KYOWA KIRIN

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary

Fiscal 2008

(April 1, 2008 – March 31, 2009)

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)
For The Fiscal Year Ended March 31, 2009

Kyowa Hakko Kirin Co., Ltd. **April 28, 2009**

Stock Code: 4151
URL: http://ir.kyowa-kirin.co.jp/english/index.cfm
President Yuzuru Matsuda

Listed exchanges: Tokyo, 1st section
Inquiries: Tetsuro Kuga, General Manager Corporate Communications Department
Telephone: 81-3-3282-0009

Scheduled date of General Meeting of Shareholders: June 25, 2009
Scheduled date of submission of Financial Report: June 25, 2009
Scheduled start date of dividend payment: June 26, 2009

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2009

(Amounts less than one million yen have been ignored)

1) Consolidated Operating Results

Millions of yen; % changes are from the previous fiscal period

	FY Ended March 31, 2009		FY Ended March 31, 2008	
		Change (%)		Change (%)
Net sales	460,183	17.4	392,119	10.7
Operating income	45,387	15.2	39,390	28.3
Recurring income	46,412	22.2	37,996	23.0
Net income	11,726	(50.0)	23,477	84.9
Net income per share (¥)	¥20.43		¥59.03	
Fully diluted net income per share (¥)	¥20.42		¥58.99	
Return on equity (%)	2.2%		9.5%	
Recurring income to total capital ratio (%)	6.4%		9.8%	
Operating income to sales ratio (%)	9.9%		10.0%	

Income (loss) from equity method investment: FY ended March 31, 2009: ¥1,211 million FY ended March 31, 2008: ¥1,125 million

2) Consolidated Financial Position

Millions of yen

	As of March 31, 2009	As of March 31, 2008
Total assets	699,041	394,081
Net assets	543,070	256,758
Equity ratio (%)	77.0%	64.5%
Net assets per share (¥)	¥938.42	¥639.69

Note: Shareholders' equity: FY ended March 31, 2009: ¥538,554 million; FY ended March 31, 2008: ¥254,289 million

3) Consolidated Cash Flows

Millions of yen

	FY Ended March 31, 2009	FY Ended March 31, 2008
Net cash provided by operating activities	41,069	30,713
Net cash used in investing activities	(3,981)	(9,492)
Net cash used in financing activities	(20,978)	(13,499)
Cash and cash equivalents at end of period	69,286	44,118

2. Dividends

	FY Ended March 31, 2008	FY Ended March 31, 2009	FY Ending December 31, 2009 (forecast)
Dividend per share:			
Interim	¥5.00	¥10.00	¥10.00
Year-end	¥5.00	¥10.00	¥5.00
Annual	¥10.00	¥20.00	¥15.00
Total annual dividend amount (millions of yen)	¥3,976	¥11,478	
Dividend payout ratio	16.9%	97.9%	66.2%
Ratio of dividends to net assets	1.6%	2.1%	

Note: Kyowa Hakko Kirin plans to change its fiscal year end from March 31 to December 31 and an extraordinary financial report will be prepared for the 9-month period resulting from the fiscal year end change. As a result of this change, the forecast dividend per share for the 9-month fiscal period ending December 31, 2009 will 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, 2009

Millions of yen

	Interim		Full year	
		Change %		Change %
Net Sales	185,000	(25.3)	300,000	--
Operating income	14,500	(50.3)	27,000	--
Recurring income	15,000	(50.6)	27,500	--
Net income	6,500	(21.6)	13,000	--
Net income per share	¥11.33		¥22.65	

Notes: "Change %" indicates the percentage change compared to the previous interim period for interim forecasts.
Due to the change in financial year-end to December 31, the forecast figures for the full year are for the 9-month period from April 1, 2009 to December 31, 2009 and comparisons with the previous year 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): Yes

Companies newly added: 2 (Kirin Pharma Company, Limited and Kyowa Hakko Bio Co., Ltd.)

Companies eliminated: 2 (Kirin Pharma Company, Limited and Kyowa Hakko Food Specialties Co., Ltd.)

Note: For details, see page 15, Section 2. Group Status.

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: No

3) Number of shares outstanding (ordinary shares)
   (1) Number of shares outstanding at end of period (including treasury shares):
      March 31, 2009: 576,483,555 shares; March 31, 2008: 399,243,555 shares
   (2) Number of treasury shares at end of period:
      March 31, 2009: 2,589,766 shares; March 31, 2008: 1,723,184 shares

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

1) Non-Consolidated Operating Results

Millions of yen; % changes are from the previous fiscal period

(Amounts less than 1 million yen have been ignored)	FY Ended March 31, 2009		FY Ended March 31, 2008	
		Change (%)		Change (%)
Net sales	188,150	3.1	182,498	6.1
Operating income	35,916	46.6	24,505	34.3
Recurring income	40,427	54.9	26,093	10.3
Net income	34,059	107.2	16,438	(11.3)
Net income per share (¥)	¥59.33		41.33	
Fully diluted net income per share (¥)	¥59.30		41.30	

2) Non-Consolidated Financial Position

	As of March 31, 2009	As of March 31, 2008
Total assets (millions of yen)	365,522	283,153
Net assets (millions of yen)	285,676	206,649
Equity ratio (%)	78.1%	72.9%
Net assets per share (¥)	¥497.46	¥519.43

Note: Shareholders' equity: FY ended March 31, 2009: ¥285,487 million; FY ended March 31, 2008: ¥206,493 million

Notice regarding the appropriate use of the financial forecasts

1. 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 7, Operating results and financial position.
2. On April 1, 2008, Kyowa Hakko Kirin, acting as the parent company of Kirin Pharma Company, Limited, implemented a share exchange making Kirin Pharma, a wholly owned subsidiary. Following this, as Kyowa Hakko Kirin became a subsidiary of Kirin Holdings, accounting regulations for business integration deem the share exchange a reverse acquisition, and the financial statements for the consolidated fiscal year ended March 31, 2009 have been prepared assuming that Kyowa Hakko has been acquired by Kirin Pharma. As a result, the balances at the end of the previous consolidated fiscal year in the consolidated financial statements for the previous fiscal year and the balances at the beginning of the current consolidated fiscal year in the consolidated financial statements for the current fiscal year differ, and therefore, comparisons with previous periods cannot be made.
3. On October 1, 2008 Kyowa Hakko Kogyo Co., Ltd. merged with Kirin Pharma Company, Limited (Kyowa Hakko Kirin is the continuing company) and changed its name to Kyowa Hakko Kirin Co., Ltd.
4. A proposal to change the fiscal year end from March 31 to December 31 has been submitted for approval at the General Meeting of Shareholders to be held on June 25, 2009.

