KYOWA KIRIN

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary
Fiscal 2012 Interim

(January 1, 2012 – June 30, 2012)

KYOWA KIRIN

Summary of Financial Statements for the Interim Period of the Year Ending December 31, 2012

Kyowa Hakko Kirin Co., Ltd. **July 27, 2012**

Stock Code:	4151	Listed exchanges:	Tokyo, 1st section
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Scheduled date of submission of Financial Report: August 9, 2012

Scheduled start of dividend payment: September 3, 2012

Appendix materials prepared to accompany the quarterly financial report: Yes

Quarterly results presentation meeting: Yes
(For institutional investors and securities analysts)

1. Results for the six months ended June 30, 2012

(% changes are compared to the same period of the previous fiscal year)

(1) Consolidated business performance

(Millions of yen, rounded down)

	Six months to June 30, 2012	Change (%)	Six months to June 30, 2011	Change (%)
Net sales	166,290	(10.8)	186,367	(8.4)
Operating income	25,585	(14.5)	29,936	38.0
Ordinary income	23,094	(23.6)	30,212	35.3
Net income	11,523	(35.0)	17,718	78.9
Net income per share (¥)	20.98		31.10	
Fully diluted net income per share (¥)	20.97		31.08	

Note: Comprehensive income: June 30, 2012: ¥13,356 million (-20.2%); June 30, 2011: ¥16,745 million (--%)

(2) Consolidated financial position

(Millions of yen, rounded down)

	As of June 30, 2012	As of December 31, 2011
Total assets	659,039	658,873
Net assets	540,365	540,023
Shareholders' equity ratio	81.8%	81.8%

Note: Total shareholders' equity: June 30, 2012: ¥539,285 million; December 31, 2011: ¥538,869 million

2. Dividends

Dividends per share	Fiscal year ending December 31, 2012 (forecast)	Fiscal period ended December 31, 2011
Interim dividend per share (¥)	¥10.00	¥10.00
Year-end dividend per share (¥)	¥10.00 (forecast)	¥10.00
Total dividend per share (¥)	¥20.00 (forecast)	¥20.00

Note: Changes compared to the most recent published dividend forecast: None.

3. Consolidated results forecasts for the fiscal year ending December 31, 2012

(Millions of yen)

	January 1, 2012 to December 31, 2012	Change (%)
Net sales	333,000	(3.1)
Operating income	52,000	11.6
Ordinary income	46,500	(0.5)
Net income	23,000	(10.2)
Net income per share (¥)	41.94	

Notes: 1. ％ changes are compared to the same period of the previous fiscal year
2. Changes compared to the most recent published forecast: None

4. Other (See Page 8, Section 2. Other information)

1) Transfer of important subsidiaries during the period: None

No transfers of specified subsidiaries resulting in changes in the scope of consolidation occurred during the period under review.

2) Use of simplified accounting methods or special accounting procedures: Yes

Note: Please refer to Other Information (2) on page 8 of this document for details.

3) Changes in accounting methods, procedures and presentation of accounting methods:

1. Changes following revisions to accounting standards: None
2. Changes to accounting standards other than (1) above: None
3. Changes in accounting methods, procedures and presentation: None
4. Restatements of previously reported results: None

4) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares)	June 30, 2012	576,483,555 shares	December 31, 2011	576,483,555 shares
2. Number of treasury shares	June 30, 2012	29,032,173 shares	December 31, 2011	21,037,327 shares
3. Average number of shares during the interim period	Interim period ended June 30, 2012:	549,320,986 shares	Interim period ended June 30, 2011:	569,801,029 shares

Notice regarding quarterly review procedures

The Financial Products Law review process for this financial report was not yet complete at the time the financial report was issued.

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.

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1. Operating Results and Financial Statements

(1) Summary of business performance

In the first half of the fiscal year (the six month period from January 1, 2012 to June 30, 2012) Japan's economy continued to experience difficult conditions due to risks to overseas economies from the European financial crisis and high oil prices, along with the impact of the strong yen, but nevertheless sustained a gentle recovery due to firm domestic demand from post-earthquake reconstruction and steady increases in personal consumption.

Against this background and in line with our 2010 to 2012 Medium-term Business Plan, we are pursuing the efficient allocation of resources in order to make rapid progress with our drug development pipeline and are focused on three key themes: selecting and concentrating our business portfolio; increasing profits through reorganization of production sites; and developing a world-class antibody business.

