KYOWA KIRIN

Kyowa Hakko Kirin Co, Ltd

Consolidated Financial Summary
Fiscal 2009

(April 1, 2009– December 31, 2009)

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

Fiscal Period Ended December 31, 2009
(The nine-month period from April 1, 2009 to December 31, 2009)

January 29, 2010

Stock Code:	4151	Listed Exchanges:	1st Section of the Tokyo Stock Exchange
		President:	Yuzuru Matsuda
Telephone:	+81 3 3282 0009	Inquiries:	Tetsuro Kuga
URL	http://ir.kyowa-kirin.co.jp/english/index.cfm		General Manager, Corporate Communications Department

Scheduled date of General Meeting of Shareholders: March 24, 2010
Scheduled date of submission of Financial Report: March 18, 2010
Scheduled start date of dividend payment: March 25, 2010

1. Consolidated Financial Results for the Fiscal Period Ended December 31, 2009

Kyowa Hakko Kirin has changed its fiscal year-end from March 31 to December 31 resulting in an irregular 9-month period for fiscal 2009 and as a result, changes from the previous fiscal year are not provided. Further, April 1, 2009 to December 31, 2009 figures for net income per share (¥), fully diluted net income per share (¥), return on equity (%) and recurring income to total capital ratio (%) represent income for the nine-month period.

(Millions of yen; Amounts less than one million yen have been ignored)

(1) Consolidated operating results	Fiscal period ended December 31, 2009	Change (%)	Fiscal year ended March 31, 2009	Change (%)
Net sales	309,111	--	460,183	17.4%
Operating income	28,243	--	45,387	15.2%
Recurring income	29,479	--	46,412	22.2%
Net income	8,797	--	11,726	(50.0%)
Net income per share (¥)	¥15.41		¥20.43	
Fully diluted net income per share (¥)	¥15.40		¥20.42	
Return on equity (%)	1.6%		2.2%	
Recurring income to total capital ratio (%)	4.2%		6.4%	
Operating income to sales ratio (%)	9.1%		9.9%	

Notes:
1) Income (loss) from equity method investment: Period ended December 31, 2009: ¥1,558 million, FY ended March 31, 2009: ¥1,211 million
2) For the fiscal year ended March 31, 2009, percentages for net sales, operating income, etc., show changes compared to the previous fiscal year.

(2) Consolidated financial position	As of December 31, 2009	As of March 31, 2009
Total assets (millions of yen)	695,268	699,041
Net assets (millions of yen)	540,343	543,070
Shareholders' equity ratio (%)	77.1%	77.0%
Net assets per share (¥)	¥940.79	¥938.42

Note: Total shareholders' equity: December 31, 2009: ¥535,826 million; March 31, 2009: ¥538,554 million.

(3) Consolidated cash flows	Fiscal period ended December 31, 2009	Fiscal year ended March 31, 2009
Net cash provided by operating activities	24,203	41,069
Net cash used in investing activities	(13,246)	(3,981)
Net cash used in financing activities	(16,906)	(20,978)
Cash and cash equivalents at end of period	63,745	69,286

2. Dividends

	Fiscal year ended March 31, 2009	Fiscal period ended December 31, 2009	Fiscal year ending December 31, 2010 (forecast)
Interim dividend per share (¥)	¥10.00	¥10.00	¥10.00
Period-end dividend per share (¥)	¥10.00	¥5.00	¥10.00
Total dividend per share (¥)	¥20.00	¥15.00	¥20.00
Total dividend amount (millions of yen)	¥11,478	¥8,543	
Dividend payout ratio (consolidated)	97.9%	97.3%	--
Ratio of dividends to net assets	2.1%	1.6%	

Note: Dividends for the fiscal period ended December 31, 2009 are based on a 9-month period resulting from the change to the fiscal year end and the dividend per share is expected to be ¥15 consisting of an interim dividend of ¥10 per share and a year-end dividend of ¥5 per share. This is based on the assumption of continued payment of a dividend of ¥20 per share for a 12-month period.

3. Consolidated Results Forecasts for the Fiscal Year Ending December 31, 2010

Millions of yen

	Interim		Full year	
		Change %		Change %
Net Sales	200,000	--	400,000	--
Operating income	18,500	--	36,000	--
Recurring income	19,000	--	37,500	--
Net income	9,500	--	20,000	--
Net income per share	¥16.68		¥35.12	

As the period to December 31, 2009 was a 9-month fiscal period resulting from the change in the financial year-end to December 31, comparisons to the forecast figures for the interim and full year of fiscal year ending December 31, 2010 are not provided.

4. Other

1) Transfer of important subsidiaries during the period (Transfers of certain subsidiaries resulting in changes in the scope of consolidation): None
2) Changes in accounting principles, procedures and presentation in the preparation of these financial statements:
(1) Changes in accordance with revision to accounting standards: Yes
(2) Other changes: Yes
3) Number of shares outstanding (ordinary shares)
(1) Number of shares outstanding at end of period (including treasury shares):
December 31, 2009: 576,483,555 shares; March 31, 2009: 576,483,555 shares
(2) Number of treasury shares at end of period:
December 31, 2009: 6,935,900 shares; March 31, 2009: 2,589,766 shares

(Reference) 1. Non-Consolidated Results for the Fiscal Year Ended December 31, 2009

(Millions of yen; Amounts less than 1 million yen have been ignored)

1) Non-Consolidated Operating Results

% changes are from the previous fiscal period

	Period Ended December 31, 2009		FY Ended March 31, 2009	
		Change (%)		Change (%)
Net sales	143,899	--	188,150	3.1%
Operating income	28,600	--	35,916	46.6%
Recurring income	30,697	--	40,427	54.9%
Net income	16,072	--	34,059	107.2%
Net income per share (¥)	¥28.15		¥59.33	
Fully diluted net income per share (¥)	¥28.14		¥59.30	

Due to the 9-month fiscal period resulting from the change in the financial year-end to December 31, changes compared to the previous fiscal year are not provided. Further, April 1, 2009 to December 31, 2009 figures for net income per share (¥) and fully diluted net income per share are calculated based on net income for the nine-month period.

2) Non-Consolidated Financial Position

	As of December 31, 2009	As of March 31, 2009
Total assets (millions of yen)	367,754	365,522
Net assets (millions of yen)	289,836	285,676
Equity ratio (%)	78.8%	78.1%
Net assets per share (¥)	¥508.54	¥497.46

Note: Shareholders' equity: As of December 31, 2009: ¥289,639 million; As of March 31, 2009: ¥285,487 million

Notice regarding the appropriate use of the financial forecasts

The above forecasts are based on the information available and assumptions made at the time of release of this document about a number of uncertain factors that may affect results in the future. Actual results can differ materially from these projections for a wide variety of reasons. For more information regarding our business forecasts, please refer to page 5, Operating results and financial position.

1. Operating Results and Financial Position

I. Summary of Operating Results

1) Operating results for the fiscal period ended December 31, 2009

Billions of yen

	Nine months ended December 31, 2009	Nine months ended December 31, 2008*	Change
Net sales	309.1	362.2	(53.1)
Operating income	28.2	42.6	(14.4)
Recurring income	29.4	43.2	(13.7)
Net income	8.7	10.4	(1.6)

*Due to the 9-month fiscal period resulting from the change in the financial year-end to December 31, figures for the 9-month period to December 31, 2008 (April 1, 2008 to December 31, 2008) have been provided for reference.

During the consolidated 9-month fiscal period under review (April 1, 2009 to December 31, 2009), signs of a partial recovery in the domestic economy were seen, however, amid depressed conditions worldwide domestic and international demand did not fully recover, severe employment conditions continued and the outlook for the real economy remained uncertain.

In the Group's operating environment, conditions in the Pharmaceuticals business remained challenging due to the promotion of generic pharmaceuticals as a part of the National Health reimbursement policy in the domestic market, increased competition from European and American drug manufacturers and major domestic pharmaceutical companies, and intensifying competition from new drug development internationally. The Bio-Chemicals business was affected by a declining price trend due to the entrance of Chinese manufacturers into amino acids for the health food market as well as the effects of the rapid appreciation of the yen. In the Chemicals business, challenges remain due to reduced demand resulting from the global economic downturn and a sluggish product markets, although the worst seems to be behind us. Against this background the Kyowa Hakko Kirin Group actively invested business resources in our core businesses, the Pharmaceuticals and Bio-Chemicals businesses with the aim of further strengthening profitability and growth. We also undertook ongoing initiatives including the use of external resources to reform our operations and strengthen our competitiveness through improved R&D efficiency and strengthened operations.