1. Operating Results and Financial Position

I. Summary of Operating Results

1) Operating results for the fiscal year ended March 31, 2009

Billions of yen

	Consolidated results for the period ended March 31, 2009	Consolidated results for the period ended March 31, 2008	Change
Net sales	460.1	392.1	68.0
Operating income	45.3	39.3	5.9
Recurring income	46.4	37.9	8.4
Net income	11.7	23.4	(11.7)

During the consolidated fiscal year under review, the worldwide recession, caused by the deepening financial crisis that stemmed from the sub-prime problem in the US, spread to the domestic economy. Corporate profits revenues came under pressure from a strong yen and sagging share prices, while worsening employment conditions resulted in a sharp deterioration in Japan's economy.

In the Group's operating environment, conditions in the Pharmaceuticals business remained severe as competition from foreign pharmaceutical companies and from the development of new pharmaceutical products intensified on a global scale. Further, in addition to a price reduction averaging 5.2% implemented in April, control of medical treatment costs strengthened as the promotion and diffusion of generic drugs and other measures were further developed. The Bio-Chemicals business was impacted by the steep rise in price of raw material sugars resulting from activation of bio-ethanol production and the rapid appreciation of the yen. In the Chemicals business, the product market significantly worsened as demand rapidly decreased due to the global economic downturn amidst volatile swings in the prices of oil and naphtha. In the Food business, further emphasis was placed on initiatives to ensure food safety and security, and difficulties in the earnings environment became increasingly severe due to the steep rise in the price of raw materials and sluggish consumer spending.

Against this background we strived to implement our action plan aimed towards quickly achieving Group synergies. Based on our three-year medium-term business plan we will seek to realize the Kyowa Hakko Kirin Group vision of becoming a world-class R&D-based life sciences group, based on biotechnology and with pharmaceuticals as our core business.

In the fiscal year ended March 31, 2009 consolidated net sales increased 17.4% to ¥460.1 billion affected by the consolidation of Kirin Pharma. Operating income was ¥45.3 billion, an increase of 15.2%; recurring income was ¥46.4 billion, an increase of 22.2%; and net income was ¥11.7 billion, a decrease of 50.0% due to recording an extraordinary loss of ¥21.5 billion in evaluation of marketable securities, impairment losses and other items.

2) Segmental Review

Pharmaceuticals

	Consolidated results for the period ended March 31, 2009	Consolidated results for the period ended March 31, 2008	Change
			Billions of yen
Net sales	210.4	138.3	72.0
Operating income	34.8	19.9	14.8

In the Pharmaceuticals business, consolidated net sales increased 52.1% to ¥210.4 billion and operating income increased 74.5% to ¥34.8 billion. Sales of pharmaceutical products in Japan were significantly higher compared to the previous fiscal year due to the consolidation of Kirin Pharma from April 2008 and despite the effect of reductions in National Health reimbursement prices.

As regards products, despite a decline in sales of Durotep, an analgesic for persistent cancer pain, due to the ending of a joint sales contract, strong sales were maintained by Allelock, an antiallergic agent, Depakene, an anti-epileptic agent, and Patanol, an antiallergic ophthalmic solution, while sales of Coversyl, an ACE inhibitor for treatment of hypertension, that commenced in April, 2008, also performed well and contributed to growth in sales. In addition, the combined market share of Kirin Pharma‘s two core anemia products, NESP and ESPO, increased steadily following our integration with Kirin Pharma in October 2008. Meanwhile, REGPARA Tablets, a treatment for secondary hyperthyroidism during dialysis therapy, are achieving steady market penetration.

In the licensing-out of technologies and export of pharmaceutical products a large one-off contract payment for the outlicensing to Amgen of anti-CCR4 humanized monoclonal antibody KW-0761 was recorded, resulting in a large increase in sales. At subsidiary Kyowa Medex, which is responsible for the manufacture and sale of diagnostic reagents, sales of both clinical chemistry reagents and immunological reagents increased, and its sales grew compared to the previous fiscal year.

In new drug development in Japan, applications in respect of anemia treatment NESP were made for additional indications for anemia for cancer chemotherapy in November 2008 and for additional indications for pre-dialysis renal anemia in December 2008. Phase III clinical trials are progressing for KW-2246, an analgesic for cancer pain and Phase II clinical trials are being carried out on KRN125 a treatment for neutropenia, KW-6002, an anti-Parkinson’s disease treatment, KW-6500, also an anti-Parkinson’s disease treatment, and KW-7158, a candidate treatment for irritable bowel syndrome. KW-0761, a blood cancer treatment (an antibody pharmaceutical), KW-3357, an agent for inhibiting blood coagulation, and ARQ 197, an anticancer agent, are in Phase I clinical trials.

Overseas, in the U.S. Phase I trials are progressing for anticancer agents KRN330 (an antibody pharmaceutical) and KW-2449, while Phase I trials for hypophosphatemic treatment KRN-23 (an antibody pharmaceutical), organ transplant immunological rejection depression treatment ASKP 1240 (an antibody pharmaceutical) and anticancer agent BIW-8962 (an antibody pharmaceutical) have begun. In Europe, Phase I trials are progressing for anticancer agent KW-2478. In Australia, joint Phase I trials with ARCA biopharma, Inc. (formerly Nuvelo, Inc.) of the U.S., for inflammatory bowel disease treatment NU-206 have begun, while in China we received approval in September 2008 for the additional indication of angina pectoris for Coniel, and filed applications for approval of hyperphosphatemia treatment Phosblock in June 2008, and for Allelock, an antiallergic agent, in July 2008.

