend payout ratio of over 30% (calculated on the basis of net income before the amortization of goodwill). Currently, we plan dividends of ¥20 per share (¥10 interim dividend, ¥10 final dividend) for the year ending December 31, 2010.

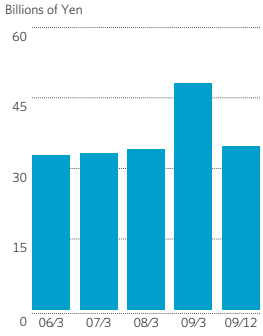
GOODWILL

Accompanying the share exchange due to the business combination with Kirin Pharma as the acquirer, the acquisition cost of the acquiree, the Company, exceeded the market value of the Company's net assets at the time the business combination occurred, and consequently the excess amount was recognized as goodwill.

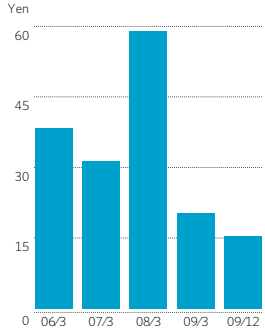
- Total goodwill generated: ¥191.9 billion
- Amortization method: Straight-line method
- Amortization period: 20 years (from March 2009 period)

Amortization of goodwill in the period under review was ¥7.0 billion, compared with ¥9.6 billion in the 12-month period ended March 31, 2009.

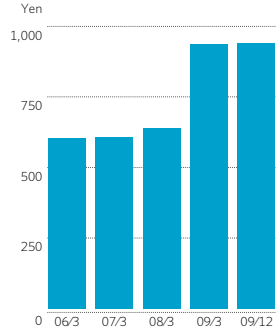
R&D EXPENSES



NET INCOME PER SHARE–BASIC



NET ASSETS PER SHARE



RISK FACTORS

In the analysis of Kyowa Hakko Kirin's future business performance and financial position, the major risks that could have a significant influence on the judgment of investors include those outlined below. The Group recognizes that these risk events may occur and uses a risk management system to prevent the occurrence of risk events that it is able to control. At the same time, the Company will do its utmost to respond to risk events if and when they were to occur. Matters in this section dealing with future events represent the judgment of the Kyowa Hakko Kirin Group as of December 31, 2010, the end of the fiscal period under review.

Risks Inherent in the Domestic Pharmaceutical Industry's Operating Environment

The Company's mainstay Pharmaceuticals operations face periodic reductions to the official prices of the majority of ethical drugs under the domestic public drug pricing system. As a result, the Company is unable to avoid reductions in the selling prices of its drugs.

Risks of Non-Recovery of Substantial R&D Investments

The Company makes substantial R&D investments in the course of its development of new products and technologies, the improvement of existing products, and the development of new applications for existing products. However, there is no guarantee that all these investments will successfully bear fruit. For example, the development of new ethical drugs requires long periods of time and substantial R&D expenditures. Therefore, there may be instances in which the Company is unable to recover R&D investments for reasons including the cancellation of development if the expected efficacy is not recognized, lackluster sales after a product is launched, or the termination of sales because of the appearance of serious side effects.

Risks Related to Intellectual Property Rights

In the event that legal proceedings are instituted against the Company alleging that the Company's products or technologies infringe upon the intellectual property rights of another party, the Company could be forced to suspend product sales or pay compensation or settlement fees, which could adversely affect its business activities, business performance, and financial position.

Conversely, if the Company's intellectual property rights are infringed upon by products that compete with the products that are either produced by the Company or out-licensed by the Company, the Company's product sales or technology licensing fees could decrease faster than anticipated, which could also adversely affect the Company's business performance and financial position.

Legal Risks

In the course of carrying out operations in Japan and overseas, statutory regulations must be observed. To ensure that it does not violate relevant statutory regulations in the course of its operations, the Company emphasizes compliance and works to bolster internal control functions through programs that include administrative oversight. However, the possibility that the Company could inadvertently fail to comply with relevant statutory regulations cannot be entirely eliminated, and the failure to comply with such statutory regulations could lead to a loss of public trust in the Company.

Risks Related to Defective Products

Kyowa Hakko Kirin manufactures a variety of products at plants in the countries in which it operates, in compliance with locally recognized quality control and other standards. Furthermore, the Company requires that the products it purchases for sale conform to the same quality and standards required of Kyowa Hakko Kirin products. However, there is no guarantee that all products will be free of defects. Therefore, the possibility of product defects leading to large-scale product recalls or product liability claims cannot be ruled out.

Risks Related to Disasters and Accidents

To minimize the negative effects of interruptions in manufacturing line activities, the Company conducts regular disaster prevention tests and inspections of all its production facilities. Nevertheless, there is no guarantee that the Company will be able to completely prevent risk events at its production facilities that interrupt production, including accidents, such as earthquakes and fires, electrical outages, and boiler stoppages. Furthermore, at its headquarters, sales bases, and distribution bases, in the event of an accident that exceeds expectations, operating activities could be affected. In addition, the Company handles substances that are subject to an array of statutory regulations and guidelines. The handling of these materials is strictly controlled, but if a fire, natural disaster, or some other risk event were to occur, for any reason, surrounding areas could suffer damage. Moreover, in the event of the emergence of social disorder due to the spread of an infectious disease, such as H1N1 influenza, in the regions or countries where the Group conducts business, the Group's operating activities could be restricted. These types of accidents or disasters could not only result in large payments for damages but also adversely affect the public's trust in the Group.

Risks Related to the Strengthening of Environmental Regulations on Production Activities

The Company processes and disposes of waste fluid generated from its fermentation production processes in accordance with

the environmental regulations of the countries in which its plants are situated. Furthermore, the Company is endeavoring to shift to raw materials that minimize the toll on the environment and improve its waste fluid treatment technology. However, given the trend of environmental regulations becoming more stringent each year, it is possible that regulatory changes could lead to restrictions on the Company's production activities or increased production costs.

Risks Inherent in Overseas Business Activities

The Company operates in the United States and various countries throughout Europe and Asia. The development of operations in overseas markets entails a number of potential risks, which are outlined below.

- Unforeseeable laws and regulations or disadvantageous changes in tax systems
- The occurrence of disadvantageous political or economic factors
- Difficulty in recruiting and maintaining personnel
- Social unrest resulting from terrorism, war, or other factors

The occurrence of one or more of these potential risk events could prevent the Company from operating effectively in the affected country.

Risks of Drops in Product Prices from Fluctuations in the Supply–Demand Balance

Market prices for some of the Company's products, including solvents and raw materials for plasticizers in its Chemicals operations, fluctuate significantly in response to the worldwide balance of supply and demand. It is therefore possible that a situation of excess supply could result in substantial declines in sales prices for these products.

Risks of Declines in Profitability from Major Fluctuations in Crude Oil Prices

The primary raw materials for the products of the Company's Chemicals operations include ethylene and propylene, which are made from naphtha, refined from crude oil. The prices of these raw materials are significantly affected by fluctuations in the price of crude oil, which can be triggered by a variety of unpredictable factors, including the worldwide balance of supply and demand, weather conditions, war, and terrorism. In some cases, the Company may not be able to factor fluctuations in raw materials prices into product prices, or offset fluctuations through cost reductions, in a timely manner.

Risks Related to Fluctuations in Currency Exchange Rates

The Company conducts transactions denominated in foreign currencies, such as product sales and income received from overseas companies for out-licensed technology, or the purchase of raw materials from international suppliers. Rapid fluctuations in currency exchange rates may have a significantly adverse effect on the Company's financial position or management performance. In addition, as the Company sells its products in the same markets as its overseas competitors, fluctuations in currency exchange rates may impact the relative price competitiveness of the Company's products. Further, in order to prepare consolidated financial statements in Japan, the financial statements of overseas subsidiaries denominated in local currencies are converted into Japanese yen. Consequently, currency exchange rates when the conversions are made may impact values when converted to yen.

Risks Related to Fluctuations in the Price of Shares and Other Marketable Securities

The Company owns marketable securities with market value. A major decline in the market value of shares may result in the Company having to record a valuation loss on the marketable securities it owns. This may have a material impact on the Company's financial position and management performance. Also, some of the assets the Company manages for its corporate pension are marketable securities with market value. Therefore, fluctuations in the market value may change actuarial calculations carried out within accounting for retirement benefits. This may have an adverse impact on the Company's financial position or management performance.

Risks Related to the Impairment of Fixed Assets

Regarding fixed assets owned by the Company, in the event there is a significant deterioration in its operating environment that results in a fall in profits, or if there is a major decline in the market value of the fixed assets, then, in accordance with the principles of accounting for the impairment of fixed assets, the Company may have to record a loss on impairment. This may have an adverse impact on the Company's financial position or management performance.

Risks Related to the Procurement of Raw Materials

For some of the raw materials it procures, the Company may encounter difficulties if it is required to switch suppliers, to find replacement raw materials, or to procure raw materials from a limited number of specified suppliers. The Company implements measures to secure sufficient levels of those raw materials that are particularly important to manufacturing to ensure there are no interruptions in production, including maintaining stock at certain levels across a designated period. However, if unforeseeable events occur and the Company is unable to procure important raw materials that cannot be replaced with an alternative, then product manufacturing may have to be suspended. This could have a major impact on the Company's management performance.

CONSOLIDATED BALANCE SHEETS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
As at December 31, 2009 and March 31, 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2009/12**	2009/3	**2009/12**
Current Assets:			
Cash and bank deposits	**¥ 30,160**	¥ 32,979	**$ 327,467**
Accounts and notes receivable:			
Trade (Note 6)	**114,578**	105,022	**1,244,062**
Unconsolidated subsidiaries and affiliates	**7,297**	4,962	**79,224**
Other	**3,108**	5,141	**33,747**
	124,983	115,125	**1,357,033**
Inventories	**63,805**	67,629	**692,780**
Deferred tax assets (Note 11)	**9,250**	11,633	**100,437**
Short-term loans receivable:			
Parent company	**40,178**	42,042	**436,238**
Other	**165**	5,225	**1,793**
	40,343	47,267	**438,031**
Other current assets	**8,200**	4,995	**89,039**
Less: Allowance for doubtful accounts	**(153)**	(152)	**(1,664)**
Total Current Assets	**276,588**	279,476	**3,003,123**
Property, Plant and Equipment, at Cost (Note 16)**:**			
Land	**71,993**	74,180	**781,687**
Buildings and structures	**146,097**	147,417	**1,586,284**
Machinery and equipment	**204,829**	200,985	**2,223,981**
Other	**51,413**	51,003	**558,233**
Construction in progress	**17,589**	6,424	**190,973**
	491,921	480,009	**5,341,158**
Less: Accumulated depreciation	**(329,361)**	(319,611)	**(3,576,122)**
Total Property, Plant and Equipment, Net	**162,560**	160,398	**1,765,036**
Investments and Other Assets:			
Investments in securities (Notes 8 and 17)	**48,315**	42,944	**524,606**
Investments in unconsolidated subsidiaries and affiliates	**18,167**	19,636	**197,248**
Goodwill	**170,055**	177,275	**1,846,416**
Deferred tax assets (Note 11)	**4,263**	3,015	**46,287**
Other assets	**16,771**	17,244	**182,095**
Less: Allowance for doubtful accounts	**(1,451)**	(947)	**(15,755)**
Total Investments and Other Assets	**256,120**	259,167	**2,780,897**
Total Assets	**¥ 695,268**	¥ 699,041	**$ 7,549,056**

The accompanying notes are an integral part of the statements.