In the fiscal period ended December 31, 2009 results were affected by the removal of the Food business segment from consolidation and other factors, and consolidated net sales were ¥309.1 billion, a decrease of 14.7% and operating income was ¥28.2 billion, a decrease of 33.8%. Recurring income was ¥29.4 billion, a decrease of 31.9%; and net income was ¥8.7 billion, a decrease of 16.1%, due to recording an extraordinary loss of ¥8.8 billion for the extraordinary depreciation of fixed assets, impairment losses and other items.

At the 86th Regular Shareholders' Meeting held on June 25, 2009, the decision was made to change the fiscal year-end of Kyowa Hakko Kirin from March 31 to December 31 in order to improve the efficiency of business administration by matching our fiscal year to that of our parent company Kirin Holdings. As a result, the fiscal year of Kyowa Hakko Kirin has changed to the period January 1 to December 31, resulting in an irregular 9-month fiscal period in 2009, and comparisons to the previous fiscal period are made with the 9-month period from April 1, 2008 to December 31, 2008.

2) Segmental Review

Pharmaceuticals

Billions of yen

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
Net sales	158.2	161.3	(3.0)
Operating income	26.6	29.6	(3.0)

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

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

At subsidiary Kyowa Medex, which is responsible for the manufacture and sale of diagnostic reagents, sales were higher than in the comparable fiscal period, due to growth in exports and other factors.

In new drug development in Japan, we have filed applications for additional indications for Nesp, a treatment for anemia, and we are preparing to file new drug applications for KW-2246, an analgesic for cancer pain, after having received results from Phase III clinical trials, as well as for AMG 531, a treatment for thrombocytopenia. Meanwhile, Phase III clinical trials for anti-Parkinson’s disease treatments KW-6002 and KW-6500, began in August and October respectively. Phase II clinical trials for KRN125, a treatment for neutropenia are progressing and KW-0761, a blood cancer treatment (an antibody pharmaceutical) commenced Phase II trials in June. Further, Phase I clinical trials for KW-3357, an agent for inhibiting blood coagulation and ARQ 197, an anticancer agent are progressing, and Phase I clinical trials for KRN951, an anticancer agent, began in September.

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

Bio-Chemicals

Billions of yen

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
Net sales	69.7	67.5	2.2
Operating income	3.0	7.4	(4.3)

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

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

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

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

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

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

Chemicals

Billions of yen

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
Net sales	52.3	77.3	(24.9)
Operating income	(1.9)	3.5	(5.5)

In the Chemicals business, compared to the nine months ended December 31, 2008, sales declined 32.3% to ¥52.3 billion, while an operating loss of ¥1.9 billion was recorded compared to operating income of ¥3.5 billion in the same nine-month period of the previous fiscal year. Although there have been indications of a recovery in certain parts of the domestic economy, the effect of the slump in demand in the first six months of the period under review was significant, and both sales volumes and sales were below the level of those in the same nine-month period of the previous year. Regarding exports, sales volumes grew due to growth in demand from China and other factors, but the large decline in global markets led to a decline in sales.

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

Food

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
			Billions of yen
Net sales	--	32.8	(32.8)
Operating income	--	0.9	(0.9)

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

Other

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
			Billions of yen
Net sales	49.5	54.5	(5.0)
Operating income	0.4	1.0	(0.6)

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

Segments by region

Japan

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
			Billions of yen
Net sales	291.7	349.9	(58.2)
Operating income	24.4	38.9	(14.5)

In the Japan segment, net sales decreased 16.6% to ¥291.7 billion and operating income decreased 37.2% to ¥24.4 billion. Results were affected by reduced sales from the Chemicals business due to a drop in sales prices, and by the removal of the Food business from consolidation.

Other regions

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
			Billions of yen
Net sales	40.6	37.3	3.2
Operating income	3.3	4.4	(1.0)

In the Other regions segment, net sales increased 8.7% to ¥40.6 billion and operating income decreased 23.7% to ¥3.3 billion. Overseas sales of subsidiaries in the Pharmaceuticals and Bio-chemicals businesses were generally quite strong on a local currency basis but were affected by currency translation.

3) Outlook for Fiscal 2010

	FORECAST Fiscal period ending December 31, 2010	*Billions of yen* Change compared to the 12 month period ended December 31, 2009 (Amount)	% Change compared to the 12 month period ended December 31, 2009 (%)
Net sales	400.0	(7.0)	(1.7%)
Operating income	36.0	5.0	16.4%
Recurring income	37.5	4.8	14.9%
Net income	20.0	9.9	99.2%

1. These figures assume an average exchange rate of ¥91 to the U.S. dollar and ¥133 to the Euro
2. The change to the consolidated fiscal year-end during fiscal 2009 resulted in a nine-month fiscal period, and therefore forecasts for the following fiscal year (the 12-month period from January 1, 2010 to December 31, 2010) have been made with reference to the 12-month period from January 1, 2009 to December 31, 2009 consisting of the consolidated fourth quarter of fiscal 2008 (the 3-month period from January 1, 2009 to March 31, 2009) and the consolidated fiscal period 2009 (the 9-month period from April 1, 2009 to December 31, 2009).

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

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

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

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

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

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

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

II. Summary of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of December 31, 2009 were ¥695.2 billion, a decrease of ¥3.7 billion compared to the end of the previous fiscal year. Current assets decreased by ¥2.8 billion compared to the end of the previous consolidated fiscal year to ¥276.5 billion as a result of decreases in short-term loans, cash and time deposits and others items, and despite increases in accounts and notes receivable and other items.
Fixed assets decreased by ¥0.8 billion to ¥418.6 billion due to declines in buildings and structures due to recording extraordinary depreciation and impairment losses and the amortization of goodwill, and despite increases in items such as construction in progress due to an increase in investments in facilities and investment securities due to a rise in the market price of equity holdings account.

Liabilities decreased by ¥1.0 billion compared to the end of the previous fiscal year to ¥154.9 billion as although accounts and notes payable, and accrued expenses increased, but deferred tax liabilities and reserve for bonuses decreased.

Net assets at the end of the period were ¥540.3 billion, down ¥2.7 billion. Factors increasing net assets included increases in valuation differences on other marketable securities due to a rise in the market price of equity holdings and from recording a net profit for the period. Factors decreasing net assets included payments for dividends and for the purchase of treasury shares.

As a result, the shareholders' equity ratio as of the end of the fiscal period was 77.1%, an increase of 0.1 percentage points compared to the end of the previous fiscal year.

2) Cash Flow Summary

Billions of yen

	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
Cash flows from operating activities	24.2	25.4	(1.2)
Cash flows from investing activities	(13.2)	(15.4)	2.2
Cash flows from financing activities	(16.9)	(21.9)	5.0

Cash and cash equivalents as of December 31, 2009 were ¥63.7 billion, a decrease of ¥5.5 billion compared to a balance of ¥69.2 billion in cash and cash equivalents as of March 31, 2008. The main contributing factors affecting cash flow during the none-month period were as follows:

Net cash provided by operating activities decreased 5.0% compared to the comparable nine-month period of the previous fiscal year to ¥24.2 billion. The main inflows included net income before income taxes of ¥20.6 billion, deprecation expenses of ¥17.0 billion, and goodwill amortization of ¥7.1 billion. The main outflows included corporate, etc. tax payments of ¥21.6 billion.

Net cash used in investing activities was ¥13.2 billion 14.3% less than in the comparable period. The main outflows included payments of ¥19.7 billion for the acquisition of tangible fixed assets. The main inflows included a ¥4.6 billion net decrease in short-term loans.

Net cash used in financing activities was ¥16.9 billion 23.1% lower than in the comparable period. This was primarily due to outflows of a ¥11.3 billion for payment of dividends and a ¥4.6 billion payment for the acquisition of treasury shares.