Looking first at the selection and concentration of our business portfolio, in our core pharmaceutical business we established a joint venture company, FUJIFILM KYOWA KIRIN BIOLOGICS Co. Ltd., with FUJIFILM Corporation in March 2012 to develop, manufacture and market biosimilar products. The global biosimilar drug market is expected to grow rapidly due to the problem of rising medical costs along with the patent expirations on major biopharmaceuticals in the second half of the current decade. The joint venture company aims to create a state-of-the-art production process and to lower the costs of biosimilar pharmaceuticals, developing and manufacturing reliable, high-quality, globally competitive products by combining Kyowa Hakko Kirin's accumulated, proprietary research, development and manufacturing technology and know-how with Fujifilm's high-level production, quality control and analysis technologies.

The UK's ProStrakan Group plc, which has pharmaceutical development and marketing capabilities in oncology-related fields in the US and Europe, became a wholly-owned subsidiary last year. As a result of its joining the Kyowa Hakko Kirin group, both companies' management resources mutually benefit and are efficiently deployed. Progress is being made with new drug development in key global therapeutic areas and our European sales network, and ProStrakan is contributing to the advancement of our global strategy.

As regards increasing profits by reorganizing production bases and as part of the basic production strategy for our Pharmaceuticals business, the Ube plant is responsible for the production of low molecular weight pharmaceuticals. A new production facility is under construction and is due to be completed this year. The construction of new production facilities for low molecular weight pharmaceutical raw materials is also underway at Daiichi Fine Chemical, a subsidiary in our Bio-Chemicals business. We will continue to strive for increased production efficiency through collaboration the Pharmaceuticals and Bio-chemicals businesses to provide a stable supply of high-quality products.

In respect of developing a world-class antibody business, Kyowa Hakko Kirin has global standard anti-body production technology in addition to its POTELLIGENT® and COMPLEGENT® technologies, and our presence in the field of antibody-based medicines is steadily increasing.

In oncology, we launched POTELIGEO® in the domestic market for adult T-cell leukemia-lymphoma, which is attracting attention both inside and outside Japan as the world's first antibody to be commercialized using the POTELLIGENT® technology. At the same time, Kyowa Medex also launched a companion product, POTELIGEO® TEST, an in vitro diagnostic agent used to assist in determining whether POTELIGEO® should be administered.

We reached a number of important milestones in non-antibody new drug development. In nephrology we initiated domestic phase II clinical trials on RTA 402 for chronic kidney disease as a complication of type 2 diabetes, and in central nervous system medicine we won approval for Apokyn®, an agent to treat Parkinson's disease, and filed for approval of KW-6002, another Parkinson's agent.

Looking at our businesses by segment, the Pharmaceutical business continued to face difficult operating conditions due to factors such as increased use of generics, the aggressive stance of major US and European pharmaceutical firms and intensifying international competition to develop new drugs. In response, we worked to strengthen further our domestic marketing, expand the market for our major products and ensure the rapid market penetration of our new products.

In Bio-chemicals, we strove to expand sales of high value-added amino acids, nucleic acids and related materials and we worked to strengthen our mail order *Remake Series* of healthcare products, centered on our own brands such as *Remake Ornithine*.

Cumulative consolidated results to the end of the second quarter reflect the disposal of the Chemicals business in March 2011 (¥33.5 billion in sales and ¥2.1 billion in operating income in the same period of last fiscal year). Compared to the interim period of last fiscal year, net sales declined by 10.8% to ¥166.2 billion, operating income by 14.5% to ¥25.5 billion, ordinary income by 23.6% to ¥23.0 billion and net income by 35.0% to ¥11.5 billion respectively.

Segmental performance

Pharmaceuticals

Net sales in the Pharmaceuticals segment rose by 9.2% to ¥122.8 billion while operating income declined by 7.1% to ¥ 23.3 billion compared with the same period of last fiscal year.

Core domestic pharmaceutical products performed well, but domestic sales declined compared with the same period of last fiscal year due to the effect of the April 2012 drug reimbursement price cuts and other factors. By individual product, sales of our core ethical pharmaceutical product NESP® compared with the same period of last fiscal year (for renal anemia) were strong, while those of REGPARA® for secondary hyperparathyroidism, Fentos®, a transdermal analgesic for persistent cancer pain, and ASACOL® for ulcerative colitis, advanced. POTELIGEO® was launched in May for adult T-cell leukemia-lymphoma. However, sales of the anti-allergy agent ALLELOCK® and the anti-allergy eye drop preparation Patanol® declined compared with the same period of last fiscal year due to a lower airborne pollen count.