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2009/12
Current Liabilities:			
Short-term borrowings (Note 9)	¥ 12,691	¥ 12,750	$ 137,791
Current portion of long-term debt (Note 9)	243	231	2,637
Accounts and notes payable:			
Trade (Notes 6 and 17)	43,615	39,483	473,557
Unconsolidated subsidiaries and affiliates	5,568	2,798	60,452
Construction and acquisition of properties	10,572	6,403	114,793
Other	21,596	18,217	234,486
	81,351	66,901	883,288
Income taxes payable	7,313	13,557	79,399
Accrued bonuses	1,225	4,116	13,305
Other current liabilities	7,258	10,967	78,813
Total Current Liabilities	110,081	108,522	1,195,233
Long-Term Liabilities:			
Long-term debt (Note 9)	295	559	3,201
Deferred tax liabilities (Note 11)	14,647	17,144	159,031
Reserve for retirement benefits:			
Employees (Note 13)	27,268	26,684	296,070
Directors and corporate auditors	107	188	1,166
Other long-term liabilities	2,526	2,874	27,430
Total Long-Term Liabilities	44,843	47,449	486,898
Total Liabilities	154,924	155,971	1,682,131
Commitments and Contingent Liabilities (Note 18)			
Net Assets:			
Shareholders' Equity (Note 19)			
Common stock:			
Authorized: 987,900,000 shares at December 31, 2009 and March 31, 2009			
Issued: 576,483,555 shares at December 31, 2009 and March 31, 2009	26,745	26,745	290,391
Additional paid-in capital	512,398	512,418	5,563,499
Retained earnings	7,093	10,432	77,020
Treasury stock, at cost:			
6,935,900 shares at December 31, 2009 and 2,589,766 shares at March 31, 2009	(6,932)	(2,392)	(75,270)
Total Shareholders' Equity	539,304	547,203	5,855,640
Valuation, Translation Adjustments and Others:			
Net unrealized holding gain (loss) on other securities (Note 8)	475	(4,733)	5,158
Net deferred gain on hedges	4	5	38
Translation adjustments	(3,957)	(3,920)	(42,962)
Total Valuation, Translation Adjustments and Others	(3,478)	(8,648)	(37,766)
Share Subscription Rights	197	189	2,134
Minority Interests	4,321	4,326	46,917
Total Net Assets	540,344	543,070	5,866,925
Total Liabilities and Net Assets	¥695,268	¥699,041	$7,549,056

CONSOLIDATED STATEMENTS OF INCOME

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2008/3	2009/12
Net Sales	**¥309,112**	¥460,184	¥392,120	**$3,356,261**
Cost of Sales (Note 13)	**169,372**	259,886	247,202	**1,838,998**
Gross Profit	**139,740**	200,298	144,918	**1,517,263**
Selling, General and Administrative Expenses (Notes 13 and 15)	**111,496**	154,911	105,528	**1,210,598**
Operating Income	**28,244**	45,387	39,390	**306,665**
Other Revenue (Expenses):				
Interest and dividend income	**1,358**	3,083	1,803	**14,742**
Interest expense	**(245)**	(523)	(328)	**(2,656)**
Foreign exchange gain (loss)	**(112)**	136	(1,035)	**(1,218)**
Equity in earnings of affiliates	**1,559**	1,212	1,125	**16,927**
Gain (loss) on sale and disposal of fixed assets	**(289)**	(1,000)	6,916	**(3,138)**
Loss on impairment of fixed assets (Note 16)	**(2,671)**	(5,725)	(2,265)	**(29,004)**
Loss on revaluation of investments in securities	**(537)**	(6,634)	—	**(5,834)**
Extraordinary depreciation of fixed assets	**(3,300)**	—	—	**(35,826)**
Loss on dilution of equity interest in subsidiary	**(1,380)**	—	—	**(14,979)**
Loss on sale of investments in securities	**(991)**	—	—	**(10,761)**
Gain on sale of investments in subsidiaries and affiliates	**—**	5,835	—	**—**
Expenses related to business integration under the Strategic Alliance with the Kirin Group	**—**	(5,514)	(2,832)	**—**
Compensation for damages	**—**	(1,937)	—	**—**
Loss on revaluation of investments in affiliates	**—**	—	(1,373)	**—**
Other, net	**(1,007)**	(3,382)	(2,585)	**(10,938)**
	(7,615)	(14,449)	(574)	**(82,685)**
Income before Income Taxes and Minority Interests	**20,629**	30,938	38,816	**223,980**
Income Taxes (Note 11)**:**				
Current	**(16,451)**	(20,799)	(15,229)	**(178,617)**
Deferred	**4,819**	1,865	35	**52,324**
	(11,632)	(18,934)	(15,194)	**(126,293)**
Income before Minority Interests	**8,997**	12,004	23,622	**97,687**
Minority Interests	**(200)**	(277)	(145)	**(2,167)**
Net Income	**¥ 8,797**	¥ 11,727	¥ 23,477	**$ 95,520**

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

Millions of Yen

	Shareholders' equity						Valuation, translation adjustments and others						
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Total valuation, translation adjustments and others	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2007	399,243,555	¥ 26,745	¥ 43,180	¥ 151,565	¥(1,063)	¥ 220,427	¥ 21,785	¥ 6	¥ (502)	¥ 21,289	¥ 66	¥ 2,300	¥ 244,082
Net income for the year ended March 31, 2008				23,477		23,477							23,477
Cash dividends				(3,978)		(3,978)							(3,978)
Decrease due to exclusion of consolidated subsidiaries				(102)		(102)							(102)
Purchases of treasury stock					(567)	(567)							(567)
Disposal of treasury stock				(14)	86	72							72
Net changes during the year							(6,436)	(15)	123	(6,328)	90	12	(6,226)
Balance at March 31, 2008	399,243,555	26,745	43,180	170,948	(1,544)	239,329	15,349	(9)	(379)	14,961	156	2,312	256,758
Balance of acquiree at March 31, 2008		(26,745)	(43,180)	(170,948)	1,544	(239,329)	(15,349)	9	379	(14,961)	(156)	(2,312)	(256,758)
Balance of acquirer at March 31, 2008		3,000	56,814	4,444		64,258	(163)		(868)	(1,031)		1,452	64,679
Increase due to share exchange	177,240,000	23,745	455,618		(1,544)	477,819							477,819
Net income for the year ended March 31, 2009				11,727		11,727							11,727
Cash dividends				(5,739)		(5,739)							(5,739)
Purchases of treasury stock					(1,001)	(1,001)							(1,001)
Disposal of treasury stock			(14)		153	139							139
Net changes during the year							(4,570)	5	(3,052)	(7,617)	189	2,874	(4,554)
Balance at March 31, 2009	576,483,555	26,745	512,418	10,432	(2,392)	547,203	(4,733)	5	(3,920)	(8,648)	189	4,326	543,070
Net income for the nine months ended December 31, 2009				**8,797**		**8,797**							**8,797**
Cash dividends				**(11,435)**		**(11,435)**							**(11,435)**
Purchases of treasury stock					**(4,638)**	**(4,638)**							**(4,638)**
Disposal of treasury stock			**(20)**		**98**	**78**							**78**
Decrease due to initial consolidation of subsidiaries				**(878)**		**(878)**							**(878)**
Increase due to exclusion of consolidated subsidiaries				**68**		**68**							**68**
Increase due to merger				**109**		**109**							**109**
Net changes during the nine-month period							**5,208**	**(1)**	**(37)**	**5,170**	**8**	**(5)**	**5,173**
Balance at December 31, 2009	**576,483,555**	**¥ 26,745**	**¥512,398**	**¥ 7,093**	**¥ (6,932)**	**¥ 539,304**	**¥ 475**	**¥ 4**	**¥ (3,957)**	**¥ (3,478)**	**¥ 197**	**¥ 4,321**	**¥ 540,344**

Thousands of U.S. Dollars (Note 3)

	Shareholders' equity					Valuation, translation adjustments and others						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Total valuation, translation adjustments and others	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2009	$290,391	$5,563,714	$ 113,276	$(25,976)	$5,941,405	$(51,390)	$ 51	$(42,564)	$(93,903)	$2,050	$46,975	$5,896,527
Net income for the nine months ended December 31, 2009			**95,520**		**95,520**							**95,520**
Cash dividends			**(124,155)**		**(124,155)**							**(124,155)**
Purchases of treasury stock				**(50,357)**	**(50,357)**							**(50,357)**
Disposal of treasury stock		**(215)**		**1,063**	**848**							**848**
Decrease due to initial consolidation of subsidiaries			**(9,544)**		**(9,544)**							**(9,544)**
Increase due to exclusion of consolidated subsidiaries			**737**		**737**							**737**
Increase due to merger			**1,186**		**1,186**							**1,186**
Net changes during the nine-month period						**56,548**	**(13)**	**(398)**	**56,137**	**84**	**(58)**	**56,163**
Balance at December 31, 2009	**$290,391**	**$5,563,499**	**$ 77,020**	**$(75,270)**	**$5,855,640**	**$ 5,158**	**$ 38**	**$(42,962)**	**$(37,766)**	**$2,134**	**$46,917**	**$5,866,925**

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2008/3	2009/12
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 20,629	¥ 30,938	¥ 38,816	$ 223,980
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	17,003	18,780	14,347	184,617
Loss on impairment of fixed assets	2,671	5,725	2,265	29,004
Amortization of goodwill	7,182	9,860	251	77,976
Increase (decrease) in reserve for retirement benefits	576	214	(1,037)	6,258
(Increase) decrease in prepaid pension expenses	824	(3,670)	(3,337)	8,946
Increase (decrease) in accrued bonuses	(2,891)	(114)	365	(31,392)
(Reversal of) provision for allowance for doubtful accounts	501	(549)	424	5,443
Interest and dividend income	(1,358)	(3,083)	(1,803)	(14,742)
Interest expense	245	523	328	2,656
Equity in earnings of affiliates	(1,559)	(1,212)	(1,125)	(16,927)
(Gain) loss on sale and disposal of property, plant and equipment	278	1,000	(6,916)	3,016
Gain on sale of investments in subsidiaries and affiliates	—	(5,835)	—	—
Loss on revaluation of investments in securities	537	6,634	—	5,834
Increase (decrease) in accounts and notes receivable	(9,814)	14,457	1,770	(106,558)
(Increase) decrease in inventories	4,588	(5,148)	(2,146)	49,817
Increase (decrease) in accounts and notes payable	6,187	(10,856)	(5,681)	67,181
Other	(987)	(112)	4,191	(10,720)
	44,612	57,552	40,712	484,389
Interest and dividends received	1,535	4,051	2,593	16,670
Interest paid	(259)	(496)	(306)	(2,807)
Income taxes paid	(21,684)	(20,038)	(12,285)	(235,454)
Net Cash Provided by Operating Activities	24,204	41,069	30,714	262,798
Cash Flows from Investing Activities:				
Acquisition of property, plant and equipment	(19,778)	(18,231)	(14,402)	(214,742)
Proceeds from sale of property, plant and equipment	2,283	338	7,297	24,791
Acquisition of investments in securities	(2,159)	(150)	(1,189)	(23,437)
Proceeds from sale and redemption of investments in securities	4,024	87	145	43,688
Acquisition of investments in consolidated subsidiaries resulting in change in scope of consolidation	(59)	—	(2,264)	(642)
Proceeds from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation	—	16,908	—	—
Payments into time deposits	(4,135)	(7,040)	(461)	(44,897)
Proceeds from withdrawal of time deposits	3,213	3,078	411	34,882
Other	3,364	1,029	971	36,525
Net Cash Used in Investing Activities	(13,247)	(3,981)	(9,492)	(143,832)
Cash Flows from Financing Activities:				
Decrease in short-term borrowings	(384)	(7)	(8,309)	(4,164)
Proceeds from long-term debt	—	492	—	—
Repayment of long-term debt	(202)	(12,573)	(665)	(2,195)
Acquisition of treasury stock	(4,638)	(1,001)	(567)	(50,357)
Dividends paid	(11,373)	(7,687)	(3,979)	(123,485)
Dividends paid to minority interests	(205)	(190)	(18)	(2,222)
Other	(104)	(12)	38	(1,142)
Net Cash Used in Financing Activities	(16,906)	(20,978)	(13,500)	(183,565)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(40)	(1,028)	(45)	(433)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,989)	15,082	7,677	(65,032)
Cash and Cash Equivalents at the Beginning of the Year	69,287	44,119	36,614	752,297
Cash and Cash Equivalents of Acquiree at the Beginning of the Year	—	(44,119)	—	—
Cash and Cash Equivalents of Acquirer at the Beginning of the Year	—	10,440	—	—
Increase in Cash and Cash Equivalents of Newly Consolidated Subsidiaries	393	43,742	—	4,276
Decrease in Cash and Cash Equivalents of Deconsolidated Subsidiaries	(215)	—	(172)	(2,333)
Increase in Cash and Cash Equivalents Resulting from Merger	269	23	—	2,921
Cash and Cash Equivalents at the End of the Year	¥ 63,745	¥ 69,287	¥ 44,119	$ 692,129
Reconciliation between cash and cash equivalents at year-end and the accounts booked in the balance sheets				
Cash and bank deposits	¥ 30,160	¥ 32,979	¥ 18,481	$ 327,467
Time deposits whose maturity periods exceed 3 months	(6,593)	(5,734)	(331)	(71,576)
Marketable securities with original maturities of 3 months or less	—	—	25,969	—
Short-term loans receivable from parent company	40,178	42,042	—	436,238
Cash and Cash Equivalents	¥ 63,745	¥ 69,287	¥ 44,119	$ 692,129