Key Shareholders' Equity and Cash Flow Indicators

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Shareholders' equity ratio (%)	66.6%	63.8%	64.5%	77.0%	77.1%
Shareholders' equity (market price base) ratio (%)	94.6%	114.5%	96.0%	67.9%	80.7%
Cash flow / Interest bearing debt ratio (years)	0.9	0.6	0.4	0.3	0.5
Interest coverage ratio (times)	84.8	106.3	100.3	82.9	93.6

Notes:
Shareholders' equity ratio = Shareholders' equity / Total assets
Shareholders' equity (market price base) ratio = Market capitalization / Total assets
Cash flow/ Interest bearing debt ratio = Operating cash flow/ Interest-bearing debt
Interest coverage ratio = Operating cash flow / Interest payments

*1. All ratios based on consolidated figures.
*2. Market capitalization is based on the number of shares issued and outstanding at the end of the period (excluding treasury stock).
*3. Operating cash flow is the figure for cash flows from operating activities in the consolidated statements of cash flows.
*4. Of the liabilities on the consolidated balance sheet, interest-bearing debt includes short-term, corporate bonds and long-term borrowings.
*5. For interest payments, the interest paid figure in the consolidated statements of cash flows is used.
*6. The change to the consolidated fiscal year-end during fiscal 2009 resulted in a nine-month fiscal period, and therefore 9-month figures for the Cash flow / Interest bearing debt ratio (years) and Interest coverage ratio (times) have been used.

3) Fiscal 2010 Outlook for Financial Position

Cash flows from operating activities: Operating cash flows are expected to increase compared to the comparable fiscal period since we expect a decrease in corporate, etc., tax payments and an increase in net income before income taxes.

Cash flows from investing activities: Cash used in investing activities is expected to increase compared to the comparable fiscal period due to an expected increase in payments for the acquisition of tangible fixed assets and other items.

Cash flows from financing activities: The amount of dividend paid is expected to decrease compared to the comparable fiscal period. We will remain flexible and act in consideration of the economic and funding environment in regards to financing, such as fund procurement and loan repayment.

As a result of the above, cash and cash equivalents as of the end of fiscal 2010 are expected to be at a similar level to the end of fiscal 2009.

Note: The above financial position outlook is based on information available to management at the time of writing. The actual financial position may differ significantly from projections.

III. Basic Policy on Profit Distribution: Fiscal 2008 and Fiscal 2009 Dividends

Kyowa Hakko Kirin regards the return of profits to its shareholders as one of its key priorities. Regarding dividends, we consider the delivery of stable and sustainable dividends to be the basis of our policy, while maintaining fully adequate internal reserves, and considering factors such as our consolidated results, the dividend payout ratio and the dividend return on shareholders' equity. Kyowa Hakko Kirin aims to retain sufficient reserves to make the investments in facilities and research and development that are required to fund new growth.

In accordance with this basic policy, and in consideration of the 9-month fiscal period resulting from a change in year-end, we expect to pay a final dividend for fiscal 2009 of ¥5 per share. As a result, in addition to the interim dividend payment of ¥10 per share, the dividend per share for fiscal 2009 is expected to be ¥15 per share.

The 2010 to 2012 Medium-term Business Plan will continue to target a consolidated dividend payout ratio of 30% on a prior to amortization of goodwill basis. For the fiscal year ending December 2010, we expect to pay an annual dividend of ¥20 yen per share consisting of an interim dividend of ¥10 and a year-end dividend of ¥10.

IV. Business Risks and Other Risks

With respect to Kyowa Hakko Kirin Group's business performance and financial position, the major risks that may significantly affect investors' judgments include, but are not limited to, those described below. The Group recognizes that these risk events may occur, and the Group uses a risk management system to prevent the occurrence of those risk events that can be controlled by the Group. At the same time, the Group will do its utmost to respond in the event of the occurrence of a risk event. Items in this section dealing with future events reflect the judgment of the Group as of December 31, 2009.

1) Risks associated with the operating environment in the domestic pharmaceutical industry

In the Group's core Pharmaceuticals operations, under the domestic public pharmaceutical price system, the official prices for the majority of ethical pharmaceuticals are periodically reduced. As a result, the Group is unable to avoid reductions in selling prices of its existing drugs. In cases where a price reduction cannot be compensated for by an increase in volumes, the Group's business performance and financial position could be adversely affected.

In addition, the Kyowa Hakko Kirin Group's business performance and financial position could also be affected by factors including future trends in the reform of Japan's system of medical treatment aimed at promoting the use of generic drugs, intensified competition from European and American pharmaceutical companies, and the strategies of major specialist companies

2) Risks that substantial R&D investment will not be recovered.

Kyowa Hakko Kirin Group invests significantly in the development of new products, technologies, improving existing products and developing applications, etc. For example, in the Group's main Pharmaceutical business, the importance of future growth being based upon the success of ground-breaking new drugs cannot be exaggerated. In ethical drug operations, the development of new drugs requires long periods of time and substantial R&D expenditures. The process of development and sales of new pharmaceuticals is inherently complicated and uncertain. In the long-term development of new drugs, there may be cases where the expected efficacy is not confirmed and R&D will be halted, or cases where successfully launched products may not result in the expected level of sales. There may also be cases where serious unpredicted side effects result in sales being suspended after the product is launched. As a result of various factors such as these, it may not be possible for the Group to recover its investment in R&D.

In addition, in non-pharmaceutical operations, the Group invests R&D resources in the development of new products and new technologies that are expected to differentiate the Group from its competitors by making use of key technologies, such as its core fermentation technologies and biotechnologies. There is no guarantee these investments will produce results. As stated above, in cases where expected R&D results are not realized, the Group's future growth and profitability may decline and our business performance and financial position may also be adversely affected.

3) Risks related to Intellectual Property Assets

In cases where the Group is subject to litigation as a result of our products or technology being in violation of intellectual property rights, the Group may be required to cease such activities, and pay compensation and/or settlement, and our business activities, business performance and financial position may be adversely affected. Conversely, in cases where the Group's intellectual property rights are infringed upon by competitive products to the Group's products or out-licensed products, sales of the Group's products or revenues from technology could decline earlier than forecast and similarly, the Group's business performance and financial position could be adversely affected.

4) Legal regulation risk

In the course of carrying out its operations in Japan and overseas, the Group must strictly comply with legal regulations. For example, in the Pharmaceuticals business, in Japan and overseas the Group is subject to pharmaceutical-related regulations in all countries at each stage, from new drug development to drug manufacturing, importing and exporting, sales, distribution, and use. The Group must comply with a large number of laws and business practices, and in addition there are a variety of approval and permission systems as well as monitoring systems. The Group emphasizes compliance to try to ensure that it does not violate the laws to which it is subject, and the Group is working to bolster internal control functions through such means as administrative oversight. However, there is no guarantee that the Group will be able to completely eliminate the possibility of committing a violation of these legal regulations. If, because we are unable to observe these legal regulations, new product development is delayed or stopped, or manufacturing or sales activities are restricted, the Group's credibility could be damaged.
In such cases, the Group's business performance and financial position could be negatively impacted. Furthermore, in the future, if laws and regulations that must be observed in Japan and overseas change, the Group's business performance and financial position could be adversely affected.

5) Risk of defective products

The Group manufactures a variety of products at plants in countries where it operates in line with locally recognized quality control and other standards. The Group also requires that companies whose merchandize we purchase and sell conform to the necessary quality and standards applied to the products. However, this is not a guarantee that all products will be free of defects, and the possibility of product recalls cannot be ruled out. The Group has taken out product liability insurance, but there is no guarantee this will provide enough coverage against liability claims that the Group may be forced to bear. It should also be pointed out that the Group may not be able to maintain insurance coverage at conditions acceptable to us. For example, in instances of large-scale product recalls or product defects that lead to claims, including severe side effects in ethical pharmaceuticals and drug induced diseases, that could heavily impact the Group's social credibility resulting in large expenses or losses or declines in sales that may adversely affect the Group's business performance and financial position.

6) Disaster-related and accident-related risks

To minimize the negative effects of halting manufacturing line activities, the Group conducts periodic disaster prevention tests and facility maintenance for all of its production line facilities. However, there is no guarantee that the Group will be able to completely prevent events such as earthquakes or fires that interrupt production, such as accidents, electricity outages, and boiler stoppages. Further, operating activities could be negatively affected if damage from a disaster to our head office, sales or distribution facilities goes beyond the scope anticipated by our disaster management systems and each system is unable to perform its function.

The Group handles substances that are subject to various legal regulations and guidelines. Despite the fact that these substances in the factories and research facilities are strictly managed in accordance with specifications, as a result of natural disasters etc. these substances could enter the external environment and cause damage to the surrounding area.

Further, should an infectious disease such as a new form of influenza spread throughout the society in countries or regions where the Group is developing its businesses, the Group's operating activity could be limited.