Bio-Chemicals

Billions of yen

	Consolidated results for the period ended March 31, 2009	Consolidated results for the period ended March 31, 2008	Change
Net sales	88.4	86.8	1.6
Operating income	8.3	9.6	(1.3)

In the Bio-Chemicals business, net sales increased 1.9% to ¥88.4 billion, while operating income decreased 13.9% to ¥8.3 billion due to the rapid appreciation of the yen. Sales volumes of pharmaceutical and industrial use raw materials, particularly amino acids, nucleic acids and related compounds continued to grow steadily, but sales declined slightly due to the stronger yen in the second half of the fiscal year.

In healthcare products, revenues increased over the previous consolidated fiscal year due to firm growth of sales of dietary supplement amino acids overseas and steady growth in mail-order sales 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 due to a rapid appreciation of the price of feed and raw materials and fuel. In alcohol, revenues were lower than in the previous year despite efforts to expand sales primarily in industrial use alcohol.

In R&D, we focused on new products and continued to improve the efficiencies of fermentation production aimed at reducing the production cost of amino acids, nucleic acids and related compounds. Further, we continued to focus on synthesis process research at Daiichi Fine Chemical, and on the discovery of functionalities and the development of applications for a wide-range of amino acids and other compounds at the Healthcare Products Development Center.

Chemicals

Billions of yen

	Consolidated results for the period ended March 31, 2009	Consolidated results for the period ended March 31, 2008	Change
Net sales	89.2	108.0	(18.8)
Operating income	(0)	7.1	(7.2)

In the Chemicals business, net sales decreased 17.4% to ¥89.2 billion, while operating income was ¥0.0 billion (operating income for the previous fiscal year was ¥7.1 billion). In the first half of the year product prices were adjusted in response to higher raw materials and fuel prices and there was steady growth in functional environmental products such as refrigerant oil raw materials and high-purity solvents for electronic materials. In the second half of the fiscal year, both domestic and overseas sales volumes decreased significantly as demand rapidly dropped against a backdrop of global recession stemming from the financial crisis in the U.S. In addition, a sharp drop in sales resulting from a major downturn in the product market due to a rapid fall in the price of raw materials and fuel, including naphtha and crude oil, caused an extremely severe operating environment.

Food

	Consolidated results for the period ended March 31, 2009	Consolidated results for the period ended March 31, 2008	Change
			Billions of yen
Net sales	42.4	43.3	(0.8)
Operating income	1.0	1.5	(0.4)

In the Food business, sales decreased 2.0% to ¥42.4 billion, while operating income decreased 31.1% to ¥1.0 billion. In seasonings, sales of natural seasonings declined due to a rise in the price of raw materials and sluggish consumer spending, but growth in sales of *Umami* seasonings led to an increase in sales.
In bakery products and ingredients, sales were lower than in the previous year as a result of factors such as the suspension of product sales due to high raw material prices for processed dairy foods and others, and despite growth in sales of core products including yeast and flavor enhancers. In processed foods, sales were lower than the previous year due to a decrease in instant noodle ingredients and others.

Other

	Consolidated results for the period ended March 31, 2009	Consolidated results for the period ended March 31, 2008	Change
			Billions of yen
Net sales	68.7	48.9	19.7
Operating income	1.0	0.8	0.2

In the Other business segment, due partly to the new consolidation of Kashiwagi Corporation, sales increased 40.3% to ¥68.7 billion, while operating income increased 30.5% to ¥1.0 billion.

3) Outlook for Fiscal 2009

	FORECAST Fiscal period ending December 31, 2009	Change compared to the previous fiscal period (Amount)	Change compared to the previous fiscal period (%)
		Billions of yen	%
Net sales	300.0	(62.2)	(17.2%)
Operating income	27.0	(15.6)	(36.8%)
Recurring income	27.5	(15.7)	(36.4%)
Net income	13.0	2.5	24.0%

(These figures assume an average exchange rate of ¥90 to the U.S. dollar and ¥120 to the Euro)
Kyowa Hakko Kirin plans to change its fiscal year-end from March 31 to December 31. As a result, the consolidated forecast is for the nine-month fiscal period from April 1, 2009 to December 31, 2009 that will result from this change. The figures for the financial results of the nine-month period from the previous fiscal year (April 1, 2008 to December 31, 2008) have been provided for comparative reference.

In the nine-month period of fiscal 2009 we expect the domestic economy to continue to worsen. Furthermore, concerns that the global financial crisis may worsen and the global economy may perform below current expectations, as well as the effects of volatility on the equity and foreign exchange markets, etc., mean that there remains the risk of further downward pressure on the economy, and the outlook remains very uncertain.

In this environment, the Kyowa Hakko Kirin Group will undertake business reform initiatives to enhance competitiveness and strengthen operations, enhance R&D efficiencies while proactively investing business resources in our core Pharmaceuticals and Bio-Chemicals businesses and aiming for further growth to strengthen revenues.

Our consolidated financial results forecasts for the next term (the nine-month period from April 1, 2009 to December 31, 2009) are for net sales of ¥300.0 billion, a decrease of 17.2%, operating income of ¥27.0 billion, a decrease of 36.8% and recurring income of ¥27.5 billion, a decrease of 36.4%. As extraordinary losses are expected to decline significantly, net income is forecast to increase 24.0% to ¥13.0 billion.

In the Pharmaceuticals business, we forecast a decrease in both sales and profits compared to the previous fiscal period. We forecast an increase in sales of domestic pharmaceutical products over the previous year due to growth of core products such as anemia products *NESP* and *ESPO*, *REGPARA* Tablets, a treatment for secondary hyperthyroidism during dialysis therapy, *Allelock,* an antiallergic agent, and *Patanol*, an antiallergic ophthalmic solution. However, regarding the export of pharmaceutical products and licensing out of technology, the absence of a large one-off contract payment from a licensing contract with Amgen that was recorded under sales in the previous fiscal period, will have a significant impact, as will the expected decrease in revenues from the effects of a strong yen.