The accompanying notes are an integral part of the statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries

NOTE 1
Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Kyowa Hakko Kirin Co., Ltd. (the "Company") and its consolidated subsidiaries (hereinafter collectively referred to as the "Companies"). The Company and its domestic consolidated subsidiaries have maintained their accounts and records in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and in conformity with generally accepted accounting principles and practices prevailing in Japan, which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards (hereinafter "IFRS").

Effective April 1, 2008, the Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18 (hereinafter "PITF No. 18"), issued by the Accounting Standards Board of Japan (hereinafter "ASBJ")). In accordance with the new accounting standard, the accompanying consolidated financial statements for the nine months ended December 31, 2009, have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either IFRS or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. See Note 2 (19).

NOTE 2
Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which it controls directly or indirectly. As of December 31, 2009, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 29 and 9 respectively (29 and 9 as of March 31, 2009). All significant intercompany balances and transactions are eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down.

(2) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise of cash on hand, bank deposits, which can be withdrawn on demand at any time, and short-term investments with an original maturity of 3 months or less, which are readily convertible into cash and considered to represent a low risk of market price fluctuation.

(3) Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified as either held-to-maturity or other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost.

For marketable securities classified as other securities, where the market value of each security has declined by more than 30%, which is deemed to be "significantly declined in value," the Company determines the necessity of a write-down by considering the recoverability of each security.

(4) Inventories

Inventories are stated principally at cost, determined by the average-cost method. Book value is reduced when the contribution of inventories to profitability declines. See Note 2 (19).

(5) Property, Plant and Equipment (Except for leased assets)

Depreciation is computed mainly by the declining-balance method.

The Company and its domestic consolidated subsidiaries compute depreciation expense for buildings (other than related equipment and leasehold improvements) acquired on or after April 1, 1998, by the straight-line method. See Note 2 (20).

The range of useful lives is principally as follows:

Buildings and structures	15–50 years
Machinery and equipment	4–15 years

(6) Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized by the straight-line basis over a period of less than 20 years depending on the source, except that immaterial amounts are charged or credited to income as incurred.

(7) Intangible Assets (Except for leased assets)

Intangible assets, including capitalized computer software costs, are amortized by the straight-line method over their respective estimated useful lives.

(8) Leases

Depreciation of assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero, except for the leases commencing on or before March 31, 2008, which are principally accounted for as operating leases.

(9) Allowance for Doubtful Accounts

An allowance for doubtful accounts is made against potential losses on collection at an amount measured using a historical bad debt ratio, plus specific amounts individually measured for receivables that are not expected to be collectible due to financial difficulties of the customer or insolvency.

(10) Accrued Bonuses

Accrued bonuses are provided for bonuses payable to employees based on the amount expected to be paid at the year end.

(11) Reserve for Retirement Benefits

Reserve for retirement benefits to employees and prepaid pension cost are recorded mainly at an amount calculated based on the retirement benefit obligations and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial differences and unrecognized prior service costs.

Unrecognized prior service costs are amortized by the straight-line method mainly over 5 years from the year they occur.

Unrecognized actuarial differences are amortized by the straight-line method mainly over 10 years from the year after they occur.

A reserve for retirement benefits to directors and corporate auditors is provided in accordance with each company's internal rules.

(12) Foreign Currency Translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into yen at the spot exchange rate prevailing at the year end. All revenue and expenses of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the average exchange rate for each period. Resulting translation gains or losses are charged or credited to income.

Assets and liabilities of foreign consolidated subsidiaries, except for the components of net assets excluding minority interests, are translated into yen at the spot exchange rate in effect at the balance sheet date. The revenue and expense accounts are translated using the average exchange rate for each period. The components of net assets excluding minority interests are translated at their historical rates. Differences arising from the translation are presented as translation adjustments and minority interests in net assets.

(13) Derivative Financial Instruments

The Company has entered into various derivatives transactions to manage certain risks arising mainly from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

(14) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(15) Income Taxes

Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant's taxes and enterprise taxes.

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the statutory tax rates which will be in effect when the differences are expected to be realized.

(16) Appropriation of Retained Earnings

Under the Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

(17) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding, exclusive of treasury stock, during each year. Cash dividends per share represent dividends declared as applicable to the respective period.

(18) Reclassification

Certain amounts as of and for the fiscal years ended March 31, 2009 and 2008 have been reclassified to conform to the current period presentation.

(19) Accounting Changes

Effective April 1, 2009, the Company and its domestic consolidated subsidiaries have adopted ASBJ Statement No. 19, "Accounting Standard for Retirement Benefits (Part 3)." This adoption had no impact on the income statements.

Effective April 1, 2008, the Company and its domestic consolidated subsidiaries have adopted ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As a result, operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2009, declined ¥1,323 million respectively, compared to the amounts which would have been recorded under the previous method.

Effective April 1, 2008, the Company has adopted PITF No. 18 and made the necessary amendment to its financial statements. This adoption had no impact on the income statements.

Effective April 1, 2008, the Company and its domestic consolidated subsidiaries have adopted ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." In accordance with the adoption of this standard, finance lease transactions for which ownership of the leased assets is not transferred to the lessee are now treated as buying and selling transactions for accounting purposes, however, such leases were previously treated as rental transactions for accounting purposes. The impact of this change was immaterial on the income statements.

For the reversal of the loss on revaluation of investments in securities at the end of the quarter, the Companies had conventionally adopted the quarterly cost or market method, which involved recalculating the book value at the end of the quarter after performing impairment accounting using the market value and thereby adjusting the acquisition cost of the securities. For the purpose of standardizing the accounting procedures between the parent company and its subsidiaries, the Company and the Companies changed their accounting procedures to comply with those adopted by their parent company, Kirin Holdings Company, Limited (hereinafter "Kirin Holdings") in the first quarter of the period under review, switching to the quarterly method of adding back the credited reserve amount in full to income in the following period. This method involves reversing the amount of the loss on valuation based on impairment accounting as at the end of the quarter to the beginning of the next quarter, and determining the need for impairment accounting by comparing the book value after the reversal and the market value as at the end of the quarter. As a result of this change, income before income taxes and minority interests increased ¥41 million ($441 thousand) in the period under review compared to the amounts which would have been recorded under the previous method.

(20) Additional Information

Effective April 1, 2008, in line with the revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed the estimates for the useful lives of machinery. This change resulted in increases of operating income ¥115 million and ordinary income and income before income taxes and minority interests ¥113 million for the year ended March 31, 2009 compared to the amounts which would have been recorded under the previous method.

Effective April 1, 2008, the Companies have adopted ASBJ Statement No. 11, "Accounting Standard for Related Party Disclosures," and ASBJ Guidance No. 13, "Guidance on Accounting Standard for Related Party Disclosures." As a result, the existing definition of related parties has been expanded, and officers of the parent company and significant subsidiaries and their close family members, as well as companies and their subsidiaries, etc., controlled by such persons are now within the scope of disclosure. Transactions with related parties are described in Note 20.

Following its decision to reorganize plants, etc., the Company revised the useful lives of property, plant and equipment and declared the difference between the book value before the change and after the change amounting to ¥3,300 million ($35,826 thousand) as an extraordinary loss in the form of extraordinary depreciation of fixed assets for the nine months ended December 31, 2009. As a result, income before income taxes and minority interests declined by the same amount.

NOTE 3
U.S. Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥92.10=U.S.$1, the approximate exchange rate at December 31, 2009. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts can be converted into dollars at ¥92.10=U.S.$1 or at any other rate.

NOTE 4
Change in End of Fiscal Year

The Company changed its closing date of accounts on a consolidated basis (the Company's fiscal year end) from March 31 to December 31 of each year pursuant to the resolution of the ordinary General Shareholders' Meeting convened on June 25, 2009.

This was done to bring its fiscal year into line with that of its parent, Kirin Holdings, considering that Kirin Holdings' fiscal year ends on December 31 each year, to disclose its business performance and other such management information more appropriately and execute operations in an efficient manner.

Due to the said change, the fiscal period under review served as a transitional period before the new full fiscal year and was therefore only 9 months long, starting on April 1, 2009 and ending on December 31, 2009.

In conjunction with the change in the fiscal year end, all consolidated subsidiaries whose fiscal year ended on March 31 were also brought into line with the Company to close their accounts on December 31.

For the following 11 consolidated subsidiaries, whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 that was within 3 months before March 31. Effective April 1, 2009, the financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 have been used in preparing the consolidated financial statements for the nine months period under review.

The 11 subsidiaries 12-month accounting period are as follows: BioWa, Inc., Kyowa Hakko Kirin America, Inc., Kyowa Hakko Kirin Pharma, Inc., Kyowa Hakko Bio U.S. Holdings, Inc., Bio-Kyowa Inc., Kyowa Hakko Europe GmbH, Kyowa Italiana Farmaceutici S.r.l., Shanghai Kyowa Amino Acid Co., Ltd., Kyowa Hakko U.S.A., Inc., Kyowa Hakko (H.K.) Co., Ltd., Kashiwagi Corporation.

As a result, net sales increased ¥11,986 million ($130,140 thousand), operating income ¥158 million ($1,713 thousand), ordinary income ¥147 million ($1,598 thousand) and income before income taxes and minority interests ¥23 million ($248 thousand).