Export sales in the pharmaceuticals segment were firm and technology licensing income increased over the same period of last fiscal year due to the booking of technology licensing revenue from FUJIFILM KYOWA KIRIN BIOLOGICS Co., Ltd.

The ProStrakan Group plc and its 11 subsidiaries were consolidated from the end of June 2011. Performance was broadly in line with target with net sales of ¥7.7 billion and an operating loss (after amortization of goodwill) of ¥2.0 billion.

As regards domestic new drug development, in the oncology field we won approval in March for POTELIGEO® for adult T-cell leukemia-lymphoma and it was launched in May. Kyowa Medex also secured approval in March for POTELIGEO® TEST, an in vitro diagnostic used to determine whether POTELIGEO® is indicated. It was also launched in May. In Asia, pegfilgrastim (brand name Neulasta) was approved in South Korea in May.

In nephrology, we initiated phase II clinical studies in Japan in February on RTA 402 for chronic kidney disease as a complication of type 2 diabetes, and in central nervous system medicine, we obtained domestic approval in March for Apokyn® for Parkinson’s disease. Furthermore, we began phase II studies in May on KHK6188 for neuropathic pain.

Bio-Chemicals

Net sales in the Bio-Chemical segment declined by 0.7% to ¥40.0 billion while operating income fell by 19.0% to ¥2.0 billion compared with the same period of last fiscal year.

Production increases and revisions to selling prices were implemented in response to strong overseas demand for pharmaceutical and industrial raw materials centered on amino acids, nucleic acids and related compounds. However, net sales fell slightly compared with the same period of last fiscal year owing to the European credit crisis and the yen's strength against the euro.

Sales of healthcare products were flat compared with the same period of last fiscal year. Mail order sales centered on *Remake Ornithine* advanced favorably, but sales of drinks and food raw materials were sluggish.

Sales at Daiichi Fine Chemical posted a major advance over the same period of last fiscal year due to the new tranexamic acid facilities completed last year entering full production. Tranexamic acid is used as a raw material for both pharmaceutical and non-pharmaceutical products.

Other

In the Other segment, consolidated net sales were ¥5.1 billion (down 2.5%) while operating income was ¥0.1 billion (down 5.1%) compared with the same period of last fiscal year.

(2) Summary of consolidated financial position

Total assets at the end of the interim period increased by ¥0.1 billion compared with the end of last fiscal year to ¥659.0 billion. As regards current assets, trade notes and accounts receivable decreased, but overall current assets increased by ¥1.2 billion to ¥285.4 billion compared with end of last fiscal year due to increased inventories and short-term loans to the parent company for fund management purposes. Non-current assets decreased by ¥1.0 billion to ¥373.6 billion. Marketing rights increased, but there was a decrease in marketable investment securities and goodwill due to amortization.

Liabilities decreased by ¥0.1 billion compared to the end of last fiscal year to ¥118.6 billion. Income taxes payable rose, but trade notes and accounts payable and other accounts payable both declined.

Net assets increased by ¥0.3 billion compared to the end of last fiscal year to ¥540.3 billion due to booking of quarterly net income and increased foreign currency translation adjustments, which more than offset factors that reduced the balance, including purchases of treasury stock and dividend payments. As a result, the shareholders' equity ratio at the end of the second quarter was 81.8%, unchanged from the end of last fiscal year.

Cash flow summary

Cash and cash equivalents at the end of the interim period were ¥110.6 billion, an increase of ¥3.1 billion compared to the end of the previous fiscal period. The main cash flows and factors affecting them during the interim period were as follows:

Net cash provided by operating activities was ¥31.9 billion (a 72.8% increase compared to the same period of the previous fiscal year). The primary factors affecting cash inflows were net income before income taxes of ¥22.7 billion and depreciation expenses of ¥9.6 billion. The main cash outflow was the corporation tax payment of ¥7.6 billion.