Should an event or accident as described above occur it might result in significant damage and negatively impact the Group's position of trust in society. Additionally, the Group's business performance and financial position could be adversely affected.

7) Impact on production activities as a result of a tightening in environmental restrictions

The Group engages in the manufacture of amino acid products using fermentation technology. Sugars, and other nutrient sources are also used in the fermentation production process, which generates waste fluid. This fermentation waste is processed and disposed of in accordance with the environmental regulations of the countries in which the Group engages in manufacturing activities, but both domestically and overseas there is a trend for these environmental regulations to be made more severe each year. The Group is making efforts to utilize materials with low environmental burdens as raw materials and improve our wastewater treatment technology, but in the future it is possible that our manufacturing activities will be limited as a result of alterations in the contents of environmental restrictions, leading to increased manufacturing costs, which as a result may adversely impact the Group's business performance and financial position.

The Chemicals business is currently facing issues such as restrictions on volatile organic compounds (VOC) and is moving to meet these issues with appropriate responses, but the Group's business performance and financial position could be adversely affected by the future content of environmental safety restrictions.

8) Potential risks for overseas business activities

The Group maintains business activities in the North America, Europe and Asia. Business development into overseas markets encapsulates a number of risks, examples of which are outlined below:

1. Unanticipated laws, restrictions and tax systems that exert an adverse impact on the company.
2. Adverse political and/or economic factors.
3. Issues regarding hiring and maintaining personnel.
4. Social unrest as a result of acts of terror, wars or other factors.

In instances where the Group is unable to effectively develop its business overseas as a result of such potential risks manifesting themselves, there is the possibility that the Group's business performance and financial position could be adversely affected.

9) Risk of declines in product sales prices as a result of fluctuations in the supply/demand balance

Products in the Chemicals business include those likely to be impacted by global supply/demand balances and where the underlying markets experience major fluctuations, including solvents and raw materials for plasticizers. Our competitors may strengthen their production capabilities or demand could rapidly decline for these products, both in Japan and overseas, sales prices may fall drastically in cases of over-supply, and the Group's business performance and financial position could be adversely impacted in instances where we are unable to offset this by expanding sales volumes.

10) Risk of crude oil price fluctuations on profit margin

In the Chemicals business the main raw materials of its products are derived from refined crude oil products such as naphtha-derived ethylene and propylene that are highly sensitive to crude oil price fluctuations. Global demand and supply and unpredictable factors such as changes in weather conditions, war and terrorism have caused large fluctuations in the price of crude oil and should be expected to do so in the future. In the Bio-Chemicals business, the increase in the price of raw materials has become a significant issues caused by an increase in the price of fuel, the increased demand from developing countries, the expanding demand of ethanol and a poor agricultural harvest due to unseasonable weather. If the rise of raw materials prices cannot be reflected in the selling price of products in a timely manner, or cannot be absorbed though cost reduction measures, the Group's business performance and financial position could be adversely affected.

11) Risk of changes to foreign exchange rate

The Group conducts foreign currency denominated transactions such as receiving income from overseas sales and licensing-out of technologies overseas acquiring raw materials overseas and therefore any sudden change in exchange rates could adversely affect the Group's business performance and financial position. Fluctuations to the foreign exchange rate could also affect our ability to be price competitive on products sold in markets shared with overseas competitors.

The gains and losses, and assets and liabilities of overseas-consolidated subsidiaries denominated in local currencies are translated into yen for the preparation of the consolidated financial report. The exchange rate at the time of translation could have an effect on values following currency translation.

12) Risk of changes to share prices

The Group owns marketable securities of its business partners, financial institutions and others and in cases where market valuations drop significantly an appraisal loss on our holdings would be incurred and the Group's business performance and financial position could be adversely affected. Further, a portion of the Company's corporate pension assets comprise marketable securities and actuarial accounting differences in retirement benefit accounting could result from changes to the market value of these and the Group's business performance and financial position could be adversely affected.

13) Risk of impairment of fixed assets

As regards the Group's fixed assets, in cases where there is as a decline in business profitability due to a marked deterioration of the operating environment, or a significant drop in market prices, the application of fixed asset impairment accounting could result in an impairment loss and the Group's business performance and financial position could be adversely affected.

14) Risk concerning procurement of necessary raw materials

For certain raw materials procured by the Group, changing suppliers and substituting raw materials can be very difficult and they may only be available through a small number of specialized suppliers. Although we have taken measures to store enough a sufficient supply of important raw materials to ensure production for a certain period of time, we cannot rule out the unexpected. Therefore, if procuring important resources for which there is no substitute becomes extremely difficult, product manufacturing may be suspended and the Group's business performance and financial position could be adversely affected.

2. Group Status

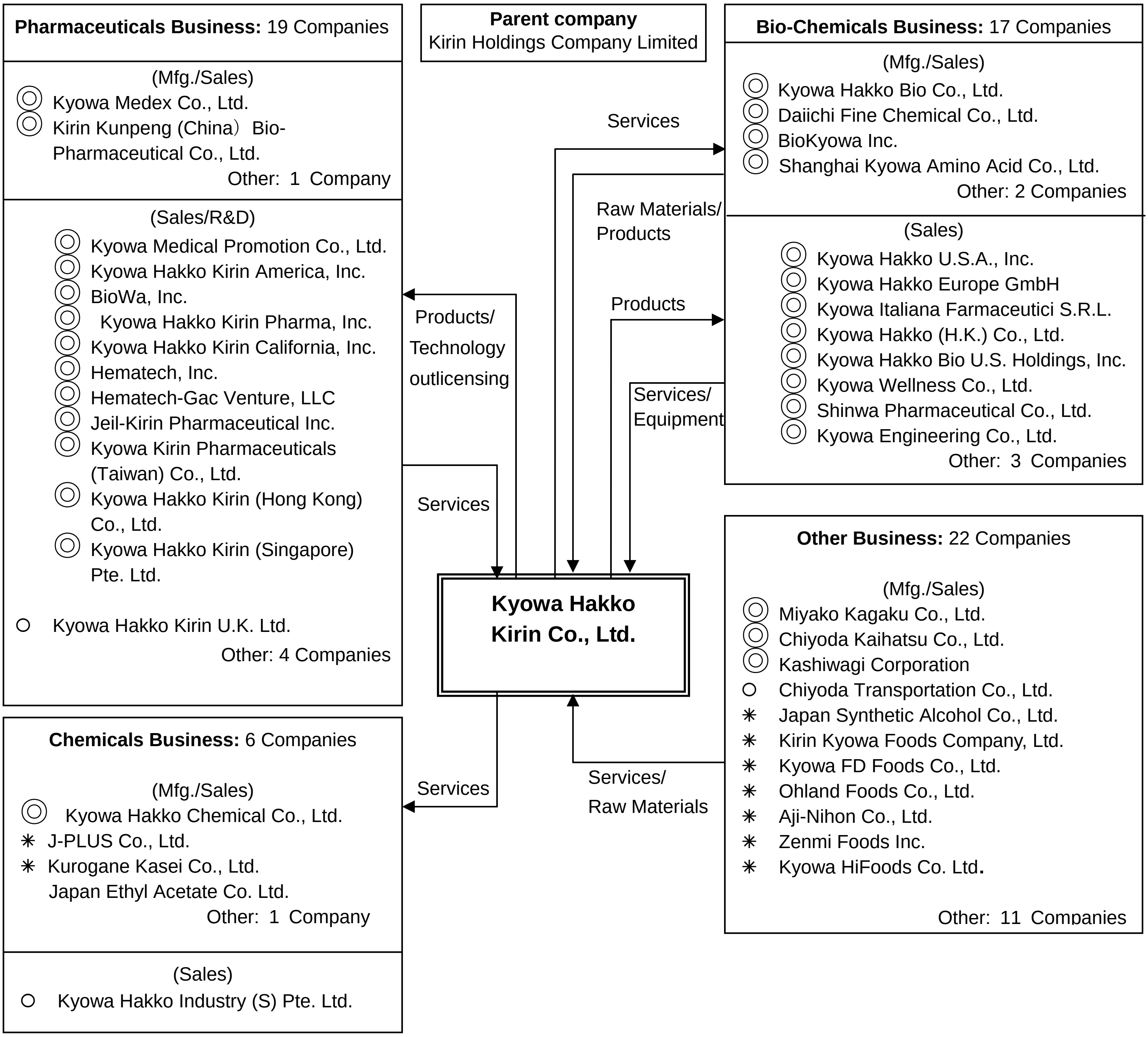
The Kyowa Hakko Kirin Group is composed of Kyowa Hakko Kirin Co., Ltd., 42 subsidiaries, 22 affiliates and one parent company and operates primarily in the Pharmaceuticals, Bio-Chemicals, Chemicals, and Other business divisions, and our parent company is Kirin Holdings Company, Limited. The major operating activities of the company and the main group companies are outlined below.