NOTE 5
Business Combinations

(1) Share Exchange

The Company entered into a "Share Exchange Agreement" making it a parent of Kirin Pharma Company, Limited (hereinafter "Kirin Pharma") and Kirin Pharma its wholly owned subsidiary following the resolution passed at the meeting of the Board of Directors held on October 22, 2007, and executed the exchange of shares with the approval obtained at the extraordinary General Shareholders' Meeting convened on February 29, 2008. The effective date of the business combination was April 1, 2008.

Through the share exchange under this agreement, the Company acquired all outstanding shares of Kirin Pharma. However, because the Company issued 177,240,000 new common shares to Kirin Pharma's parent Kirin Holdings, Kirin Holdings holds 50.1% of the total number of outstanding shares of the Company and has thus become the parent of the Company. Therefore, the share exchange corresponds to a "Reverse Acquisition" whereby Kirin Pharma became the acquirer and the Company the acquiree in accordance with ASBJ Statement No.21, "Accounting Standard for Business Combinations" and ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" and the purchase method has been applied as the accounting procedure for such share exchange. For this reason, Kirin Pharma's acquisition of 100% of the Company's voting rights has been accounted for in the consolidated financial statements.

Given that the acquisition cost of the Company as acquiree exceeded the market valuation of the Company's net assets as of the date of the business combination, the excess amount of ¥191,930 million was recognized as "goodwill," to be amortized over the next 20 years by the straight-line method.

(2) Merger

At the meeting of the Board of Directors held on April 28, 2008, the Board passed a resolution to undertake an absorption and merger whereby the Company would become the surviving company and its wholly owned subsidiary Kirin Pharma the extinguished entity effective October 1, 2008, and the Company entered into a "Merger Agreement" with Kirin Pharma on the said date of the Board meeting. Subsequently, the merger was approved at the ordinary General Shareholders' Meeting held on June 24, 2008, and came into effect on October 1, 2008. In conjunction with this, the Company's trade name "KYOWA HAKKO KOGYO CO., LTD." was changed to "Kyowa Hakko Kirin Co., Ltd." on October 1, 2008.

The share exchange and the merger were executed as part of the strategic alliance between the Kyowa Hakko Group and the Kirin Group. Antibody drug technology-centered biotechnology is the strength of both the Company and Kirin Pharma. Through the integration of antibody technologies, both companies aim to improve drug development capabilities, expand opportunities to acquire novel antigens through an improved presence in the antibody drug sector and increase development speed and proactive overseas business development of antibody drugs through the mutual exploitation of antibody technologies. Furthermore, through the integration, the Company and Kirin Pharma expect an increase in the scale of research and development and marketing, the establishment of effective business operations systems and the further strengthening of the profitability and competitiveness of their pharmaceutical business, all of which is believed to result in a strengthening of the operational base.

(3) Divestiture of a Business

At the meeting of the Board of Directors held on April 28, 2008, the Board passed a resolution to divest the Company's Bio-Chemicals Division effective October 1, 2008, and to transfer the division to a newly established company named Kyowa Hakko Bio Co., Ltd. (hereinafter "Kyowa Hakko Bio"). The divestiture of the business was subsequently approved at the ordinary General Shareholders' Meeting held on June 24, 2008, and through its execution on October 1, 2008, Kyowa Hakko Bio was newly established.

As the business model for the Bio-Chemicals Division in particular with a focus on materials differs from the business model for the Pharmaceuticals Division, the Company took advantage of its merger with Kirin Pharma as an opportunity to spin off the Bio-Chemicals Division and thereby develop a management system unique to the bio-chemicals business. The spin-off facilitates faster decision making and enables flexible and proactive business development, and seeks to achieve a more competitive edge and growth on a self-sustaining basis as a significant business entity of the Kyowa Hakko Kirin Group.

(4) Business Combination of a Subsidiary

At the meeting of the Board of Directors held on October 21, 2008, the Board passed a resolution to conclude an "Agreement to Integrate Food Products Businesses" aimed at integrating the food products businesses of the Company's wholly owned subsidiary Kyowa Hakko Food Specialties Co., Ltd. (hereinafter "Kyowa Hakko Foods,") and Kirin Holdings' wholly owned subsidiary Kirin Food-Tech Company, Limited (hereinafter "Kirin Food-Tech"), and the Company entered into the agreement on the said date of the Board meeting. Under the agreement, the Company sold 526 shares out of a total of 1,000 shares of Kyowa Hakko Foods to Kirin Holdings at ¥17,095 million on March 31, 2009.

As a result of the above-mentioned sale of shares, Kyowa Hakko Foods and its wholly-owned subsidiaries Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd. and Kyowa HiFoods Co., Ltd. changed from consolidated subsidiaries of the Company to affiliated companies accounted for by the equity method effective March 31, 2009.

Kyowa Hakko Foods and Kirin Food-Tech subsequently merged on April 1, 2009. The new company's trade name was changed to Kirin Kyowa Foods Company, Limited.

As a result of the merger, the Company recorded a ¥1,380 million ($14,979 thousand) loss on dilution of equity interest in a subsidiary.

(5) Additional Information: Sale of Shares of an Affiliate

Under the above-mentioned "Agreement to Integrate the Food Products Businesses," the Company plans to sell all of the remaining 474 shares of Kirin Kyowa Foods Company, Limited to Kirin Holdings on January 1, 2011.

NOTE 6
Impact of Fiscal Year End Falling on a Non-Business Day

The fiscal period of December 31, 2009 fell on a non-business day for financial institutions. As a result, notes receivable and payable were not accounted for as settled until the date of exchange. Therefore, the following items were included in the accompanying consolidated balance sheets as of December 31, 2009 and remained unsettled.

	Millions of Yen	Thousands of U.S. Dollars
Notes receivable	¥1,470	$15,958
Notes payable	2,060	22,364
Notes payable for construction included in "Other current liabilities"	17	186

In addition, the following receivable and payable balances, which originally fell due at the fiscal year end, are included in the accompanying consolidated balance sheets as of December 31, 2009, because those balances are settled in the same way as for notes receivable and payable.

	Millions of Yen	Thousands of U.S. Dollars
Accounts receivable-trade	¥4,100	$44,520
Accounts payable-trade	4,162	45,195
Accounts payable-other	1,645	17,857

NOTE 7
Inventories

Inventories as of December 31, 2009 and March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	**2009/12**
Merchandise and finished goods	**¥43,864**	¥46,499	**$476,261**
Work in process	**8,970**	9,284	**97,395**
Raw materials and supplies	**10,971**	11,846	**119,124**
	¥63,805	¥67,629	**$692,780**

NOTE 8
Securities

(1) Marketable other securities as of December 31, 2009 and March 31, 2009, are as follows:

	2009/12		
	Millions of Yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**¥18,309**	¥23,176	**¥ 4,867**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**16,308**	12,220	**(4,088)**

	2009/12		
	Thousands of U.S. Dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$198,790**	$251,641	**$ 52,851**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**177,068**	132,686	**(44,382)**

	2009/3		
	Millions of Yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 5,055	¥ 5,835	¥ 780
Securities whose acquisition cost exceeds their carrying value:			
Stocks	29,587	20,765	(8,822)

(2) The details of investments in securities without determinable market value as of December 31, 2009 and March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	**2009/12**
Unlisted stocks	**¥12,746**	¥15,919	**$138,391**
Other	**174**	425	**1,887**

(3) The maturity schedule of held-to-maturity debt securities with scheduled maturities as at December 31, 2009 is not applicable.

NOTE 9
Short-Term Borrowings and Long-Term Debt

(1) Short-term borrowings at December 31, 2009 and March 31, 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	**2009/12**
Unsecured loans, principally from banks, with weighted average interest rate of 1.3% and 1.5% at December 31, 2009 and March 31, 2009, respectively	**¥12,691**	¥12,750	**$137,791**

(2) Long-term debt at December 31, 2009 and March 31, 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	**2009/12**
Secured loans, principally from banks and other financial institutions, due 2010 to 2012 at December 31, 2009 and due 2009 to 2012 at March 31, 2009 with interest ranging from 1.9% to 6.2% per annum in 2010 and from 2.1% to 7.4% per annum in 2009	**¥ 538**	¥ 730	**$ 5,838**
Unsecured bond payable in yen with interest of 1.1% due through 2011	**—**	60	**—**
Less: Current portion of long-term debt	**(243)**	(231)	**(2,637)**
	¥ 295	¥ 559	**$ 3,201**

(3) The aggregate annual maturities of long-term debt subsequent to December 31, 2009 are as follows:

December 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥243	$2,637
2011	187	2,030
2012	108	1,171
2013	—	—
2014	—	—
	¥538	$5,838

NOTE 10
Leases

(1) Finance Leases

The Companies hold certain machinery, equipment and other fixed assets under finance leases that do not transfer ownership of the leased assets to the lessee. Lease transactions entered into on or before March 31, 2008, are not capitalized, but are accounted for as operating leases. If these leases had been capitalized, the acquisition cost, accumulated depreciation and net book value of such leased assets at December 31, 2009 and March 31, 2009, would have been as follows:

	Millions of Yen			Thousands of U.S. Dollars		
December 31, 2009	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Acquisition cost	¥28	¥991	¥1,019	$309	$10,762	$11,071
Accumulated depreciation	25	702	727	274	7,626	7,900
Net book value	¥ 3	¥289	¥ 292	$ 35	$ 3,136	$ 3,171

	Millions of Yen		
March 31, 2009	Machinery and equipment	Other	Total
Acquisition cost	¥40	¥1,091	¥1,131
Accumulated depreciation	32	640	672
Net book value	¥ 8	¥ 451	¥ 459

Lease payments relating to finance leases accounted for as operating leases amounted to ¥160 million ($1,734 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the nine months ended December 31, 2009.