Net cash used by investing activities was ¥15.6 billion (compared to ¥25.6 billion provided in the same period of the previous fiscal year). Major outflows included ¥7.3 billion for the acquisition of tangible current assets and ¥7.1 billion for intangible current assets while the major inflow was ¥2.2 billion from the sale of marketable investment securities.

Net cash used in financing activities was ¥13.3 billion (a 3.6% increase compared to the same period of the previous fiscal year). The main outflows were ¥7.4 billion for the purchase of treasury stock payable and ¥5.5 billion for payment of dividends.

(3) Consolidated results forecasts

No further revisions have been made to the revised consolidated result forecasts announced on July 19, 2012.

2. Other Information

(1) Transfer of important subsidiaries during the period: None applicable

(2) Use of simplified accounting methods or special accounting procedures

Tax expenses are estimated using reasonable assumptions for the effective tax rate after applying tax effective accounting to pre-tax income in the consolidated fiscal year, including the six-month period under review. Tax is then calculated by applying this estimated effective tax rate to quarterly pre-tax income.

(3) Changes in accounting methods, procedures and presentation used in the preparation of these financial statements: None applicable

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3. Consolidated financial statements

(1) Consolidated Balance Sheets

Millions of yen

	As of December 31, 2011	As of June 30, 2012
ASSETS		
Current assets:		
Cash and deposits	27,063	27,737
Notes and accounts receivable - trade	99,109	93,921
Merchandise and finished goods	36,840	39,334
Work in process	12,232	12,420
Raw materials and supplies	9,907	10,193
Deferred tax assets	8,629	9,006
Short-term loans receivable	82,958	84,662
Other	8,067	8,469
Allowance for doubtful accounts	(591)	(320)
Total current assets	284,217	285,426
Non-current assets:		
Property, plant and equipment		
Buildings and structures	129,190	131,668
Accumulated depreciation	(91,855)	(93,305)
Buildings and structures, net	37,334	38,362
Machinery, equipment and vehicles	139,796	140,674
Accumulated depreciation	(120,761)	(123,221)
Machinery, equipment and vehicles, net	19,034	17,452
Land	53,954	53,624
Work in progress	6,221	7,493
Other	46,967	47,979
Accumulated depreciation	(40,569)	(41,433)
Other, net	6,398	6,545
Total property, plant and equipment	122,943	123,479
Intangible assets		
Goodwill	177,267	172,243
Marketing rights	29,025	33,858
Other	4,324	3,721
Total intangible assets	210,616	209,823
Investments and other assets		
Investment securities	24,818	23,690
Deferred tax assets	6,680	7,198
Other	9,958	9,788
Allowance for doubtful accounts	(361)	(367)
Total investments and other assets	41,096	40,310
Total non-current assets	374,656	373,613
Total assets:	658,873	659,039

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Consolidated Balance Sheets (continued)

Millions of yen

	As of December 31, 2011	As of June 30, 2012
LIABILITIES		
Current liabilities:		
Notes and accounts payable - trade	27,341	23,218
Short-term loans payable	5,943	5,841
Accounts payable - other	31,009	30,189
Income taxes payable	7,821	12,381
Provision for sales rebates	667	505
Provision for point card certificates	167	192
Provision for bonuses	161	159
Other	5,254	6,815
Total current liabilities	78,366	79,305
Non-current liabilities:		
Long-term loans payable	98	43
Deferred tax liabilities	10,926	10.842
Provision for retirement benefits	20,654	20,013
Provision for directors' retirement benefits	94	94
Provision for environmental measures	737	539
Asset retirement obligations	654	657
Other	7,317	7,176
Total non-current liabilities	40,484	39,368
Total liabilities:	118,850	118,674
NET ASSETS		
Shareholders' equity:		
Capital stock	26,745	26,745
Capital surplus	512,348	512,329
Retained earnings	34,956	40,926
Treasury stock	(19,194)	(26,511)
Total shareholders' equity	554,856	553,489
Other accumulated comprehensive income adjustments		
Valuation difference on other marketable securities	(3,144)	(2,850)
Foreign currency translation adjustment	(12,841)	(11,353)
Total accumulated comprehensive income adjustments	(15,986)	(14,203)
Subscription rights to shares:	250	153
Minority interests:	902	926
Total net assets:	540,023	540,365
Total liabilities and net assets:	658,873	659,039