Pharmaceuticals Business	Prescription pharmaceuticals are manufactured and sold predominantly by the parent company and Kyowa Medex Co., Ltd. manufactures and sells diagnostic reagents. Kyowa Medical Promotion Co., Ltd. carries out sales promotion activities of Kyowa Hakko Kirin products. Overseas, Kirin Kunpeng (China) Bio- Pharmaceutical Co., Ltd. manufactures and sells pharmaceuticals in China. Kyowa Hakko Kirin America, Inc. is a holding company for administration and management of the Bio-Chemicals business subsidiaries in the US. BioWa, Inc. pursues out-licensing of antibody technology and is involved in the strategic development of Kyowa Hakko Kirin's therapeutic antibody business. Kyowa Hakko Kirin Pharma., Inc. handles the development in the U.S. of new drug candidates created by the parent company. Kyowa Hakko Kirin California, Inc. generates new candidate compounds and Hematech, Inc. and Hematech-Gac Venture, LLC is involved in the research and development for manufacturing therapeutic antibodies. Jeil-Kirin Pharmaceutical Inc., Kyowa Kirin Pharmaceuticals (Taiwan) Co., Ltd. (formerly Kyowa Hakko Kirin (Taiwan) Co., Ltd.) Kyowa Hakko Kirin (Hong Kong) Co., Ltd. and Kyowa Hakko Kirin (Singapore) Pte. Ltd. sell pharmaceuticals in their respective areas, Korea, Taiwan, Hong Kong and Singapore and the surrounding region. Kyowa Hakko Kirin Pharma. Inc. handles the development in the U.S. of new drug candidates created by the parent company, and Kyowa Hakko Kirin U.K. Ltd. handles the development in Europe of new drug candidates created by the parent company and the sales of parent company products.
Bio-Chemicals Business	Kyowa Hakko Bio Co., Ltd., Daiichi Fine Chemical Co., Ltd., BioKyowa Inc. and Shanghai Kyowa Amino Acid Co., Ltd. manufacture raw materials for pharmaceutical and industrial use, including amino acids, nucleic acids and related compounds, and healthcare products. These are sold directly by these four companies and also by overseas subsidiaries such as Kyowa Hakko U.S.A., Inc., Kyowa Hakko Europe GmbH, Kyowa Italiana Farmaceutici S.R.L., and Kyowa Hakko (H.K.) Co., Ltd. Kyowa Hakko Bio U.S. Holdings, Inc. is a holding company for administration and management of the Bio-Chemicals business subsidiaries in the US. Healthcare products for the domestic market are sold by Kyowa Wellness Co., Ltd., and Shinwa Pharmaceutical Co., Ltd. sells health foods. Agrochemicals and products for the livestock and fisheries industries, and alcohol, are primarily manufactured and sold by Kyowa Hakko Bio Co., Ltd.. Kyowa Engineering Co., Ltd. designs and constructs facilities, and provides services and supplies equipment to Kyowa Hakko Kirin, Kyowa Hakko Bio Co., Ltd. and certain related companies.
Chemicals Business	Chemical products such as solvents, plasticizers and their raw materials, and specialty chemicals are mainly manufactured and sold by Kyowa Hakko Chemical Co., Ltd., and partly by J-PLUS Co., Ltd., Kurogane Kasei Co., Ltd., and Japan Ethyl Acetate Co., Ltd. Kyowa Hakko Chemical Co., Ltd. also sells products provided by certain related companies, supplies raw materials to certain related companies. Kyowa Hakko Industry (S) Pte Ltd. primarily sells products produced and supplied by Kyowa Hakko Chemical Co., Ltd. and supplies raw materials to Kyowa Hakko Chemical Co., Ltd.
Other Business	A number of related companies including Miyako Kagaku Co., Ltd., Chiyoda Kaihatsu Co., Ltd., Kashiwagi Co., Ltd. and Chiyoda Unyu Co., Ltd. are responsible for activities including wholesale and distribution, and provide services and supply raw materials to Kyowa Hakko Kirin and some of its related companies. In addition, Japan Synthetic Alcohol Co., Ltd. produces alcohol for industrial applications. Kirin Kyowa Food Specialties Co., Ltd., Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd., Kyowa Hifoods Co., Ltd., Aji-Nihon Co., Ltd. and Zenmi Foods Co., Ltd. manufacture and sell seasonings, bakery products and ingredients and processed foods. Note: The Food business segment has been removed from segmental classification as of fiscal 2009. Following the partial sale of shares held in consolidated subsidiary Kyowa Hakko Food Specialties (now Kirin Kyowa Foods) which managed the Food Business, at the end of the previous consolidated fiscal year, Kyowa Hakko Food Specialties and its three consolidated subsidiaries (Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd., Kyowa Hifoods Co., Ltd.) became equity-accounted affiliates. As a result, there are no consolidated subsidiaries operating in the Food Business segment and the segment has been removed as of the current consolidated fiscal year.

Note: Unless specifically stated otherwise, in this document 'the Group' refers to the parent company and its 29 consolidated subsidiaries.

The flow chart on the following page shows an illustration of the Kyowa Hakko Kirin Group.

Illustration of the Kyowa Hakko Kirin Group.



◎ Consolidated subsidiary
○ Non-consolidated subsidiary
✳ Affiliate accounted for by the equity method
(no mark) Affiliate not accounted for by the equity method

* On January 1, 2010, Kyowa F.D. Foods Co., Ltd. and Ohland Foods Co., Ltd. will change their company names to Kirin Kyowa FD Co., Ltd. and Kirin Ohland Foods Co., Ltd. respectively

3. Management Policies

(1) Basic Management Policies

The Kyowa Hakko Kirin Group's fundamental management policy is to contribute to the health and well being of people worldwide by creating new value through the pursuit of advancements in life sciences and technology. Based on this policy, the Group is developing business around the world as a creative and innovative R&D corporation.

Our businesses aim to provide products, services, and information that deliver superior quality and performance in line with our focus on customer satisfaction. In addition, we are working to build a highly transparent and healthy corporate management that discloses accurate information in a timely and fair manner. At the same time, by fully accepting our corporate social responsibility such as through compliance and quality assurance we are striving to be a life-sciences company that earns the broad trust of society.

(2) Management Targets

Following the change of fiscal year-end from March 31 to December 31, the Kyowa Hakko Kirin Group has formulated the Group's three year 2010 to 2012 Medium-term Business Plan. The current fiscal year, fiscal 2010, is the first year of the plan. In 2012, the final year of the plan, we are targeting net sales of ¥454.0 billion and operating income ¥51.7 billion.

Billions of yen

	January 1, 2009 to December 31, 2009 (Results*)	January 1, 2010 to December 31, 2010 (Forecasts)	January 1, 2012 to December 31, 2012 (Targets)
Net Sales	407.0	400.0	454.0
Operating income	30.9	36.0	51.7
Operating income (Prior to amortization of goodwill)	40.3	45.3	61.0

The change to the consolidated fiscal year-end during fiscal 2009 resulted in a nine-month fiscal period, and therefore the figures provided in the column January 1, 2009 to December 31, 2009 (Results*) are the 12-month period from January 1, 2009 to December 31, 2009 and consist of the sum of the consolidated fourth quarter results of fiscal 2008 (the 3-month period from January 1, 2009 to March 31, 2009) and the consolidated results of fiscal period 2009 (the 9-month period from April 1, 2009 to December 31, 2009).

(3) Medium- and long-term management polices and issues

Kyowa Hakko Kirin Group aims to be a world-class R&D-focused life sciences company, based on biotechnology and with the pharmaceutical business at its core. In pursuit of this vision we are aiming for global growth by providing new value that addresses a diversity of needs.