Future minimum lease payments subsequent to December 31, 2009 on finance leases accounted for as operating leases are summarized as follows:

	Millions of Yen
2010	¥160
Thereafter	132
	¥292

(2) Operating Leases

Future minimum lease payments subsequent to December 31, 2009, on non-cancelable operating leases are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 243	$ 2,634
Thereafter	3,340	36,265
	¥3,583	$38,899

NOTE 11
Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation taxes, local inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

(1) The effective tax rates reflected in the consolidated statements of income for the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008, differ from the statutory tax rate for the following reasons:

	2009/12	2009/3	2008/3
Statutory tax rate	**40.7%**	40.7%	40.7%
(Reconciliation)			
Future deductible temporary differences deemed not to be realized	**15.3**	(1.3)	1.4
Amortization of goodwill	**13.8**	12.6	0.4
Non-deductible expenses, such as entertainment expenses	**6.2**	6.8	3.0
Non-taxable income, such as dividend income	**(2.8)**	(1.1)	(0.9)
Equity in earnings of affiliates	**(3.0)**	(1.6)	(1.2)
Difference in statutory tax rate of subsidiaries	**(2.0)**	(1.9)	0.5
Special corporate tax credit	**(13.4)**	(11.5)	(4.5)
Loss on dilution of equity interest in a subsidiary	**2.7**	—	—
Undistributed profit of affiliates scheduled to be sold	**—**	19.9	—
Other	**(1.1)**	(1.4)	(0.3)
Effective tax rates	**56.4%**	61.2%	39.1%

(2) The significant components of deferred tax assets and liabilities as of December 31, 2009 and March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Deferred tax assets:			
Non-deductible portion of reserve for retirement benefits to employees	**¥ 11,699**	¥ 10,878	**$ 127,025**
Non-deductible portion of depreciation of property, plant and equipment	**11,323**	7,951	**122,938**
Prepaid expenses for tax purposes	**3,951**	3,646	**42,898**
Investments in affiliates	**2,572**	3,260	**27,931**
Gain on sale of investments in affiliates	**1,617**	—	**17,555**
Tax loss carried forward	**1,636**	—	**17,765**
Deferred assets for tax purposes	**—**	1,768	**—**
Accrued bonuses	**—**	1,669	**—**
Other	**11,360**	11,365	**123,341**
Sub-total	**44,158**	40,537	**479,453**
Valuation allowance	**(10,199)**	(7,084)	**(110,736)**
Total deferred tax assets	**¥ 33,959**	¥ 33,453	**$ 368,717**
Deferred tax liabilities:			
Valuation of assets and liabilities of the former Kyowa Hakko Group at the fair market value related to reverse acquisition	**¥(23,265)**	¥(25,023)	**$(252,605)**
Unrealized gains on marketable other securities	**(6,738)**	(3,105)	**(73,164)**
Deferred gain, mainly related to expropriation of fixed assets	**(2,154)**	(2,027)	**(23,382)**
Prepaid pension expenses	**(2,061)**	(1,697)	**(22,381)**
Undistributed profit of affiliates scheduled to be sold	**—**	(2,831)	**—**
Other	**(875)**	(1,267)	**(9,506)**
Total deferred tax liabilities	**(35,093)**	(35,950)	**(381,038)**
Deferred tax liabilities, net	**¥ (1,134)**	¥ (2,497)	**$ (12,321)**

NOTE 12
Stock Option Plans

(1) The following table summarizes the information on stock options as of December 31, 2009:

	2009/12 Plan	2009/3 Plan	2008/3 Plan	2007/3 Plan	2006/3 Plan
Grantees' position	**Directors and executive officers**	Directors and executive officers	Directors and executive officers	Directors and executive officers	Directors and executive officers
Number of grantees	**14**	20	18	18	19
Type of stock	**Common stock**	Common stock	Common stock	Common stock	Common stock
Date of grant	**June 26, 2009**	June 25, 2008	June 21, 2007	June 29, 2006	June 28, 2005
Vesting condition	**No provisions**	No provisions	No provisions	No provisions	No provisions
Applicable period of service	**No provisions**	No provisions	No provisions	No provisions	No provisions
Exercisable period	**June 27, 2009 – June 25, 2029**	June 26, 2008 – June 24, 2028	June 22, 2007 – June 20, 2027	June 30, 2006 – June 28, 2026	June 29, 2005 – June 28, 2025

(2) The following table summarizes scale and the movement of stock options as of December 31, 2009:

	2009/12 Plan	2009/3 Plan	2008/3 Plan	2007/3 Plan	2006/3 Plan
Non-vested (number of shares):					
Stock options outstanding at March 31, 2009	**—**	—	—	—	—
Granted during the period	**93,000**	—	—	—	—
Forfeited during the period	**—**	—	—	—	—
Vested during the period	**93,000**	—	—	—	—
Stock options outstanding at December 31, 2009	**—**	—	—	—	—
Vested (number of shares):					
Stock options outstanding at March 31, 2009	**—**	82,000	61,000	58,000	61,000
Vested during the period	**93,000**	—	—	—	—
Exercised during the period	**—**	29,000	24,000	19,000	21,000
Forfeited during the period	**—**	—	—	—	—
Stock options outstanding at December 31, 2009	**93,000**	53,000	37,000	39,000	40,000

(3) The following table summarizes the price information of stock options as of December 31, 2009:

	2009/12 Plan	2009/3 Plan	2008/3 Plan	2007/3 Plan	2006/03 Plan
Exercise price	**¥ 1**	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average market price per stock at the time of exercise	**—**	982	1,011	988	984
Fair value per stock at the date of grant	**1,014**	1,038	1,140	705	—

(4) Method of estimating the fair value of stock options

1. Valuation method used: Black-Scholes model
2. The following table summarizes the principal basic numeric values and estimation methods

	2009/12 Plan	2009/3 Plan	2008/3 Plan
Share price volatility*1	**8.8%**	5.8%	5.6%
Expected remaining period*2	**3 years**	2 years	3 years
Expected dividends*3	**¥20/per share**	¥20/per share	¥10/per share
Risk-free interest rate*4	**0.52%**	0.42%	0.27%

*1. Calculated based on share price results over 3 years (from June 2006 to May 2009).
*2. Calculated by subtracting the average service years of present office holders from the average service years of retirees over the past 5 years.
*3. Based on dividends for the nine months period 2009/12 (¥15/per share), commuted 12-months.
*4. The rate of return on government bonds over the expected remaining period.

(5) Method of estimating the number of stock options vested

In principle, a method reflecting actual expirations is adopted, because it is not possible to estimate reasonably the number of shares forfeited in the future.

NOTE 13

Reserve for Retirement Benefits to Employees

The Company and its domestic consolidated subsidiaries operate various defined benefit plans, i.e., a corporate pension plan including a cash balance pension plan, a group contributory plan, a tax-qualified pension plan and a severance payment plan. In addition, the Company and certain domestic consolidated subsidiaries have defined contribution pension plans.

(1) Detail on the reserve for retirement benefits as of December 31, 2009 and March 31, 2009 are analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Retirement benefit obligations*	**¥(78,009)**	¥(78,214)	**$(847,005)**
Plan assets at fair value	**46,091**	42,098	**500,442**
Unfunded retirement benefit obligations	**(31,918)**	(36,116)	**(346,563)**
Unrecognized actuarial differences	**8,030**	13,638	**87,199**
Unrecognized prior service costs	**(27)**	(29)	**(297)**
Prepaid pension expenses	**(3,353)**	(4,177)	**(36,409)**
Reserve for retirement benefits to employees	**¥(27,268)**	¥(26,684)	**$(296,070)**

* Certain subsidiaries calculate retirement benefit obligation by the simplified method permitted under the accounting standards generally accepted in Japan.

(2) The retirement benefits expenses for the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009/12	2009/3	2008/3	2009/12
Service cost*	**¥2,669**	¥ 3,552	¥ 2,517	**$28,977**
Interest cost	**1,437**	1,976	1,599	**15,599**
Expected return on plan assets	**(902)**	(1,427)	(1,343)	**(9,789)**
Amortization of unrecognized actuarial differences	**1,239**	278	1,083	**13,457**
Amortization of unrecognized prior service costs	**1**	(2)	(1,075)	**12**
Special severance payment	**22**	3	103	**241**
Other	**182**	212	36	**1,972**
Retirement benefit expenses	**¥4,648**	¥ 4,592	¥ 2,920	**$50,469**

* Includes retirement benefit expenses incurred by the subsidiaries that apply the simplified method.

(3) Assumptions used in calculation of the above-mentioned information are as follows:

	2009/12	2009/3	2008/3
Discount rate	**2.5%**	2.5%	2.5%
Expected rate of return on plan assets	**3.0% (mainly)**	3.0% (mainly)	3.0%
Amortization period for prior service costs	**5 years (mainly) (Straight-line method)**	5 years (mainly) (Straight-line method)	5 years (Straight-line method)
Amortization period for actuarial differences	**10 years (mainly) (Straight-line method)**	10 years (mainly) (Straight-line method)	10 years (Straight-line method)

NOTE 14
Derivative Transactions

(1) Conditions of Derivative Financial Instruments

In the normal course of business, the Companies use derivative financial instruments to manage their exposures to market risks. These instruments include foreign currency swaps, foreign exchange contracts and interest rate swap and cap agreements. The Companies do not use derivative financial instruments for speculative purposes.

The Companies are exposed to credit risk in the event of non-performance by the counterparties to the derivative transactions; however, the Companies do not anticipate non-performance by any of the counterparties because all counterparties are major financial institutions and securities companies with high credit ratings. Also, the Companies do not use derivative financial instruments for highly leveraged transactions.

(2) Fair Value Information of Derivative Financial Instruments

The Companies have the following derivatives contracts outstanding at December 31, 2009 and March 31, 2009:

Nine months ended December 31, 2009	Millions of Yen			Thousands of U.S. Dollars		
Type of transaction	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Selling U.S. dollar	**¥3,273**	**¥3,337**	**¥ (64)**	**$35,536**	**$36,236**	**$ (699)**
Selling Euro	**1,919**	**1,912**	**6**	**20,832**	**20,765**	**68**
Currency swaps						
Receiving Japanese yen, Paying U.S. dollar	**3,992**	**(151)**	**(151)**	**43,339**	**(1,640)**	**(1,640)**
	¥9,184	**¥5,098**	**¥(209)**	**$99,707**	**$55,361**	**$(2,271)**

Year ended March 31, 2009	Millions of Yen		
Type of transaction	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Selling U.S. dollar	¥2,331	¥2,487	¥(156)
Selling Euro	2,419	2,610	(191)
Currency swaps			
Receiving Japanese yen, Paying U.S. dollar	4,426	1	1
	¥9,176	¥5,098	¥(346)

* Fair value is determined based on the foreign currency forward exchange market rates.
* Derivative transactions that applied hedge accounting are not included in the above.

NOTE 15
Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses for the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008 totaled ¥34,980 million ($379,800 thousand), ¥48,389 million and ¥34,110 million, respectively.

NOTE 16
Loss on Impairment of Fixed Assets

The Companies group fixed assets for impairment testing based on the management accounting unit. However, the Company classifies certain assets as an individual unit for impairment testing. The assets include assets held for lease, idle assets and assets held for sale or disposition.

The Companies recognized impairment loss and wrote down the book value to recovery value and accounted for its diminution in "Loss on impairment of fixed assets" for the following group of assets:

Nine months ended December 31, 2009 Location	Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Takasaki City, Gunma Prefecture	Idle assets	Buildings and Structures, other	¥2,559	$27,789
Hofu City, Yamaguchi Prefecture	Idle assets	Equipment, other	112	1,215

Year ended March 31, 2009 Location	Description	Classification	Millions of Yen
Itabashi-ku, Tokyo	Idle assets	Land	¥3,506
Maebashi City, Gunma Prefecture	Idle assets	Buildings and Structures, other	1,366
Ube City, Yamaguchi Prefecture	Idle assets	Buildings and Equipment, other	386
Takasaki City, Gunma Prefecture	Idle assets	Buildings and Equipment, other	288
Hofu City, Yamaguchi Prefecture	Idle assets	Other	179

Year ended March 31, 2008 Location	Description	Classification	Millions of Yen
3 locations, including Yamaguchi Business Office (Hofu City, Yamaguchi Prefecture, etc.)	Idle assets	Land and Buildings, other	¥2,265

NOTE 17
Pledged Assets

(1) The following assets were pledged as collateral for debts and other liabilities at December 31, 2009 and March 31, 2009:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	**2009/12**
Land	**¥ 257**	¥ 257	**$ 2,793**
Investments in securities	**1,104**	918	**11,986**
Other	**83**	203	**907**
	¥1,444	¥1,378	**$15,686**

(2) Such collateral secured the following obligations:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Accounts and notes payable–trade	¥1,747	¥1,665	$18,970
Other	133	167	1,447
	¥1,880	¥1,832	$20,417

NOTE 18
Contingent Liabilities

(1) The Companies had contingent liabilities arising from notes discounted by banks in the amount of ¥40 million ($433 thousand) at December 31, 2009.