(2) Consolidated Statements of Income

Millions of yen

	January 1, 2011 to June 30, 2011	January 1, 2012 to June 30, 2012
Net sales	186,367	166,290
Cost of sales	86,132	61,968
Gross profit	100,234	104,321
Selling, general and administrative expenses		
Research and development expenses	22,198	22,122
Amortization of goodwill	4,874	6,070
Other	43,224	50,542
Total selling, general and administrative expenses	70,297	78,736
Operating income	29,936	25,585
Non-operating income		
Interest income	193	285
Dividend income	303	442
Foreign exchange gains	112	--
Gain on revaluation of derivatives	--	16
Earnings in equity-method affiliates	141	--
Other	565	675
Total non-operating income	1,316	1,419
Non-operating expenses		
Interest expenses	77	81
Foreign exchange loss	--	45
Loss on revaluation of derivatives	32	--
Loss on disposal of non-current assets	313	414
Investment losses in affiliated companies	--	2,549
Other	617	818
Total non-operating expenses	1,040	3,909
Ordinary income	30,212	23,094
Extraordinary income		
Gain on sale of subsidiaries and affiliates' stocks	8,320	--
Reversal of allowance for doubtful accounts	100	--
Total extraordinary income	8,421	--
Extraordinary loss		
Loss on sale of investment securities	--	324
Loss on valuation of investment securities	3,043	--
Advisory fees	1,030	--
Loss due to asset retirement obligations	447	--
Loss due to natural disaster	302	--
Loss on liquidation of subsidiaries and affiliates	209	--
Impairment loss	200	--
Provision for point card certificates for prior periods	128	--
Total extraordinary loss	5,363	324
Income before income taxes and minority interests	33,270	22,769
Income taxes	15,507	11,212
Income before minority interests	17,763	11,556
Minority interests in income	44	32
Net income	17,718	11,523

Consolidated Statements of Comprehensive Income

Millions of yen

	January 1, 2011 to June 30, 2011	January 1, 2012 to June 30, 2012
Net income before minority interests	17,763	11,556
Other comprehensive income		
Valuation difference on other marketable securities	214	294
Deferred gain or loss on hedges	(0)	--
Foreign currency translation adjustment	(1,224)	1,504
Share of other comprehensive income of equity-method affiliates	(6)	(0)
Total other comprehensive income	(1,017)	1,799
Comprehensive income	16,745	13,356
(Breakdown)		
Comprehensive income attributable to parent company shareholders	16,692	13,306
Comprehensive income attributable to minority interests	53	49

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(3) Consolidated Statements of Cash Flows

Millions of Yen

	January 1, 2011 to June 30, 2011	January 1, 2012 to June 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	33,270	22,769
Depreciation and amortization	10,495	9,652
Impairment loss	200	--
Amortization of goodwill	4,951	6,070
Increase (decrease) in provision for retirement benefits	(179)	(643)
Decrease (increase) in prepaid pension costs	(1,136)	(212)
Interest and dividend income	(496)	(727)
Interest expenses	77	81
Equity in (earnings) losses of affiliates	(141)	2,549
Loss (gain) on sale and retirement of property, plant and	191	77
Loss (gain) on sale of investment securities	(16)	316
Loss (gain) on valuation of investment securities	3,043	--
Loss (gain) on sale of stocks of subsidiaries and affiliates	(8,320)	(0)
Decrease (increase) in notes and accounts	(859)	5,441
Decrease (increase) in inventories	(2,714)	(2,706)
Increase (decrease) in notes and accounts payable-trade	(9,379)	(4,265)
Other, net	8,596	517
Subtotal	37,583	38,921
Interest and dividend income received	889	792
Interest expenses paid	(73)	(76)
Income taxes paid	(19,897)	(7,670)
Net cash provided by (used in) operating activities	18,502	31,966

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Consolidated Statements of Cash Flows (continued)