As regards the Pharmaceuticals business, domestically we are facing the promotion of generic pharmaceuticals as a part of the National Health Reimbursement Policy, and internationally we are facing increased competition from the development of new drugs and intensification of competition from European and American drug manufacturers and major domestic pharmaceutical companies. Our forecast includes the anticipated effect of start of a new pricing system in April 2010 which will include promoting the generation of new drugs and additional price reductions for existing registered drugs. In response to this, the Group will endeavor to further strengthen its domestic sales capabilities, expand sales of core products and strive to quickly penetrate markets with new products. Further, we will actively promote global development focusing on strengthening internal marketing systems in Asia and reinforcing marketing systems for sales of new drugs in Europe and the USA. Regarding research and development, we will endeavor to generate further groundbreaking new drugs by focusing primarily on the areas of cancer, kidney, and immunological diseases and by leveraging cutting edge biotechnology, primarily antibody technologies. In production, we will ensure high levels of quality assurance and strengthen cost competitiveness by improving productivity through the construction of new facilities that promote automation and resolve the deterioration of facilities and local issues through reorganization of production facilities.

In the Bio-Chemicals business, through the integration of fermentation and synthetic technology we are aiming for growth in the medical treatment and healthcare areas as a biotech company. We are aiming to expand sales in the amino acid market, primarily of those for pharmaceutical use in high-value added areas, but will be impacted by price declines resulting from market entry of Chinese manufacturers in the health food and other markets. In healthcare, we will implement initiatives aimed at expanding market scale and providing materials that can be used safely while promoting the development of markets for unique materials. The domestic sales business for the livestock and fisheries industry is scheduled to be assigned to ASKA Pharmaceutical Co., Ltd, in April 2010, and the alcohol business scheduled to be transferred to the joint venture with Mercian Corporation, Daiichi Alcohol Co., Ltd. in July 2010.

In the Chemicals business, we face a difficult operating environment that includes reduced demand from the effects of the global economic downturn and uncertain trends in crude oil and naphtha trends. However, we are actively growing sales of core products in growth markets, primarily China, as well as implementing thorough cost controls and operating efficiencies in order to support revenues and profits. Furthermore, we intend to focus on creating new products in important functional product areas such as environmentally friendly products that utilize our Group strengths, and as a result build a business that is resilient to the effects of economic cycles.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of December 31, 2009	As of March 31, 2009
ASSETS		
Current assets:		
Cash and time deposits	30,159	32,978
Accounts and notes receivable	120,869	109,984
Merchandise and products	43,863	46,498
Work in progress	8,970	9,283
Raw materials and supplies	10,971	11,846
Deferred tax assets	9,250	11,633
Short-term loans	40,342	47,267
Other current assets	12,313	10,136
(Less) Allowance for doubtful accounts	(153)	(152)
Total current assets	276,587	279,475
Fixed assets:		
Tangible fixed assets		
Buildings and structures	146,096	147,416
Accumulated depreciation and accumulated impairment loss	(107,203)	(102,361)
Buildings and structures (net)	38,893	45,055
Machinery and equipment	204,828	200,985
Accumulated depreciation and accumulated impairment loss	(178,836)	(174,764)
Machinery and equipment (net)	25,992	26,220
Land	71,993	74,179
Construction in progress	17,588	6,423
Other	51,413	51,003
Accumulated depreciation and accumulated impairment loss	(43,321)	(42,484)
Other (net)	8,091	8,518
Total tangible fixed assets	162,559	160,398
Intangible fixed assets		
Goodwill	170,054	177,275
Other	4,067	3,353
Intangible fixed assets	174,122	180,628
Investments and other assets:		
Investment securities	66,422	62,354
Long-term loans	496	515
Deferred tax assets	4,263	3,014
Other investments and other assets	12,267	13,600
Allowance for doubtful accounts	(1,451)	(947)
Total investments and other assets	81,998	78,538
Total fixed assets	418,680	419,565
Total assets	695,268	699,041

Consolidated Balance Sheets (continued)

	As of December 31, 2009	As of March 31, 2009
		Millions of yen
LIABILITIES		
Current liabilities:		
Accounts and notes payable	48,965	41,960
Short-term bank loans	12,690	12,750
Accrued expenses	32,364	24,882
Income taxes payable	7,312	13,556
Reserve for sales rebates	283	439
Reserve for bonuses	1,225	4,116
Reserve for repairs	1,051	1,115
Other	5,944	9,469
Total current liabilities	109,838	108,290
Long-term liabilities:		
Corporate bonds	--	60
Long-term debt	537	730
Deferred tax liabilities	14,646	17,143
Retirement benefit allowance	27,268	26,684
Directors' retirement benefit allowance	107	188
Other long-term liabilities	2,526	2,874
Total long-term liabilities	45,086	47,680
Total liabilities	154,924	155,970
NET ASSETS		
Shareholders' equity:		
Common stock	26,745	26,745
Capital surplus	512,398	512,418
Retained earnings	7,093	10,432
Treasury stock	(6,932)	(2,392)
Total shareholders' equity	539,304	547,203
Valuation and translation adjustments		
Valuation difference on other marketable securities	475	(4,732)
Deferred gains (losses) on hedges	3	4
Foreign exchange adjustment account	(3,956)	(3,920)
Total valuation and translation adjustments	(3,478)	(8,648)
Subscription rights to shares	196	188
Minority interests	4,321	4,326
Total net assets	540,343	543,070
Total liabilities and net assets	695,268	699,041

(2) Consolidated Statements of Income

Millions of yen

	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Net sales	309,111	460,183
Cost of sales	169,371	259,886
Gross profit	139,739	200,297
Selling, general and administrative expenses:		
Transportation	2,049	4,209
Sales promotion	8,971	11,289
Addition to allowance for doubtful accounts	273	100
Salaries	16,914	23,957
Bonuses	6,548	8,916
Addition to bonus reserve	1,086	1,718
Employee retirement benefit expense	2,614	2,546
Depreciation	723	779
Research and development	34,795	48,094
Amortization of goodwill	7,042	9,673
Others	30,477	43,624
Total sales, general and administrative expenses:	111,496	154,910
Operating income	28,243	45,387
Other income:		
Interest income	443	688
Dividend income	914	2,394
Currency exchange gain	--	135
Income from equity method investments	1,558	1,211
Others	1,095	1,441
Total other income	4,012	5,871
Other expenses:		
Interest expense	244	523
Loss on foreign exchange	112	--
Loss on sale of disposal of assets	1,163	2,483
Addition to allowance for doubtful accounts	312	--
Others	943	1,839
Total other expenses	2,776	4,846
Recurring income	29,479	46,412

Consolidated Statements of Income (continued)

	Millions of yen	
	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Extraordinary income:		
Gain on sale of fixed assets	27	--
Gain on sale of shares in affiliates	--	4,721
Gain on sale of investments in affiliates	--	1,354
Total extraordinary income	27	6,075
Extraordinary losses:		
Extraordinary depreciation of fixed assets	3,299	762
Asset impairment losses	2,671	5,724
Loss on change in equity holdings	1,379	--
Loss on sale of investment securities	991	--
Valuation loss on investment securities	537	6,634
Integration-related expenses	--	5,514
Compensation payments	--	1,937
Others	--	977
Total extraordinary losses	8,878	21,550
Income before income taxes	20,628	30,937
Corporate, local, and enterprise taxes	16,450	20,799
Corporate tax adjustment	(4,819)	(1,865)
Total corporate taxes	11,631	18,934
Income (loss) in minority interests in consolidated subsidiaries	199	276
Net income	8,797	11,726

(3) Consolidated Statements of Changes in Shareholders' Equity

Millions of yen, rounded down

	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Shareholders' equity		
Common stock		
Balance at end of previous period	26,745	26,745
Changes during the period		
Balance of acquired company at end of previous period	--	(26,745)
Balance of acquiring company at beginning of period	--	3,000
Increase from share exchange	--	23,745
Total change during the period	--	--
Balance at end of period	26,745	26,745
Capital surplus		
Balance at end of previous period	512,418	43,180
Changes during the period		
Balance of acquired company at end of previous period	--	(43,180)
Balance of acquiring company at beginning of period	--	56,813
Increase from share exchange	--	455,618
Disposal of treasury stock	(19)	(14)
Total change during the period	(19)	469,237
Balance at end of period	512,398	512,418
Retained surplus		
Balance at end of previous period	10,432	170,947
Changes during the period		
Balance of acquired company at end of previous period	--	(170,947)
Balance of acquiring company at beginning of the period	--	4,445
Dividends	(11,434)	(5,739)
Net income	8,797	11,726
Changes to scope of consolidation	(811)	--
Increase from merger	109	--
Total change during the period	(3,339)	(160,515)
Balance at end of period	7,093	10,432
Treasury stock		
Balance at end of previous period	(2,392)	(1,544)
Changes during the period		
Balance of acquired company at end of previous period	--	1,544
Balance of acquiring company at beginning of period	--	(1,544)
Acquisition of treasury stock	(4,637)	(1,001)
Disposal of treasury stock	97	153
Total change during the period	(4,539)	(848)
Balance at end of period	(6,932)	(2,392)

Consolidated Statements of Changes in Shareholders' Equity (cont.)