(2) The Companies recognized transfer of notes receivable through securitization in the amount of ¥295 million ($3,206 thousand) and transfer of accounts receivable through securitization in the amount of ¥1,220 million ($13,247 thousand) as contingent liabilities at December 31, 2009.

NOTE 19
Supplementary Information for Consolidated Statements of Changes in Net Assets

(1) Type and Number of Outstanding Shares

Type of shares	Balance at beginning of period	Increase in shares during the period	Decrease in shares during the period	Nine months ended December 31, 2009 Number of shares Balance at end of period
Issued stock:				
Common stock	576,483,555	—	—	576,483,555
Total	576,483,555	—	—	576,483,555
Treasury stock:				
Common stock*1, 2	2,589,766	4,446,929	100,795	6,935,900
Total	2,589,766	4,446,929	100,795	6,935,900

*1. Treasury stock increased 4,446,929 shares due to the repurchase in response to the shareholders' request under paragraph 1, Article 797 of The Corporation Law of Japan, 4,333,000 shares and the repurchase of shares less than one unit 113,929 shares.
*2. Treasury stock decreased 100,795 shares due to the stock options exercised 93,000 shares, and the sale of shares less than one unit 7,795 shares.

Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Year ended March 31, 2009 Number of shares Balance at end of year
Issued stock:				
Common stock*1	399,243,555	177,240,000	—	576,483,555
Total	399,243,555	177,240,000	—	576,483,555
Treasury stock:				
Common stock*2, 3	1,723,184	1,039,017	172,435	2,589,766
Total	1,723,184	1,039,017	172,435	2,589,766

*1. Common stock increased 177,240,000 shares due to the issue of new shares associated with the share exchange executed between the Company and Kirin Pharma.
*2. Treasury stock increased 1,039,017 shares due to the repurchase in response to the shareholders' request under paragraph 1, Article 797 of The Corporation Law of Japan, 721,000 shares and the repurchase of shares less than one unit 318,017 shares.
*3. Treasury stock decreased 172,435 shares due to the stock options exercised 85,000 shares, the sale of shares less than one unit 71,768 shares and the sale of shares by equity method affiliates 15,667 shares.

(2) Dividends

The Corporation Law of Japan provides that an amount equal to 10% of cash appropriations of retained earnings shall be set aside as additional paid-in capital or legal earnings reserve until the total of such reserve and additional paid-in capital equals 25% of the stated capital.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

1. Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)	Per share (Yen)	Per share (U.S. Dollars)	Record date	Effective date
June 25, 2009	Annual general meeting of shareholders	Common stock	¥5,739	$ 62,312	¥10	$ 0.109	March 31, 2009	June 26, 2009
October 29, 2009	Board of directors	Common stock	5,696	61,843	10	0.109	September 30, 2009	December 1, 2009

2. Dividends with a record date during the current period but an effective date subsequent to the current fiscal period

Date of approval	Resolution approved by	Resource of dividends	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)	Per share (Yen)	Per share (U.S. Dollars)	Record date	Effective date
March 24, 2010	Annual general meeting of shareholders	Retained earnings	Common stock	¥2,848	$ 30,920	¥5	$ 0.054	December 31, 2009	March 25, 2010

NOTE 20
Related Party Transactions

Significant transactions and balances with related parties as of and for the nine months ended December 31, 2009 and year ended March 31, 2009 were as follows:

(1) Parent Company

Nine months ended December 31, 2009

Name	Capital	Ratio of voting rights owning (owned)	Transactions	Amounts		Closing balances	Amounts	
	Millions of Yen			Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Kirin Holdings Company, Limited	¥102,045	directly (51.2%)	Loan of funds*1	¥48,252	$523,904	Short-term loans receivable	¥40,178	$436,238

Year ended March 31, 2009

Name	Capital	Ratio of voting rights owning (owned)	Transactions	Amounts	Closing balances	Amounts
	Millions of Yen			Millions of Yen		Millions of Yen
Kirin Holdings Company, Limited	¥102,045	directly (50.8%)	Loan of funds*1	¥11,287	Short-term loans receivable	¥42,042
			Sales price of subsidiary's shares*2	17,095	—	—
			Gain on sales of subsidiary's shares*2	4,721	—	—

*1. Related to "Cash Management System" offered by Kirin Holdings, calculated the amount of transactions from average amount of every month.
*2. Related to sale of 526 from 1,000 shares of Kyowa Hakko Foods to Kirin Holdings.

(2) Fellow Subsidiaries

				Nine months ended December 31, 2009				
	Capital	Ratio of voting rights owning (owned)		Amounts			Amounts	
Name	Millions of Yen		Transactions	Millions of Yen	Thousands of U.S. Dollars	Closing balances	Millions of Yen	Thousands of U.S. Dollars
Kirin Engineering Company, Limited	¥1,000	—	Purchase, construction and maintenance operation of equipment	¥7,346	$79,766	Accounts and notes payable	¥2,644	$28,709

Not applicable for the year ended March 31, 2009.

(3) Directors of the Companies

Not applicable for the nine months ended December 31, 2009.

			Year ended March 31, 2009	
			Amounts	
Name and position	Ratio of voting right owning (owned)	Transactions	Millions of Yen	Thousands of U.S. Dollars
Akio Ozaki Director of consolidated subsidiary, Kyowa Hakko Bio Co., Ltd.	directly (0.0%)	Disposal of treasury stocks by exercise of stock options*	¥16	$ 161

* Calculated the amount of transactions from the book value of treasury stocks at the time of disposal.

NOTE 21
Segment Information

(1) Industry Segment Information

The Companies operate principally in the following 4 industry segments:

Industry segments	Major products
Pharmaceuticals Division	Ethical drugs and diagnostic reagents
Bio-Chemicals Division	Pharmaceutical- and industrial-use raw materials, healthcare products, agrochemicals, products for livestock and fisheries industries and alcohol
Chemicals Division	Solvents, raw materials of plasticizers and specialty chemicals
Other Division	Transportation and facilities

Millions of Yen

Nine months ended December 31, 2009	Industry segment: Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Corporate, elimination and other	Consolidated total
I. Sales and Operating Income:							
Sales to outside customers	¥157,932	¥ 63,251	¥45,562	¥42,367	¥309,112	¥ —	¥309,112
Intersegment sales and transfers	342	6,501	6,764	7,133	20,740	(20,740)	—
Net sales	158,274	69,752	52,326	49,500	329,852	(20,740)	309,112
Operating expenses	131,616	66,703	54,311	49,100	301,730	(20,862)	280,868
Operating income (loss)	¥ 26,658	¥ 3,049	¥ (1,985)	¥ 400	¥ 28,122	¥ 122	¥ 28,244
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	¥381,819	¥140,916	¥80,464	¥42,394	¥645,593	¥ 49,675	¥695,268
Depreciation and amortization	9,212	4,322	3,358	113	17,005	(2)	17,003
Loss on impairment of fixed assets	2,559	112	—	—	2,671	—	2,671
Capital expenditures	16,508	5,000	3,583	45	25,136	(1)	25,135

Thousands of U.S. Dollars

Nine months ended December 31, 2009	Industry segment: Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Corporate, elimination and other	Consolidated total
I. Sales and Operating Income:							
Sales to outside customers	$1,714,787	$ 686,761	$494,704	$460,009	$3,356,261	$ —	$3,356,261
Intersegment sales and transfers	3,710	70,587	73,441	77,454	225,192	(225,192)	—
Net sales	1,718,497	757,348	568,145	537,463	3,581,453	(225,192)	3,356,261
Operating expenses	1,429,051	724,251	589,692	533,113	3,276,107	(226,511)	3,049,596
Operating income (loss)	$ 289,446	$ 33,097	$ (21,547)	$ 4,350	$ 305,346	$ 1,319	$ 306,665
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	$4,145,699	$1,530,036	$873,660	$460,296	$7,009,691	$539,365	$7,549,056
Depreciation and amortization	100,020	46,927	36,457	1,234	184,638	(21)	184,617
Loss on impairment of fixed assets	27,789	1,215	—	—	29,004	—	29,004
Capital expenditures	179,227	54,293	38,904	495	272,919	(8)	272,911

* The Food Division was excluded from segment information. This is due to the abolition of the Food Division in the period, following the sale of shares of a consolidated subsidiary on March 31, 2009 that operated the foods business in the previous fiscal period.

* In conjunction with the change in the closing date of accounts on a consolidated basis for this fiscal period, preparation of the consolidated financial statements for the nine-month period under review involved using financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 with respect to 11 consolidated subsidiaries whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 that was within 3 months before March 31.

As a result, net sales increased ¥357 million ($3,872 thousand) in the Pharmaceuticals Division, ¥7,173 million ($77,886 thousand) in the Bio-Chemicals Division and ¥4,458 million ($48,404 thousand) in the Other Division, while operating income declined ¥60 million ($649 thousand) in the Pharmaceuticals Division, and increased ¥196 million ($2,131 thousand) in the Bio-Chemicals Division and ¥21 million ($231 thousand) in the Other Division.

Millions of Yen

Year ended March 31, 2009	Industry segment						Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total		
I. Sales and Operating Income:								
Sales to outside customers	¥209,760	¥ 77,876	¥77,686	¥38,358	¥56,504	¥460,184	¥ —	¥460,184
Intersegment sales and transfers	689	10,589	11,518	4,111	12,229	39,136	(39,136)	—
Net sales	210,449	88,465	89,204	42,469	68,733	499,320	(39,136)	460,184
Operating expenses	175,617	80,123	89,251	41,382	67,639	454,012	(39,215)	414,797
Operating income (loss)	¥ 34,832	¥ 8,342	¥ (47)	¥ 1,087	¥ 1,094	¥ 45,308	¥ 79	¥ 45,387
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:								
Total assets	¥383,934	¥140,256	¥75,762	¥15,949	¥26,940	¥642,841	¥ 56,200	¥699,041
Depreciation and amortization	8,394	5,027	4,218	998	150	18,787	(7)	18,780
Loss on impairment of fixed assets	3,484	179	—	2,062	—	5,725	—	5,725
Capital expenditures	9,641	5,376	4,359	566	103	20,045	(1,522)	18,523

* According to a change in an accounting policy of the measurement of inventories, operating income for the year ended March 31, 2009 of the Pharmaceuticals Division, Bio-Chemicals Division, Chemicals Division, Food Division and the Other Division decreased ¥23 million, ¥248 million, ¥946 million, ¥90 million and ¥16 million, respectively.
* Kyowa Hakko Foods—which belonged to the Food Division—as well as its subsidiaries Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd. and Kyowa HiFoods Co. Ltd., have been transformed into affiliates accounted for by the equity method in conjunction with the sale of some Kyowa Hakko Foods shares held by the Company on March 31, 2009. However, as such transformation came into effect at the end of the fiscal year, only the statements of income have been prepared on a consolidated basis for the fiscal year. The amount of "Total assets" of the Food Division for the fiscal year is stated in the amount of investments in such affiliates accounted for by the equity method, etc.