Millions of Yen

	January 1, 2011 to June 30, 2011	January 1, 2012 to June 30, 2012
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,742)	(7,321)
Proceeds from sale of property, plant and equipment	153	343
Purchase of intangible assets	(1,095)	(7,131)
Purchase of investment securities	(1,513)	(3,508)
Proceeds from sale of investment securities	879	2,247
Proceeds from sale of stocks of subsidiaries and affiliates	15,130	0
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(36,979)	(111)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	53,848	--
Payments into time deposits	(617)	(1,617)
Proceeds from withdrawal of time deposits	3,561	1,917
Other, net	70	(482)
Net cash provided by (used in) investing activities	25,696	(15,663)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(636)	(155)
Repayment of long-term loans payable	(6,454)	(56)
Cash used to purchase own shares	(27)	(7,482)
Cash dividends paid	(5,697)	(5,557)
Cash dividends paid to minority shareholders	(7)	(25)
Other, net	(46)	(60)
Net cash provided by (used in) financing activities	**(12,869)**	**(13,339)**
Effect of exchange rate change on cash and cash equivalents	**119**	**152**
Net increase (decrease) in cash and cash equivalents	**31,448**	**3,115**
Cash and cash equivalents at beginning of period	**79,882**	**107,555**
Cash and cash equivalents at end of period	**111,331**	**110,671**

(4) Items related to status as a going concern

No applicable items

(5) Notes applicable in cases of material change in the value of shareholders equity

Acquisition of own shares pursuant to the Articles of Association based on the provisions of the Companies Act Article 165, paragraph 2.

The company resolved at a meeting of the board of directors held on August 25, 2011 to purchase its own shares in accordance with the Companies Act, Article 156, applied *mutatis mutandis* by replacing the provisions of Article 165, paragraph 3. The purchase of the shares was completed on February 23, 2012. The principal effect was a cumulative increase to the second consolidated quarter of fiscal 2012 of ¥7,317 million in the value of treasury stock compared to the end of fiscal 2011, while the total value of treasury stock as of the end of the second consolidated quarter of fiscal 2012 was ¥26,511 million.

(6) Segment information

(I) Fiscal 2012 segment information cumulative to Q2 by business type (January 1, 2012 – June 30, 2012)

1. Sales and profit (loss) by segment

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Other	Total	Elimination/ Corporate	Consolidated
Net sales						
(1) Sales to external customers	122,745	39,340	4,204	166,290	--	166,290
(2) Inter-segment sales and transfers	87	742	968	1,798	(1,798)	--
Total sales	122,833	40,082	5,173	168,088	(1,798)	166,290
Operating income	23,364	2,040	155	25,560	24	25,585

Notes: 1. The Other segment includes distribution and other businesses not included within the other reported segments.
2. The adjustment of segment income of ¥24 million is due to inter-segment eliminations.
3. Segment income is reconciled with operating income in the quarterly consolidated income statements.

(II) Fiscal 2011 segment information cumulative to Q2 by business type (January 1, 2011 – June 30, 2011)

1. Sales and profit (loss) by segment

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Adjustments	Consolidated
Net sales							
(1) Sales to external customers	112,434	38,067	32,787	3,077	186,367	--	186,367
(2) Inter-segment sales and transfers	100	2,292	762	2,229	5,384	(5,384)	--
Total sales	112,534	40,360	33,550	5,306	191,752	(5,384)	186,367
Segment income	25,145	2,519	2,135	148	29,948	(12)	29,936

Notes: 1. The Other segment includes distribution and other businesses not included within the other reported segments.
2. The adjustment of segment income of (¥12 million) was due to inter-segment eliminations.
3. Segment income was reconciled with operating income in the quarterly consolidated income statements.
4. The assets of the Chemicals segment, which previously included Kyowa Hakko Chemical and its consolidated subsidiary Miyako Kagaku Co., Ltd., are now nil due to the segment's elimination from the scope of consolidation as of the end of the consolidated first quarter of FY2011. This follows the transfer of all shares of Kyowa Hakko Chemical executed on March 31, 2011. Further, the assets of the Pharmaceuticals segment increased by ¥55,992 million compared to the end of the previous consolidated fiscal year primarily due to the acquisition of all outstanding shares of ProStrakan Group plc. ProStrakan and its 10 subsidiaries (Pharmaceuticals segment) were included in the scope of consolidation as of the end of the second-quarter of the 2011 fiscal year.

3. Depreciation of non-current assets and goodwill by business segment

(Significant change in goodwill)

In the Pharmaceuticals segment, a significant change in the amount of goodwill occurred on April 21, 2011 as a result of the acquisition of all outstanding shares of the ProStrakan Group plc. The resulting increase in goodwill for the interim period under review was ¥28,272 million.

*As the allocation of the acquisition cost had not been completed (as of the publication date of the above-mentioned accounts), this amount was a provisional estimate based on practical information available at that time.