Millions of yen, rounded down

	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Total shareholders' equity		
Balance at end of previous period	547,203	239,328
Changes during the period		
Balance of acquired company at end of previous period	--	(239,328)
Balance of acquiring company at beginning of period	--	64,258
Increase from share exchange	--	477,819
Dividends	(11,434)	(5,739)
Net income	8,797	11,726
Acquisition of treasury stock	(4,637)	(1,001)
Disposal of treasury stock	78	138
Changes to scope of consolidation	(811)	--
Increase from merger	109	--
Total change during the period	(7,898)	307,874
Balance at end of period	539,304	547,203
Valuation, translation adjustments and others		
Unrealized holding gain on securities		
Balance at end of previous period	(4,732)	15,348
Changes during the period		
Balance of acquired company at end of previous period	--	(15,348)
Balance of acquiring company at beginning of period	--	(163)
Net changes in items other than shareholders' equity	5,208	(4,569)
Total change during the period	5,208	(20,081)
Balance at end of period	475	(4,732)
Unrealized gain from hedging instruments		
Balance at end of previous period	4	(9)
Changes during the period		
Balance of acquired company at end of previous period	--	9
Net changes in items other than shareholders' equity	(1)	4
Total change during the period	(1)	13
Balance at end of period	3	4
Translation adjustments		
Balance at end of previous period	(3,920)	(378)
Changes during the period		
Balance of acquired company at end of previous period	--	378
Balance of acquiring company at beginning of period	--	(867)
Net changes in items other than shareholders' equity	(36)	(3,052)
Total change during the period	(36)	(3,541)
Balance at end of period	(3,956)	(3,920)

Consolidated Statements of Changes in Shareholders' Equity (cont.)

Millions of yen, rounded down

	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Total valuation translation adjustments and others		
Balance at end of previous period	(8,648)	14,960
Changes during the period		
Balance of acquired company at end of previous period	--	(14,960)
Balance of acquiring company at beginning of period	--	(1,031)
Net changes in items other than shareholders' equity	5,170	(7,617)
Total change during the period	5,170	(23,609)
Balance at end of period	(3,478)	(8,648)
Subscription rights to shares		
Balance at end of previous period	188	156
Changes during the period		
Balance of acquired company at end of previous period	--	(156)
Net changes in items other than shareholders' equity	7	188
Total change during the period	7	32
Balance at end of period	196	188
Minority interests		
Balance at end of previous period	4,326	2,312
Changes during the period		
Balance of acquired company at end of previous period	--	(2,312)
Balance of acquiring company at beginning of period	--	1,452
Net changes in items other than shareholders' equity	(5)	2,874
Total change during the period	(5)	2,014
Balance at end of period	4,321	4,326
Total net assets		
Balance at end of previous period	543,070	256,758
Changes during the period		
Balance of acquired company at end of previous period	--	(256,758)
Balance of acquiring company at beginning of period	--	64,679
Increase from share exchange	--	477,819
Dividends	(11,434)	(5,739)
Net income	8,797	11,726
Acquisition of treasury stock	(4,637)	(1,001)
Disposal of treasury stock	78	138
Changes to scope of consolidation	(811)	--
Increase from merger	109	--
Net changes in items other than shareholders' equity	5,172	(4,554)
Changes during the period	(2,726)	286,311
Balance at end of period	540,343	543,070

(4) Consolidated Statements of Cash Flows

Millions of Yen

	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Cash flows from operating activities:		
Income before income taxes	20,628	30,937
Depreciation and amortization	17,003	18,779
Asset impairment losses	2,671	5,724
Amortization of goodwill	7,181	9,859
Increase in retirement benefit allowance	576	214
Decrease (increase) in prepaid pension expenses	823	(3,670)
(Decrease) in reserve for bonus payments	(2,891)	(113)
Increase (decrease) in allowance for bad debts	501	(548)
Interest and dividend income	(1,357)	(3,083)
Interest expenses	244	523
(Income) from equity method investments	(1,558)	(1,211)
Loss on sales of tangible fixed assets	277	1,000
Loss (gain) on sales of investment securities	981	(4,694)
Loss on revaluation of investment securities	537	6,634
(Increase) decrease in trade receivables	(9,813)	14,456
Decrease (increase) in inventories	4,588	(5,148)
Increase (decrease) in trade payables	6,187	(10,856)
Others	(1,968)	(1,251)
Sub-total	44,612	57,551
Interest and dividend income	1,535	4,050
Interest payments	(258)	(495)
Corporate etc. tax payments	(21,685)	(20,037)
Net cash provided by operating activities	**24,203**	**41,069**

Consolidated Statements of Cash Flows (continued)

Millions of Yen

	April 1, 2009 to December 31, 2009	April 1, 2008 to March 31, 2009
Cash flows from investing activities:		
Payments for purchase of property, plant & equipment	(19,777)	(18,230)
Proceeds from sale of property, plant, and equipment	2,283	338
Payments for purchase of investment securities	(2,217)	(149)
Proceeds from sale of investment securities	4,023	86
Proceeds from sale of shares in subsidiaries following changes to the scope of consolidation	--	16,908
Transfer to fixed-term deposits	(4,135)	(7,040)
Proceeds from redemptions of fixed-term deposits	3,212	3,078
Net decrease in short-term debt	4,690	--
Others	(1,326)	1,028
Net cash (used in) investing activities	(13,246)	(3,981)
Cash flows from financing activities:		
Net (decrease) in short-term debt	(383)	(6)
Proceeds from long-term borrowing	--	491
Repayment of long-term debt	(202)	(12,572)
Payment for purchase of treasury stock	(4,637)	(1,001)
Dividends paid	(11,372)	(7,687)
Dividends paid to minority interests	(204)	(189)
Other	(105)	(12)
Net cash used in financing activities	**(16,906)**	**(20,978)**
Cash and cash equivalents translation differences	**(39)**	**(1,027)**
(Decrease) increase in cash and cash equivalents	**(5,989)**	**15,082**
Cash and cash equivalents at beginning of the period	**69,286**	**44,118**
Balance of cash and cash equivalents of the acquired company at beginning of the period	**--**	**(44,118)**
Balance of cash and cash equivalents of the acquiring company at beginning of the period	**--**	**10,440**
Change to cash and cash equivalents following consolidation	**393**	**43,740**
Change to cash and cash equivalents following merger	**268**	**23**
Decrease in cash and cash equivalent following elimination from consolidation	**(214)**	**--**
Cash and cash equivalents at end of the period	**63,745**	**69,286**

Segment information

(1) Segment information by business type

Fiscal period: April 1, 2009 – December 31, 2009

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Elimination/ Corporate	Consolidated
I. Net Sales:							
(1) Sales to external customers	157,931	63,250	45,562	42,366	309,111	--	309,111
(2) Inter-segment sales and transfers	341	6,501	6,763	7,133	20,740	(20,740)	--
Total	158,273	69,751	52,326	49,500	329,851	(20,740)	309,111
Operating expenses	131,615	66,703	54,310	49,099	301,729	(20,861)	280,867
Operating income (loss)	26,657	3,048	(1,984)	400	28,122	121	28,243
II. Assets, Depreciation expenses and Capital outlays							
Assets	381,818	140,916	80,464	42,393	645,592	49,675	695,268
Depreciation expenses	9,211	4,321	3,357	113	17,005	(1)	17,003
Impairment losses	2,559	111	--	--	2,671	--	2,671
Capital outlays	16,506	5,000	3,583	45	25,135	(0)	25,135

Notes:

1. The segmental classification is based on the business administration divisions of the Kyowa Hakko Kirin Group. The main products of each segment are as follows:
   - Pharmaceuticals: Ethical pharmaceuticals and diagnostics reagents
   - Bio-Chemicals: Pharmaceutical and industrial-use raw materials, healthcare products, agrochemicals and products for livestock and fisheries industries, and alcohol
   - Chemicals: Solvents, plasticizer raw materials, and specialty chemicals
   - Other: Wholesale and distribution
2. The Food business (primary products: seasonings, bakery products and ingredients, and processed food) segment has been excluded as of the fiscal period ended December 31, 2009. The Food business was discontinued at the end of the current consolidated fiscal year following the sale of shares of the consolidated subsidiaries that operated the businesses at the end of the previous consolidated fiscal year.
3. Entire company assets included within Elimination/Corporate are ¥172,571 million and mainly comprise excess working capital (cash and deposits, and short-term loans) and long-term investments (investment securities).
4. The January 1, 2009 to December 31, 2009, 12-month financial statements of 11 consolidated subsidiaries whose balance sheet date is the same as the consolidated balance sheet date were used in the preparation of prior consolidated financial reports, and since their balance sheet date is within three months of the consolidated balance sheet date they have also been used in the preparation of the current 9-month consolidated financial report that resulted from the change of fiscal year-end to December 31. As a result, net sales increased in each of the Pharmaceuticals, Bio-Chemicals and Other businesses by ¥356 million, ¥7,173 million and ¥4,458 million respectively, and operating income decreased ¥59 million in the Pharmaceuticals business, and increased in the Bio-Chemicals and Other businesses by ¥196 million and ¥21 million respectively.

Segment information by business type (continued)

Fiscal year: April 1, 2008 – March 31, 2009

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
I. Net Sales:								
(1) Sales to external customers	209,759	77,875	77,686	38,357	56,504	460,183	--	460,183
(2) Inter-segment sales and transfers	688	10,589	11,517	4,110	12,229	39,135	(39,135)	--
Total	210,448	88,464	89,204	42,468	68,733	499,319	(39,135)	460,183
Operating expenses	175,616	80,122	89,251	41,381	67,638	454,011	(39,214)	414,796
Operating income	34,832	8,342	(47)	1,086	1,094	45,308	78	45,387
II. Assets, Depreciation expenses and Capital outlays								
Assets	383,934	140,255	75,762	15,949	26,939	642,841	56,200	699,041
Depreciation expenses	8,394	5,026	4,218	998	149	18,787	(7)	18,779
Impairment losses	3,483	179	--	2,061	--	5,724	--	5,724
Capital outlays	9,641	5,376	4,358	565	102	20,045	(1,521)	18,523

Notes:

1. The segmental classification is based on the business administration divisions of the Kyowa Hakko Kirin Group. The main products of each segment are as follows:
   - Pharmaceuticals: Ethical pharmaceuticals and diagnostics reagents
   - Bio-Chemicals: Pharmaceutical and industrial-use raw materials, healthcare products, agrochemicals and products for livestock and fisheries industries, and alcohol
   - Chemicals: Solvents, plasticizer raw materials, and specialty chemicals
   - Food: Seasonings, bakery products and ingredients, and processed food
   - Other: Wholesale and distribution
2. Entire company assets included within Elimination/Corporate are ¥64,419 million and mainly comprise excess working capital (cash and marketable securities) and long-term investments (investment securities) at the parent company.
3. As of the current consolidated fiscal year, and following the application of Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006), "operating expenses in each segment decreased as follows in comparison to the accounting methods used in the previous fiscal year: Pharmaceuticals: ¥23 million; Bio-Chemicals: ¥247 million; Chemicals: ¥945 million; Food: ¥90 million; Other: ¥15 million.
4. As regards Kyowa Hakko Food Specialties Co., Ltd. and its three subsidiaries (Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd., and Kyowa HiFoods Co. Ltd.), on March 31, 2009 Kyowa Hakko Kirin sold a portion of shares held in Kyowa Hakko Food Specialties Co., Ltd. and therefore it has become an affiliate accounted for by the equity method. However, since the change occurred on the final day of the current consolidated fiscal year, only the income statement of Kyowa Hakko Food Specialties Co., Ltd. has been consolidated. Also, as a result of the application of the equity method to this affiliate the value of assets of the Food business for fiscal 2008 is recorded as the amount of the investment in this business.

(2) Segment information by location

April 1, 2009– December 31, 2009

Millions of yen

	Japan	Other regions	Total	Eliminations/ Corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	275,916	33,194	309,111	--	309,111
(2) Inter-segmental sales and transfers	15,792	7,408	23,200	(23,200)	--
Total	291,709	40,603	332,312	(23,200)	309,111
Operating expenses	267,259	37,243	304,503	(23,635)	280,867
Operating income	24,449	3,359	27,809	434	28,243
2. Assets	611,491	46,085	657,576	37,691	695,268

Notes:
1. The countries and regions have been classified geographically.
2. Countries and regions other than Japan, America, Europe and Asia are segmented, however since each of their net sales is less than 10% of total sales they have been grouped together under Other regions.
3. The main countries included in regions other than Japan are as follows:
   America………… North America
   Europe…………. Germany and Italy
   Asia………………China, Korea, Taiwan, Hong Kong and Singapore
4. Entire company assets included within Elimination/Corporate are ¥172,571 million and mainly comprise excess working capital (cash and deposits, and short-term loans) and long-term investments (investment securities).
5. The January 1, 2009 to December 31, 2009, 12-month financial statements of consolidated subsidiaries whose balance sheet date is the same as the consolidated balance sheet date were used in the preparation of prior consolidated financial reports, and since their balance sheet date is within three months of the consolidated balance sheet date they have also been used in the preparation of the current 9-month consolidated financial report that resulted from the change of fiscal year-end to December 31. As a result, net sales in both Japan and other regions increased by ¥4,458 million and ¥7,527 million respectively, and operating income in both Japan and other regions increased by ¥21 million and ¥136 million respectively.

(2) Segment information by location

April 1, 2008– March 31, 2009

Millions of yen

	Japan	Other regions	Total	Eliminations/ Corporate	Consolidated
1. Net sales and operating income					
Net sales					
(1) Sales to external customers	423,132	37,051	460,183	--	460,183
(2) Inter-segmental sales and transfers	21,020	10,737	31,758	(31,758)	--
Total	444,153	47,789	491,942	(31,758)	460,183
Operating expenses	404,590	41,325	445,915	(31,118)	414,796
Operating income	39,563	6,463	46,026	(639)	45,387
2. Assets	615,653	43,963	659,616	39,424	699,041

Notes:
1. The countries and regions have been classified geographically.
2. Countries and regions other than Japan, America, Europe and Asia are segmented, however since each of their net sales is less than 10% of total sales they have been grouped together under Other regions.
3. The main countries included in regions other than Japan are as follows:
   America………… North America
   Europe…………. Germany and Italy
   Asia………………China, Korea, Taiwan, Hong Kong and Singapore
4. Entire company assets included within Elimination/Corporate are ¥64,419 million and mainly comprise excess working capital (cash and marketable securities) and long-term investments (investment securities) at the parent company.
5. As of the current consolidated fiscal year, following the application of Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006), operating income in Japan decreased ¥1,323 million compared to use of the previously applied method.

(3) Overseas Sales

April 1, 2009 – December 31, 2009

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	16,849	18,524	27,415	578	63,367
(2) Consolidated sales					309,111
(3) Overseas sales as a percentage of consolidated sales	5.5%	6.0%	8.9%	0.2%	20.5%

April 1, 2008 – March 31, 2009

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	31,023	22,631	34,254	860	88,770
(2) Consolidated sales					460,183
(3) Overseas sales as a percentage of consolidated sales	6.7%	4.9%	7.4%	0.2%	19.3%

Notes:
1. The regions have been classified geographically.
2. Regions other than Japan are as follows:
   America………… North America and Latin America
   Europe…………. All of Europe
   Asia………………All of Asia
   Other Regions…. Oceania and Africa
3. Overseas sales comprise sales by Kyowa Hakko Kirin and its consolidated subsidiaries to customers outside of Japan.
4. Consolidated subsidiaries whose balance sheet date is December 31, were used in the preparation of prior consolidated financial reports. The change of consolidated fiscal year-end to December 31 has resulted in an irregular 9-month fiscal period, however since the balance sheet date of these subsidiaries is with three months of the consolidated fiscal year-end, the 12-month financial reports of these subsidiaries have been used in the preparation of the current 9-month consolidated financial report. As a result, net sales increased in America, Europe and Asia by ¥1,811 million, ¥3,124 million and ¥1,278 million respectively.