Millions of Yen

Year ended March 31, 2008	Industry segment						Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total		
I. Sales and Operating Income:								
Sales to outside customers	¥138,050	¥ 78,045	¥100,069	¥39,357	¥36,599	¥392,120	¥ —	¥392,120
Intersegment sales and transfers	327	8,775	7,938	3,967	12,401	33,408	(33,408)	—
Net sales	138,377	86,820	108,007	43,324	49,000	425,528	(33,408)	392,120
Operating expenses	118,415	77,132	100,838	41,747	48,161	386,293	(33,563)	352,730
Operating income	¥ 19,962	¥ 9,688	¥ 7,169	¥ 1,577	¥ 839	¥ 39,235	¥ 155	¥ 39,390
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:								
Total assets	¥115,560	¥105,525	¥ 83,198	¥33,009	¥20,590	¥357,882	¥ 36,199	¥394,081
Depreciation and amortization	3,947	5,540	3,772	978	120	14,357	(10)	14,347
Loss on impairment of fixed assets	376	1,616	—	273	—	2,265	—	2,265
Capital expenditures	4,233	4,192	4,345	1,955	71	14,796	—	14,796

* According to a change in an accounting policy of the depreciation method for material depreciable assets, operating expenses for the fiscal year of the Pharmaceuticals Division, Bio-Chemicals Division, Chemicals Division, Food Division and the Other Division increased ¥148 million, ¥112 million, ¥200 million, ¥44 million and ¥2 million, and operating income decreased by the same amounts, respectively.

(2) Geographic Segment Information

The classification of geographic segments is as follows:

Classification	Countries
Japan	Japan
Other	U.S.A., Germany, Italy, China, Korea, Hong Kong, Taiwan and Singapore

Millions of Yen

Nine months ended December 31, 2009	Geographic segment			Corporate, elimination and other	Consolidated total
	Japan	Other	Total		
I. Sales and Operating Income:					
Sales to outside customers	**¥275,917**	**¥33,195**	**¥309,112**	**¥ —**	**¥309,112**
Intersegment sales and transfers	**15,792**	**7,408**	**23,200**	**(23,200)**	**—**
Net sales	**291,709**	**40,603**	**332,312**	**(23,200)**	**309,112**
Operating expenses	**267,259**	**37,244**	**304,503**	**(23,635)**	**280,868**
Operating income	**¥ 24,450**	**¥ 3,359**	**¥ 27,809**	**¥ 435**	**¥ 28,244**
II. Total assets	**¥611,492**	**¥46,085**	**¥657,577**	**¥ 37,691**	**¥695,268**

Thousands of U.S. Dollars

Nine months ended December 31, 2009	Geographic segment			Corporate, elimination and other	Consolidated total
	Japan	Other	Total		
I. Sales and Operating Income:					
Sales to outside customers	**$2,995,841**	**$360,420**	**$3,356,261**	**$ —**	**$3,356,261**
Intersegment sales and transfers	**171,467**	**80,442**	**251,909**	**(251,909)**	**—**
Net sales	**3,167,308**	**440,862**	**3,608,170**	**(251,909)**	**3,356,261**
Operating expenses	**2,901,839**	**404,386**	**3,306,225**	**(256,629)**	**3,049,596**
Operating income	**$ 265,469**	**$ 36,476**	**$ 301,945**	**$ 4,720**	**$ 306,665**
II. Total assets	**$6,639,432**	**$500,383**	**$7,139,815**	**$ 409,241**	**$7,549,056**

* In conjunction with the change in the closing date of accounts on a consolidated basis, preparation of the consolidated financial statements for the nine-month period under review involved using financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 with respect to consolidated subsidiaries whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 or within 3 months of the consolidated closing date

As a result, net sales increased ¥4,458 million ($48,404 thousand) in the Japan Segment and ¥7,528 million ($81,735 thousand) in the Other Segment, while operating income increased ¥21 million ($231 thousand) in the Japan Segment and ¥136 million ($1,483 thousand) in the Other Segment.

Millions of Yen

Year ended March 31, 2009	Geographic segment			Corporate, elimination and other	Consolidated total
	Japan	Other	Total		
I. Sales and Operating Income:					
Sales to outside customers	¥423,132	¥37,052	¥460,184	¥ —	¥460,184
Intersegment sales and transfers	21,021	10,737	31,758	(31,758)	—
Net sales	444,153	47,789	491,942	(31,758)	460,184
Operating expenses	404,590	41,326	445,916	(31,119)	414,797
Operating income	¥ 39,563	¥ 6,463	¥ 46,026	¥ (639)	¥ 45,387
II. Total assets	¥615,653	¥43,964	¥659,617	¥ 39,424	¥699,041

* In accordance with a change in an accounting policy of the measurement of inventories, operating income for the fiscal year in the Japan Segment decreased ¥1,323 million.
* Geographic segments are divided into categories based on their geographical proximity.

(3) Overseas Sales

The classification of overseas sales is as follows:

Classification	Area
Americas	North America, Latin America
Europe	All of Europe
Asia	All of Asia
Other areas	Oceania, Africa

	Millions of Yen				
Nine months ended December 31, 2009	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	**¥16,850**	**¥18,524**	**¥27,416**	**¥578**	**¥ 63,368**
II. Consolidated net sales					**309,112**
III. Ratio of overseas sales to consolidated net sales	**5.5%**	**6.0%**	**8.9%**	**0.2%**	**20.5%**

	Thousands of U.S. Dollars				
Nine months ended December 31, 2009	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	**$182,950**	**$201,133**	**$297,671**	**$6,280**	**$ 688,034**
II. Consolidated net sales					**3,356,261**
III. Ratio of overseas sales to consolidated net sales	**5.5%**	**6.0%**	**8.9%**	**0.2%**	**20.5%**

* In conjunction with the change in the closing date of accounts on a consolidated basis, preparation of the consolidated financial statements for the nine-month period under review involved using financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 with respect to 11 consolidated subsidiaries whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 that was within 3 months before March 31.
As a result, net sales increased ¥1,812 million ($19,672 thousand) in Americas, ¥3,124 million ($33,920 thousand) in Europe and ¥1,279 million ($13,884 thousand) in the Asia.

	Millions of Yen				
Year ended March 31, 2009	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	¥31,023	¥22,632	¥34,255	¥860	¥ 88,770
II. Consolidated net sales					460,184
III. Ratio of overseas sales to consolidated net sales	6.8%	4.9%	7.4%	0.2%	19.3%

	Millions of Yen				
Year ended March 31, 2008	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	¥23,150	¥22,476	¥29,052	¥540	¥ 75,218
II. Consolidated net sales					392,120
III. Ratio of overseas sales to consolidated net sales	5.9%	5.7%	7.4%	0.2%	19.2%

* Overseas sales include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

NOTE 22
Per Share Data

	Yen			U.S. Dollars
	2009/12	2009/3	2008/3	**2009/12**
Net assets	**¥940.8**	¥938.4	¥639.7	**$10.215**
Net income-basic	**15.4**	20.4	59.0	**0.167**
Net income-diluted	**15.4**	20.4	59.0	**0.167**

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock subscription rights.

Net assets per share are computed based on the net assets excluding stock subscription rights and minority interests and the amount of common stock outstanding at the year-end.

NOTE 23
Subsequent Event

(1) Change in Classification of Industry Segments

In the fiscal year commencing on January 1, 2010, Miyako Kagaku Co., Ltd. and Kashiwagi Corporation, both of which are consolidated subsidiaries engaged in the wholesale of chemicals, etc., were brought under the control of Kyowa Hakko Chemical Co., Ltd., which is the core company in the Chemicals Division, primarily for the purpose of optimizing the business management structure within the Kyowa Hakko Kirin Group.

In line with this, the Company reviewed the segment classification of Miyako Kagaku Co., Ltd. and Kashiwagi Corporation, and consequently changed their business segment classification from "Other" to "Chemicals" in consideration of the management structure based on future policies, the current status of net sales and other such factors.

If the reclassification is reflected in this nine months period, it becomes as follows:

Millions of Yen

Nine months ended December 31, 2009	Industry segment					Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total		
I. Sales and Operating Income:							
Sales to outside customers	¥157,932	¥63,251	¥85,246	¥2,683	¥309,112	¥ —	¥309,112
Intersegment sales and transfers	342	6,501	3,434	5,114	15,391	(15,391)	—
Net sales	158,274	69,752	88,680	7,797	324,503	(15,391)	309,112
Operating expenses	131,616	66,703	90,515	7,548	296,382	(15,514)	280,868
Operating income (loss)	¥ 26,658	¥ 3,049	¥ (1,835)	¥ 249	¥ 28,121	¥ 123	¥ 28,244
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	¥381,819	¥140,916	¥103,448	¥17,043	¥643,226	¥ 52,042	¥695,268
Depreciation and amortization	9,212	4,322	3,413	58	17,005	(2)	17,003
Loss on impairment of fixed assets	2,559	112	—	—	2,671	—	2,671
Capital expenditures	16,508	5,000	3,609	19	25,136	(1)	25,135

Thousands of U.S. Dollars

Nine months ended December 31, 2009	Industry segment					Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total		
I. Sales and Operating Income:							
Sales to outside customers	$1,714,787	$686,761	$925,582	$29,131	$3,356,261	$ —	$3,356,261
Intersegment sales and transfers	3,710	70,587	37,287	55,535	167,119	(167,119)	—
Net sales	1,718,497	757,348	962,869	84,666	3,523,380	(167,119)	3,356,261
Operating expenses	1,429,051	724,251	982,792	81,956	3,218,050	(168,454)	3,049,596
Operating income (loss)	$ 289,446	$ 33,097	$ (19,923)	$ 2,710	$ 305,330	$ 1,335	$ 306,665
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	$4,145,699	$1,530,036	$1,123,210	$185,054	$6,983,999	$ 565,057	$7,549,056
Depreciation and amortization	100,020	46,927	37,052	639	184,638	(21)	184,617
Loss on impairment of fixed assets	27,789	1,215	—	—	29,004	—	29,004
Capital expenditures	179,227	54,293	39,182	217	272,919	(8)	272,911

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
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Chiyoda-ku, Tokyo, Japan 100-0011

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Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
Kyowa Hakko Kirin Co., Ltd.