In the Bio-Chemicals business, we are forecasting growth in domestic and overseas sales volumes of core amino acids, nucleic acids and related compounds, however due to expected downward pressure on revenues from a strong yen and other factors, we expect revenues to be higher but profits to be lower than in the previous period. In addition, following the planned change of the Kyowa Hakko Kirin fiscal year end, there will no longer be a three-month disparity in consolidation of overseas subsidiaries with a December year end. As a result, financial results of the corresponding overseas subsidiaries for the 12-month period (January 1, 2009 to December 31, 2009) will be consolidated in the fiscal period ending December 2009.

In the Chemicals business we are forecasting a continued difficult operating environment, as demand remains depressed due to the global economic downturn. As regards product prices, compared to the previous period when price revisions were implemented following a steep rise of crude oil and naphtha prices, we expect lower price levels, so we are forecasting a significant decrease in sales and operating income compared to the previous nine-month period.

In the Food business, following the sale of a portion of the shares held by Kyowa Hakko Kirin in Kyowa Hakko Foods on March 31, 2009, Kyowa Hakko Foods and three of its consolidated subsidiaries are no longer consolidated subsidiaries of Kyowa Hakko Kirin and are now affiliated companies accounted for using the equity method. As a result, net sales and operating income for the Food business will not be reported for the nine-month period ending December 31, 2009. For the nine-month period ended December 31, 2008 net sales for the Food business was ¥32.8 billion and operating income was ¥0.9 billion.

*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 March 31, 2009 were ¥699.0 billion, an increase of ¥304.9 billion compared to the end of the previous fiscal year, largely due to the share exchange with Kirin Pharma on April 1, 2008. Since the business integration with Kirin Pharma was deemed a reverse acquisition upon exchange of shares, this reflects changes during the fiscal year, including ¥96.8 billion in consolidated total assets of Kirin Pharma as of the beginning of fiscal 2008 and Kyowa Hakko’s consolidated total assets at market value.

Current assets increased by ¥46.8 billion compared to the end of the previous consolidated fiscal year to

¥279.4 billion as a result of increases in parent company short-term loans, cash and time deposits and others items. Fixed assets increased by ¥258.1 billion to ¥419.5 billion. Following the reverse acquisition ¥191.9 billion of goodwill was recorded and of this amount, ¥9.5 billion was amortized during the fiscal year. Market valuation appraisal differences arising from the reverse acquisition of ¥67.4 billion in respect of land and investments in marketable securities were also recorded.

Liabilities increased ¥18.6 billion to ¥155.9 billion. As a result of the market valuation of land and other items following the reverse acquisition, deferred tax liabilities increased as did retirement benefit allowance and other items. Net assets at the end of the period were ¥543.0 billion, up ¥286.3 billion. This was due to the inclusion of Kirin Pharma's consolidated net assets (¥64.6 billion) and the market value of Kyowa Hakko's consolidated net assets (the acquisition cost of Kyowa Hakko as the surviving company), as of the beginning of fiscal 2008, and reflects in changes during the fiscal year. As a result, the shareholders' equity ratio as of the end of the fiscal year was 77.0%, an increase of 12.5 percentage points compared to the end of the previous fiscal year.

2) Cash Flow Summary

Billions of yen

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008	Change
Cash flows from operating activities	41.0	30.7	10.3
Cash flows from investing activities	(3.9)	(9.4)	5.5
Cash flows from financing activities	(20.9)	(13.4)	(7.4)
Cash and cash equivalents at end of period	69.2	44.1	25.1

Cash and cash equivalents as of March 31, 2009 were ¥69.2 billion. Accounting regulations for business integration deem the April 1, 2008 share exchange a reverse acquisition and therefore this includes the balance of cash and cash equivalents of Kirin Pharma as of the beginning of the consolidated fiscal year (¥10.4 billion) and the increase in cash and cash equivalents following consolidation of ¥43.7 billion (including Kyowa Hakko's balance of ¥44.1 billion of cash and cash equivalents as of the end of the previous consolidated fiscal year) and reflects changes during the consolidated fiscal year.

As a result, cash and cash equivalents increased ¥15.0 billion during the fiscal year (Note: Compared to the balance of cash and cash equivalents at March 31, 2008 of ¥44.1 billion, this represents an increase of ¥25.1 billion. The main contributing factors affecting cash flow during the fiscal year were as follows:

Net cash provided by operating activities increased 33.7% compared to the previous fiscal year to ¥41.0 billion. The main inflows included net income before income taxes of ¥30.9 billion, deprecation of ¥18.7 billion, and goodwill amortization of ¥9.8 billion. The main outflows included corporate etc. tax payments of ¥20.0 billion.

Net cash used in investing activities decreased 58.1% compared to the previous fiscal year to ¥3.9 billion. The main outflows included payments of ¥18.2 billion for the acquisition of tangible fixed assets and ¥7.0 billion for deposits in fixed-term deposits. The main inflows included ¥16.9 billion from the sale of shares in subsidiaries following changes to the scope of consolidation (the sale of a portion of shares in Kyowa Hakko Food Specialties Co., Ltd.) and ¥3.0 billion from repayments from fixed-term deposits.

Net cash used in financing activities increased 55.4% compared to the previous fiscal year to ¥20.9 billion. The main outflows included payments of ¥12.5 billion for repayment of long-term bank loans and ¥7.6 billion for payment of dividends.

Key Shareholders’ Equity and Cash Flow Indicators

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Shareholders’ equity ratio (%)	62.9%	66.6%	63.8%	64.5%	77.0%
Shareholders’ equity (market price base) ratio (%)	92.7%	94.6%	114.5%	96.0%	67.9%
Cash flow / Interest bearing debt ratio (years)	0.4	0.9	0.6	0.4	0.3
Interest coverage ratio (times)	124.4	84.8	106.3	100.3	82.9

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

*All ratios based on consolidated figures.
*Market capitalization is based on the number of shares issued and outstanding at the end of the period (excluding treasury stock).
*Operating cash flow is the figure for cash flows from operating activities in the consolidated statements of cash flows.
*Of the liabilities on the consolidated balance sheet, interest-bearing debt includes short-term, corporate bonds and long-term borrowings.
*For interest payments, the Interest payments figure in the consolidated statements of cash flows is used.