We have audited the accompanying consolidated balance sheets of Kyowa Hakko Kirin Co., Ltd. and consolidated subsidiaries as of December 31, 2009 and March 31, 2009 and the related consolidated statements of incomes, changes in net assets, and cash flows for the nine-month period ended December 31, 2009 and years ended March 31, 2009 and 2008, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kyowa Hakko Kirin Co., Ltd. and consolidated subsidiaries at December 31, 2009 and March 31, 2009 and the consolidated results of their operations and their cash flows for the nine-month period ended December 31, 2009 and years ended March 31, 2009 and 2008 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the nine months ended December 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

March 18, 2010

PRINCIPAL SUBSIDIARIES AND AFFILIATES

As of December 31, 2009

Name of Company	Percentage Owned Directly or Indirectly by the Company	Capital Stock (Millions)	Principal Business
PHARMACEUTICALS			
Kyowa Medex Co., Ltd.[1]	100.0%	¥450	Manufacture and sale of diagnostic reagents
Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.[1]	70.0%	CNY 247	Manufacture and sale of pharmaceuticals
Kyowa Medical Promotion Co., Ltd.[1]	100.0%	¥50	Sales promotion of pharmaceuticals
Kyowa Hakko Kirin America, Inc.	100.0%	$76	Holding company for managing subsidiaries in the United States
BioWa, Inc.[1]	100.0%	$10	Licensing of antibody technology
Kyowa Hakko Kirin Pharma, Inc.[1]	100.0%	$0[3]	Development of pharmaceuticals
Kyowa Hakko Kirin California, Inc.[1]	100.0%	$0[3]	Discovery of new drug candidates
Hematech, Inc.[1]	100.0%	$0[3]	Research of base technology for production of therapeutic antibodies
Hematech-GAC Venture, LLC[1]	51.0%	—	Research of base technology for production of therapeutic antibodies
Jeil-Kirin Pharm. Inc.[1]	90.0%	KRW 2,200	Sale of pharmaceuticals
Kyowa Hakko Kirin (Taiwan) Co., Ltd.[1]	100.0%	NT$12	Sale of pharmaceuticals
Kyowa Hakko Kirin (Hong Kong) Co., Ltd.[1]	100.0%	HK$6	Sale of pharmaceuticals
Kyowa Hakko Kirin (Singapore) Pte. Ltd.[1]	100.0%	$1	Sale of pharmaceuticals
BIO-CHEMICALS			
Kyowa Hakko Bio Co., Ltd.[1]	100.0%	¥10,000	Manufacture and sale of raw materials for pharmaceuticals and industrial use and health care products
Daiichi Fine Chemical Co., Ltd.[1]	100.0%	¥6,276	Manufacture and sale of bulk pharmaceuticals and intermediates
BioKyowa Inc.[1]	100.0%	$20	Manufacture and sale of amino acids
Shanghai Kyowa Amino Acid Co., Ltd.[1]	70.0%	CNY 156	Manufacture and sale of amino acids
Kyowa Hakko U.S.A., Inc.[1]	100.0%	$1	Import, export, and sale of amino acids and fine chemicals
Kyowa Hakko Europe GmbH[1]	100.0%	Euro1	Import, export, and sale of amino acids and fine chemicals
Kyowa Italiana Farmaceutici S.r.l.[1]	100.0%	Euro1	Import, export, and sale of amino acids and fine chemicals
Kyowa Hakko (H.K.) Co., Ltd.[1]	100.0%	HK$1	Import, export, and sale of amino acids and fine chemicals
Kyowa Hakko Bio U.S. Holdings, Inc.[1]	100.0%	$0[3]	Holding company for managing subsidiaries in the United States
Kyowa Wellness Co., Ltd.[1]	100.0%	¥30	Sale of health care products
Shinwa Pharmaceutical Co., Ltd.[1]	100.0%	¥95	Manufacture and sale of herbal medicines and health foods
Kyowa Engineering Co., Ltd.[1]	100.0%	¥70	Design and installation of equipment and facilities
CHEMICALS			
Kyowa Hakko Chemical Co., Ltd.[1]	100.0%	¥5,320	Manufacture and sale of petrochemicals
J-PLUS Co., Ltd.[2]	50.0%	¥480	Manufacture and sale of plasticizers
Kurogane Kasei Co., Ltd.[2]	40.0%	¥90	Manufacture and sale of plasticizers and fine chemicals
OTHER			
Miyako Kagaku Co., Ltd.[1, 4]	52.9%	¥111	Wholesale of pharmaceuticals, chemicals, and foods
Chiyoda Kaihatsu Co., Ltd.[1]	100.0%	¥113	Transportation, insurance, and wholesale of foods
Kashiwagi Corporation[1, 4]	62.9%	¥90	Wholesale of pharmaceuticals and chemicals
Japan Synthetic Alcohol Co., Ltd.[2]	33.3%	¥480	Manufacture and sale of industrial-use alcohol
Kirin Kyowa Foods Company, Limited[2]	35.0%	¥3,000	Manufacture and sale of seasonings and bakery products and ingredients
Kyowa F.D. Foods Co., Ltd.[2]	35.0%	¥100	Manufacture and sale of freeze-dried foods
Ohland Foods Co., Ltd.[2]	35.0%	¥50	Manufacture and sale of foods
Kyowa HiFoods Co., Ltd.[2]	35.0%	¥60	Import and sale of foods
Aji-Nihon Co., Ltd.[2]	16.2%	¥95	Manufacture and sale of foods and seasonings
Zenmi Foods Inc.[2]	17.5%	¥190	Manufacture and sale of seasonings

1. Consolidated subsidiary
2. Affiliate accounted for by the equity method
3. Due to the amount being less than the lowest unit expressed, capital stock value is indicated as zero.
4. Transferred to the Chemicals segment from the Other segment, effective January 1, 2010

OVERSEAS NETWORK

PHARMACEUTICALS

Kyowa Hakko Kirin America, Inc.
212 Carnegie Center, Suite 101,
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FAX: 1-609-919-1111

Kyowa Hakko Kirin Pharma, Inc.
212 Carnegie Center, Suite 101,
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TEL: 1-609-919-1100
FAX: 1-609-919-1111

BioWa, Inc.
212 Carnegie Center, Suite 101,
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FAX: 1-609-734-3455

Kyowa Hakko Kirin California, Inc.
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FAX: 1-858-952-7001

Hematech, Inc.
4401 South Technology Drive,
Sioux Falls, SD 57106, U.S.A.
TEL: 1-605-361-6793
FAX: 1-605-361-9702

Hematech-GAC Venture, LLC
3483 US 75 Avenue,
Hull, IA 51239, U.S.A.
TEL: 1-712-722-4130
FAX: 1-712-722-4965

Kirin-Amgen, Inc.
c/o Amgen, Inc.,
One Amgen Center Drive,
Thousand Oaks,
CA 91320-1799, U.S.A.
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FAX: 1-805-447-1010

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**Kirin Kunpeng (China)
Bio-Pharmaceutical Co., Ltd.**
970 Long Dong Road,
Z. J. High-Tech Park,
Pudong New Area, Shanghai 201203,
People's Republic of China
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5F, Poonglim B/D, 823
Yeoksam-Dong,
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**Kyowa Hakko Kirin
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767 Third Avenue, 19th Floor,
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FAX: 1-212-421-1283
West Coast Office
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**Kyowa Hakko Bio U.S.
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FAX: 1-573-335-1466

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CHEMICALS

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**Kyowa Hakko Chemical Co., Ltd.
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CORPORATE DATA

As of December 31, 2009

Kyowa Hakko Kirin Co., Ltd.

Head Office

1-6-1, Ohtemachi, Chiyoda-ku,
Tokyo 100-8185, Japan
TEL: 81-3-3282-0007
FAX: 81-3-3284-1968
URL: http://www.kyowa-kirin.co.jp/

Number of Employees

7,436 (Parent Company: 4,290)

Date of Foundation

July 1, 1949

Paid-in Capital

¥26,745 million

Principal Plants

Domestic

Pharmaceuticals
Takasaki
Fuji
Yokkaichi
Sakai
Ube
Kyowa Medex (Fuji)

Bio-Chemicals
Yamaguchi Production Center (Hofu, Ube)
Healthcare Plant (Tsuchiura)

Chemicals
Yokkaichi, Chiba

Overseas

Pharmaceuticals
Kirin Kunpeng (China)
Bio-Pharmaceutical Co., Ltd. (China)

Bio-Chemicals
BioKyowa Inc. (U.S.A.)
Shanghai Kyowa Amino Acid Co., Ltd. (China)

R&D Network

Domestic

Pharmaceuticals
Tokyo Research Park
- Antibody Research Laboratories
- Innovative Drug Research Laboratories

Fuji Research Park
- Drug Discovery Research Laboratories
- Pharmacological Research Laboratories
- Medicinal Chemistry Research Laboratories
- Pharmacokinetic Research Laboratories
- Toxicological Research Laboratories

Bio Process Research and Development Laboratories
Chemical Process Research and Development Laboratories
Drug Formulation Research and Development Laboratories
Kyowa Medex Co., Ltd.
Research Laboratories

Bio-Chemicals
Technical Research Laboratories
Healthcare Products Development Center
Bioprocess Development Center

Chemicals
Yokkaichi Research Laboratories

Overseas

Pharmaceuticals
Kyowa Hakko Kirin Pharma, Inc. (U.S.A.)
Kyowa Hakko Kirin California, Inc. (U.S.A.)
Hematech, Inc. (U.S.A.)
Kirin-Amgen, Inc. (U.S.A.)
Kyowa Hakko Kirin UK Ltd. (U.K.)
Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. (China)
Jeil-Kirin Pharm. Inc. (China)

INVESTOR INFORMATION

As of December 31, 2009

Stock Listing
Tokyo

Securities Code Number
4151

Transfer Agent of Common Stock
The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Number of Shares of Common Stock
Authorized: 987,900,000
Issued: 576,483,555

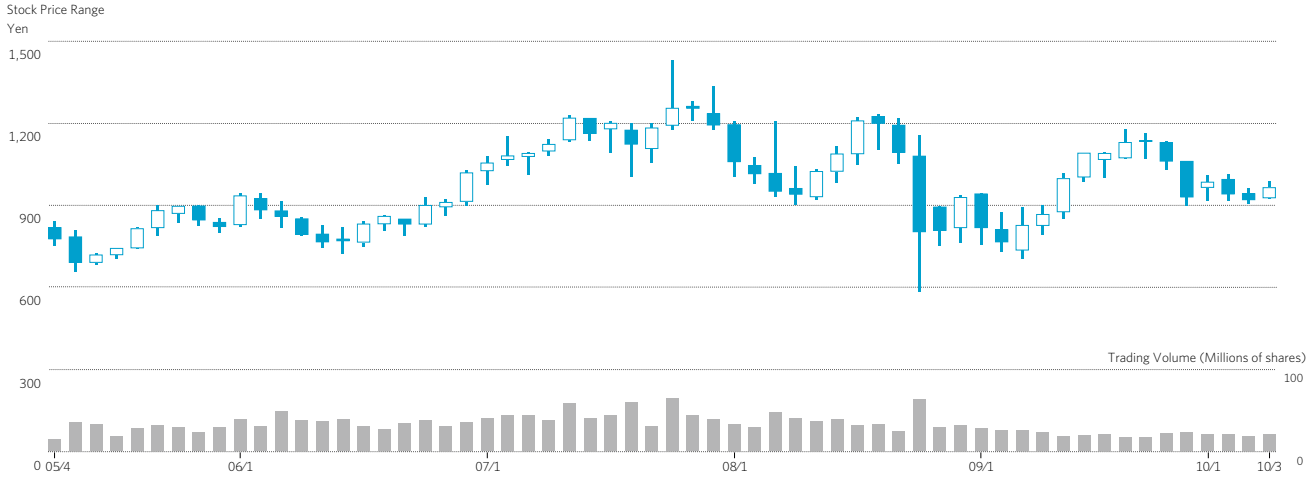
Number of Shareholders
48,250

Principal Shareholders

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
Kirin Holdings Company, Limited	288,819	50.10%
The Master Trust Bank of Japan, Ltd. (Trust account)	20,542	3.56
Japan Trustee Services Bank, Ltd. (Trust account)	18,667	3.24
The Dai-ichi Life Mutual Insurance Co.	14,600	2.53
The Norinchukin Bank	10,706	1.86
Mizuho Trust & Banking Co., Ltd. (Retirement Benefit Trust for Mizuho Bank, Ltd.) [1]	4,781	0.83
Juniper	3,787	0.66
NIPPONKOA Insurance Company, Limited	3,246	0.56
Sompo Japan Insurance Inc.	3,135	0.54
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,066	0.53

1. The 4,781 thousand shares held by Mizuho Trust & Banking Co., Ltd. (Retirement Benefit Trust for Mizuho Bank, Ltd.) are the trust assets entrusted by Mizuho Bank for its retirement benefit trust, and voting rights for the shares are retained by Mizuho Bank.
2. The 6,936 thousand shares (1.20%) held by the Company as treasury stock are excluded from above because treasury stock has no voting rights.

STOCK PRICE



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