3) Fiscal 2009 Outlook for Financial Position

Cash flows from operating activities: Operating cash flows are expected to decrease compared to fiscal 2008 since we expect a decrease in net income before income taxes and increases in corporate, etc., tax payments.

Cash flows from investing activities: cash used in investing activities is expected to increase compared to fiscal 2008 due to an expected increase in payments for the acquisition of tangible fixed assets and the absence of inflows from the sale of subsidiaries.

Cash flows from financing activities: The amount of dividend paid is expected to increase over the fiscal 2008. As regards financing, such as fund procurement and loan repayment, we will remain flexible and act in consideration of the economic and funding environment.

As a result of the above, cash and cash equivalents as of the end of fiscal 2009 are expected to be at a lower level than at the end of fiscal 2008.

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, for fiscal 2008 we expect to pay a year-end dividend of ¥10 per share. As a result, in addition to the interim dividend payment of ¥10 per share, the annual dividend per share for fiscal 2008 is expected to be ¥20 per share, ¥10 per share higher than in the previous fiscal year.

In accordance with the Kyowa Hakko Kirin Group 2008-2010 medium-term business plan, we are targeting dividend payout ratio of at least 30% (based on profits before goodwill amortization). For the fiscal year ending December 31, 2009, and based on a 9-month reporting period as a result of our change to our fiscal year end, we expect to pay a dividend of ¥15 per share, consisting of an interim dividend of ¥10 per share, and a year-end dividend of ¥5 per share.

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 the end of fiscal year to March 31, 2009.

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. Since a large portion of our ethical pharmaceuticals selling prices will fall, 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 controlling the costs of medical treatment, and intensified competition resulting from the entry of foreign pharmaceutical companies into the Japanese market.

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.

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.

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.

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.

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 that interrupt production, such as accidents, electricity outages, and boiler stoppages. For example, in Shizuoka Prefecture a major earthquake or other incident could halt production in Kyowa Hakko Kirin’s Fuji Plant, which produces ethical pharmaceutical products. In preparation for such an event the production system at our Ube plant in Yamaguchi is capable of substitute production of certain products. However, depending upon the extent of the damage to the Fuji plant, our production capacity for ethical pharmaceutical products could be severely reduced.

Also, the petrochemical products and alcohol manufactured by the Group are dangerous materials that are extremely flammable. In regard to these products, the Group pays particular attention to safety in its daily production activities; however, in the event of an accident caused by any of a variety of reasons, damage could be caused not only to production facilities but also to the surrounding region.

In addition to 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.

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.

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.

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.

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.

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.

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.

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.

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.

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., 44 subsidiaries, and 22 affiliates and operates primarily in the Pharmaceuticals, Bio-Chemicals, Chemicals, Food 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 California, Inc. generates new candidate compounds. Hematech, Inc. and Hematech-Gac Venture, LLC is involved in the research and development for manufacturing therapeutic antibodies. Jeil-Kirin Pharmaceutical Inc., 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. Note: Change to names of important affiliate companies as follows. (Former names in parenthesis) Kyowa Hakko Kirin America, Inc. (Kyowa America, Inc.) Kyowa Hakko Kirin California, Inc. (Kirin Pharma USA, Inc.) Kyowa Hakko Kirin (Hong Kong) Co., Ltd. (Kirin Pharmaceutical (Asia) Co., Ltd.) Kyowa Hakko Kirin (Singapore) Pte. Ltd. (Kirin Pharmaceutical Singapore Pte. Ltd.) Kyowa Hakko Kirin Pharma. Inc. (Kyowa Pharmaceutical, Inc.) Kyowa Hakko Kirin UK Ltd. (Kyowa Hakko U.K. Ltd.)
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 Co., Ltd. is receiving services provided by Kyowa Hakko Kirin. 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, and receives services from Kyowa Hakko Kirin. 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.
Food Business	The manufacture and sale of seasonings, bakery products and ingredients and processed foods is mainly performed by Kyowa Hakko Food Specialties Co., Ltd., and partly by Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd., Kyowa Hifoods Co., Ltd., Aji-Nihon Co., Ltd., Zenmi Foods Co., Ltd. and others and provides each of these companies with some of their raw materials and also sells finished products supplied by them. Kyowa Hakko Food Specialties Co., Ltd. is supplied with products by Kyowa Hakko Kirin.
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.

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.

Parent company
Kirin Holdings Company Limited

Kyowa Hakko Kirin Co., Ltd.

Pharmaceuticals Business: 19 Companies

(Mfg./Sales)
◎ Kyowa Medex Co., Ltd.
◎ Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.
Other: 1 Company

(Sales/R&D)
◎ Kyowa Medical Promotion Co., Ltd.
◎ Kyowa Hakko Kirin America, Inc.
◎ BioWa, Inc.
◎ Kyowa Hakko Kirin California, Inc.
◎ Hematech, Inc.
◎ Hematech-Gac Venture, LLC
◎ Jeil-Kirin Pharmaceutical Inc.
◎ Kyowa Hakko Kirin (Taiwan) Co., Ltd
◎ Kyowa Hakko Kirin (Hong Kong) Co., Ltd.
◎ Kyowa Hakko Kirin (Singapore) Pte. Ltd.
◎ Kyowa Hakko Kirin (Thailand) Co., Ltd.
○ Kyowa Hakko Kirin Pharma. Inc.
○ Kyowa Hakko Kirin U.K. Ltd.
Other: 3 Companies

Products/
Technology
outlicensing

Services

Chemicals Business: 6 Companies

(Mfg./Sales)
◎ Kyowa Hakko Chemical Co., Ltd.
✳ J-PLUS Co., Ltd.
✳ Kurogane Kasei Co., Ltd.
Japan Ethyl Acetate Co. Ltd.
Other: 1 Company

(Sales)
○ Kyowa Hakko Industry (S) Pte. Ltd.

Services

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

Raw Materials/
Products

Services

Services/
Equipment

Products

Bio-Chemicals Business: 19 Companies

(Mfg./Sales)
◎ Kyowa Hakko Bio Co., Ltd.
◎ Daiichi Fine Chemical Co., Ltd.
◎ BioKyowa Inc.
◎ Shanghai Kyowa Amino Acid Co., Ltd.
Other: 2 Companies

(Sales)
◎ Kyowa Hakko U.S.A., Inc.
◎ Kyowa Hakko Europe GmbH
◎ Kyowa Italiana Farmaceutici S.R.L.
◎ Kyowa Hakko (H.K.) Co., Ltd.
◎ Kyowa Hakko Bio U.S. Holdings, Inc.
◎ Kyowa Wellness Co., Ltd.
◎ Shinwa Pharmaceutical Co., Ltd.*1
◎ Kyowa Engineering Co., Ltd.*2
Other: 5 Companies

Services

Food Business: 13 Companies

(Mfg./Sales)
✳ Kyowa Hakko Food Specialties Co., Ltd.*
✳ Kyowa F.D. Foods Co., Ltd.
✳ Ohland Foods Co., Ltd.
✳ Aji-Nihon Co., Ltd.
✳ Zenmi Foods Inc.
Other: 5 Companies

(Sales)
✳ Kyowa Hifoods Co., Ltd.
Other: 2 Companies

Services/
Raw Materials

Other Business: 9 Companies

(Mfg./Sales)
◎ Miyako Kagaku Co., Ltd.
◎ Chiyoda Kaihatsu Co., Ltd.
◎ Kashiwagi Co., Ltd.
○ Chiyoda Transportation Co., Ltd.
✳ Japan Synthetic Alcohol Co., Ltd.
Other: 4 Companies

*On April 1, 2009, Kyowa Hakko Food Specialties Co., Ltd., changed its name to Kirin Kyowa Foods Company Limited.

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

With the aim of utilizing its business resources more efficiently and enhancing profitability the Kyowa Hakko Kirin Group has designated return on invested capital (ROIC) as a management indicator in its medium-term business plan. The medium-term business plan will be reviewed to accommodate the December financial year-end in response to the scheduled change of the financial year-end in fiscal 2009. The following chart showing our consolidated targets for the fiscal year to March 2011 have been provided as a reference.

Billions of yen

	FY to March, 31, 2009 Results	FY to March, 31, 2011 Targets
Net Sales	460.1	513.0
Operating income	45.3	63.3
Operating income (Before amortization of goodwill)	54.9	73.0
ROIC	14.5%	Above 16%

Note: ROIC = Operating income (before amortization of goodwill)/ Fixed assets + Working capital

*Fixed assets does not include goodwill

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

Based on a three-year medium-term business plan launched in fiscal 2008, 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 will actively invest business resources in our core Pharmaceutical and Bio-Chemicals businesses to further strengthen profitability in the pursuit of growth.

As regards the Pharmaceuticals business, in the domestic ethical pharmaceuticals market we are facing increased competition from US and European drug manufacturers and major domestic pharmaceutical companies and reductions of medical expenses, such as the promotion of the use of generic drugs as a part of the National Health reimbursement policy. In response to this, the Group will endeavor to further strengthen its domestic sales capabilities and expand sales of core products. Further, we will actively promote global development focusing on the Asian region. Regarding research and development, we will endeavor to generate further groundbreaking new products by focusing primarily on the areas of cancer, kidney, and immunological diseases and by leveraging cutting edge biotechnology, primarily antibody technologies.

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 for increased market share in the amino acid market, primarily in fluid infusion and medical foods despite price declines resulting from market entry of Chinese and other manufacturers and the effects of rapid yen appreciation. In healthcare, we are undertaking activities aimed at expanding mail-order sales of dietary supplement Remake® series while promoting the development of markets for unique materials.

In the Chemicals business, despite the effects of the global economic downturn and the influence of the strong yen on the profitability of exports, we aim to expand profits in the existing basic chemicals business by promoting cost reductions and stable operations, supported by expected high potential in Asian economies, primarily China. On the other hand awareness of environmental problems is increasing worldwide, and we intend to focus on creating environmentally friendly new products that utilize our Group strengths, and as a result build a business that is resilient to the effects of economic cycles.

Our Food business, which has been managed by Kyowa Hakko Food Specialties merged with Kirin Food-Tech in April 2009, becoming a subsidiary of Kirin Holdings, and has made a new start as Kirin Kyowa Foods.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2009	As of March 31, 2008
ASSETS		
Current assets:		
Cash and time deposits	32,978	18,481
Accounts and notes receivable	109,984	110,447
Marketable securities	--	26,667
Inventories	--	62,415
Merchandise and products	46,498	--
Work in progress	9,283	--
Raw materials and supplies	11,846	--
Deferred tax assets	11,633	6,829
Short-term loans	47,267	--
Other current assets	10,136	7,908
(Less) Allowance for doubtful accounts	(152)	(89)
Total current assets	**279,475**	**232,661**
Fixed assets:		
Tangible fixed assets		
Buildings and structures	147,416	124,832
Accumulated depreciation and accumulated impairment loss	(102,361)	(87,545)
Buildings and structures (net)	45,055	37,286
Machinery and equipment	200,985	198,703
Accumulated depreciation and accumulated impairment loss	(174,764)	(171,672)
Machinery and equipment (net)	26,220	27,031
Land	74,179	21,253
Construction in progress	6,423	4,355
Other	51,003	35,904
Accumulated depreciation and accumulated impairment loss	(42,484)	(30,697)
Other (net)	8,518	5,207
Total tangible fixed assets	**160,398**	**95,134**
Intangible fixed assets		
Goodwill	177,275	--
Other	3,353	--
Intangible fixed assets	**180,628**	**556**
Investments and other assets:		
Investment securities	62,354	53,196
Long-term loans	515	522
Deferred tax assets	3,014	1,080
Other investments and other assets	13,600	12,449
Allowance for doubtful accounts	(947)	(1,520)
Total investments and other assets	**78,538**	**65,728**
Total fixed assets	**419,565**	**161,420**
Total assets	**699,041**	**394,081**

Consolidated Balance Sheets (continued)

	As of March 31, 2009	As of March 31, 2008
		Millions of yen
LIABILITIES		
Current liabilities:		
Accounts and notes payable	41,960	49,358
Short-term bank loans	12,750	12,533
Accrued expenses	24,882	21,490
Income taxes payable	13,556	10,603
Reserve for sales rebates	439	341
Reserve for bonuses	4,116	3,775
Reserve for repairs	1,115	1,477
Reserve for sales returns	--	58
Reserve for sales promotion expenses	--	668
Other	9,469	11,371
Total current liabilities	**108,290**	**111,679**
Long-term liabilities:		
Corporate debt	60	--
Long-term debt	730	256
Deferred tax liabilities	17,143	2,398
Retirement benefit allowance	26,684	20,948
Directors' retirement benefit allowance	188	218
Reserve for provision for loss on guarantees	--	700
Other long-term liabilities	2,874	1,120
Total long-term liabilities	47,680	25,643
Total liabilities	**155,970**	**137,322**
NET ASSETS		
Shareholders' equity:		
Common stock	26,745	26,745
Capital surplus	512,418	43,180
Retained earnings	10,432	170,947
Treasury stock	(2,392)	(1,544)
Total shareholders' equity	**547,203**	**239,328**
Valuation and translation adjustments		
Valuation difference on other marketable	(4,732)	15,348
Deferred gains (losses) on hedges	4	(9)
Foreign exchange adjustment account	(3,920)	(378)
Total valuation and translation adjustments	**(8,648)**	**14,960**
Subscription rights to shares	**188**	**156**
Minority interests	**4,326**	**2,312**
Total net assets	**543,070**	**256,758**
Total liabilities and net assets	**699,041**	**394,081**

(2) Consolidated Statements of Income

	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
	Millions of yen	
Net sales	**460,183**	**392,119**
Cost of sales	259,886	247,201
Gross profit	200,297	144,917
Selling, general and administrative expenses:		
Transportation	4,209	4,424
Sales promotion	11,289	8,704
Addition to reserve for sales promotion expense	--	668
Addition to allowance for doubtful accounts	100	921
Salaries	23,957	17,502
Bonuses	8,916	5,858
Addition to bonus reserve	1,718	1,981
Employee retirement benefit expense	2,546	1,508
Depreciation	779	569
Research and development	48,094	33,457
Amortization of goodwill	9,673	--
Others	43,624	29,929
Total sales, general and administrative expenses:	154,910	105,527
Operating income	**45,387**	**39,390**
Other income:		
Interest income	688	528
Dividend income	2,394	1,274
Currency exchange gain	135	--
Dividend on insurance	--	277
Income from equity method investments	1,211	1,125
Others	1,411	1,657
Total other income	5,871	4,863
Other expenses:		
Interest expense	523	327
Loss on foreign exchange	--	1,034
Expense on removal of fixed assets	--	837
Loss on sale of fixed assets	--	603
Loss on sale of disposal of assets	2,483	--
Loss on sale of inventories	--	1,474
Expenses related to idle facilities	--	733
Others	1,839	1,245
Total other expenses	4,846	6,257
Recurring income	**46,412**	**37,996**

Consolidated Statements of Income (continued)

Millions of yen

	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Extraordinary income:		
Gain on sale of shares in affiliates	4,721	--
Gain on sale of investments in affiliates	1,354	--
Gain on sale of fixed assets	--	7,471
Others	--	517
Total extraordinary income	**6,075**	**7,988**
Extraordinary losses:		
Valuation loss on investment securities	6,634	--
Asset impairment losses	5,724	2,264
Integration-related expenses	5,514	2,831
Compensation payments	1,937	--
Extraordinary depreciation of fixed assets	762	--
Appraisal loss on investments in affiliate companies	--	1,372
Addition to provision for loss on guarantees	--	700
Others	977	--
Total extraordinary losses	**21,550**	**7,169**
Income before income taxes	**30,937**	**38,815**
Corporate, local, and enterprise taxes	20,799	15,228
Corporate tax adjustment	(1,865)	(35)
Total corporate taxes	18,934	15,193
Income (loss) in minority interests in consolidated subsidiaries	276	144
Net income	**11,726**	**23,477**

(3) Consolidated Statements of Changes in Shareholders’ Equity

Millions of yen, rounded down

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
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	43,180	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	(14)	--
Total change during the period	469,237	--
Balance at end of period	512,418	43,180
Retained surplus		
Balance at end of previous period	170,947	151,565
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	(5,739)	(3,978)
Net income	11,726	23,477
Disposal of treasury stock	--	(13)
Changes to scope of consolidation	--	(102)
Total change during the period	(160,515)	19,382
Balance at end of period	10,432	170,947
Treasury stock		
Balance at end of previous period	(1,544)	(1,062)
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	(1,001)	(567)
Disposal of treasury stock	153	85
Total change during the period	(848)	(481)
Balance at end of period	(2,392)	(1,544)

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

Millions of yen, rounded down

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
Total shareholders' equity		
Balance at end of previous period	239,328	220,428
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	(5,739)	(3,978)
Net income	11,726	23,477
Acquisition of treasury stock	(1,001)	(567)
Disposal of treasury stock	138	71
Changes to scope of consolidation	--	(102)
Total change during the period	307,874	18,900
Balance at end of period	547,203	239,328
Valuation, translation adjustments and others		
Unrealized holding gain on securities		
Balance at end of previous period	15,348	21,785
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	(4,569)	(6,436)
Total change during the period	(20,081)	(6,436)
Balance at end of period	(4,732)	15,348
Unrealized gain from hedging instruments		
Balance at end of previous period	(9)	5
Changes during the period		
Balance of acquired company at end of previous period	9	--
Net changes in items other than shareholders' equity	4	(15)
Total change during the period	13	(15)
Balance at end of period	4	(9)
Translation adjustments		
Balance at end of previous period	(378)	(502)
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	(3,052)	123
Total change during the period	(3,541)	123
Balance at end of period	(3,920)	(378)
Total valuation translation adjustments and others		
Balance at end of previous period	14,960	21,289
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	(7,617)	(6,328)
Total change during the period	(23,609)	(6,328)
Balance at end of period	(8,648)	14,960

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

Millions of yen, rounded down

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2008
Subscription rights to shares		
Balance at end of previous period	156	65
Changes during the period		
Balance of acquired company at end of previous period	(156)	--
Net changes in items other than shareholders' equity	188	91
Total change during the period	32	91
Balance at end of period	188	156
Minority interests		
Balance at end of previous period	2,312	2,299
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	2,874	12
Total change during the period	2,014	12
Balance at end of period	4,326	2,312
Total net assets		
Balance at end of previous period	256,758	244,082
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	(5,739)	(3,978)
Net income	11,726	23,477
Acquisition of treasury stock	(1,001)	(567)
Disposal of treasury stock	138	71
Changes to scope of consolidation	--	(102)
Net changes in items other than shareholders' equity	(4,554)	(6,224)
Changes during the period	286,311	12,676
Balance at end of period	543,070	256,758

(4) Consolidated Statements of Cash Flows

Millions of Yen

	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Cash flows from operating activities:		
Income before income taxes	30,937	38,815
Depreciation and amortization	18,779	14,346
Asset impairment losses	5,724	2,264
Amortization of goodwill	9,859	--
Increase (decrease) in retirement benefit allowance	214	(1,037)
(Increase) in prepaid pension expenses	(3,670)	(3,337)
(Decrease) increase in reserve for bonus payments	(113)	364
(Decrease) increase in allowance for bad debts	(548)	423
Interest and dividend income	(3,083)	(1,803)
Interest expenses	523	327
(Income) from equity method investments	(1,211)	(1,125)
Loss (gain) on sales of tangible fixed assets	1,000	(6,916)
(Gain) on sales of investment securities	(4,694)	(59)
Loss on revaluation of investment securities	6,634	--
Decrease in trade receivables	14,456	1,770
(Increase) in inventories	(5,148)	(2,146)
(Decrease) in trade payables	(10,856)	(5,681)
Others	(1,251)	4,503
Sub-total	57,551	40,712
Interest and dividend income	4,050	2,593
Interest payments	(495)	(306)
Corporate etc. tax payments	(20,037)	(12,285)
Net cash provided by operating activities	**41,069**	**30,713**

Consolidated Statements of Cash Flows (continued)

Millions of Yen

	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Cash flows from investing activities:		
Payments for purchase of property, plant & equipment	(18,230)	(14,401)
Proceeds from sale of property, plant, and equipment	338	7,297
Payments for purchase of investment securities	(149)	(1,189)
Proceeds from sale of investment securities	86	145
Payments for purchase of shares in subsidiaries following changes to the scope of consolidation	--	(2,263)
Proceeds from sale of shares in subsidiaries following changes to the scope of consolidation	16,908	--
Transfer to fixed-term deposits	(7,040)	--
Proceeds from redemptions of fixed-term deposits	3,078	--
Proceeds from repayment of long-term debt	--	1,729
Others	1,028	(808)
Net cash (used in) investing activities	(3,981)	(9,492)
Cash flows from financing activities:		
Net (decrease) in short-term debt	(6)	(8,309)
Proceeds from long-term borrowing	491	--
Repayment of long-term debt	(12,572)	(665)
Payment for purchase of treasury stock	(1,001)	(567)
Proceeds from sale of treasury stock	--	39
Dividends paid	(7,687)	(3,979)
Dividends paid to minority interests	(189)	(18)
Other	(12)	--
Net cash used in financing activities	**(20,978)**	**(13,499)**
Cash and cash equivalents translation differences	**(1,027)**	**(44)**
Increase in cash and cash equivalents	**15,082**	**7,677**
Cash and cash equivalents at beginning of the period	**44,118**	**36,613**
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	**43,740**	**--**
Change to cash and cash equivalents following integration with non-consolidated subsidiary	**23**	**--**
Decrease in cash and cash equivalent following elimination from consolidation	**--**	**(172)**
Cash and cash equivalents at end of the period	**69,286**	**44,118**

Segment information
(1) Segment information by business type

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	67,368	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
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.

Segment information by business type (continued)

Fiscal year: April 1, 2007 – March 31, 2008

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
I. Net Sales:								
(1) Sales to external customers	138,050	78,045	100,068	39,357	36,598	392,119	--	392,119
(2) Inter-segment sales and transfers	327	8,774	7,938	3,966	12,400	33,407	(33,407)	--
Total	138,377	86,820	108,007	43,324	48,998	425,527	(33,407)	392,119
Operating expenses	118,415	77,131	100,837	41,747	48,160	386,293	(33,563)	352,729
Operating income	19,961	9,688	7,169	1,576	838	39,234	155	39,390
II. Assets, Depreciation expenses and Capital outlays								
Assets	115,559	105,525	83,197	33,008	20,589	357,880	36,200	394,081
Depreciation expenses	3,946	5,540	3,771	977	119	14,356	(9)	14,346
Impairment losses	375	1,615	--	273	--	2,264	--	2,264
Capital outlays	4,233	4,191	4,345	1,954	70	14,795	--	14,795

Notes:

1. The segmental classification is based on the business administration divisions of the Kyowa Hakko 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 ¥45,833 million and mainly comprise excess working capital (cash and marketable securities) and long-term investments (investment securities) at the parent company.
3. Following changes to the accounting methods for depreciation, operating expenses in each segment increased as follows in comparison to the accounting methods used in the previous fiscal year: Pharmaceuticals: ¥147 million; Bio-Chemicals: ¥112 million; Chemicals: ¥199 million; Food: ¥44 million; Other: ¥1 million. In each segment operating income decreased by the same amount.

(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.

April 1, 2007 – March 31, 2008

As Japan represented over 90% of total sales and assets this information is omitted.

(3) Overseas Sales

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%

April 1, 2007 – March 31, 2008

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	23,149	22,475	29,052	539	75,217
(2) Consolidated sales					392,119
(3) Overseas sales as a percentage of consolidated sales	5.9%	5.7%	7.4%	0.1%	19.2%

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.