KYOWA KIRIN

Advancing in Harmony

KYOWA HAKKO KIRIN
ANNUAL REPORT 2009
Year ended March 31, 2009

ABOUT KYOWA HAKKO KIRIN

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

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

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

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

NOTE:
On April 1, 2009, Kyowa Hakko Food Specialties Co., Ltd., which was responsible for the Company's Food operations, was integrated with Kirin Food-Tech Company, Limited, to form Kirin Kyowa Foods Company, Limited, which became an equity-method affiliate of the Company (ownership stakes: 35% Kyowa Hakko Kirin, 65% Kirin Holdings). In January 2011, Kirin Kyowa Foods is scheduled to become a wholly owned subsidiary of Kirin Holdings.

NEW START
We made a new start as Kyowa Hakko Kirin on October 1, 2008, and since that time post-integration steps have progressed ahead of schedule.

PERFORMANCE
Net sales increased 17.4%, to ¥460.2 billion, and operating income rose 15.2%, to ¥45.4 billion.

PIPELINE
We out-licensed KW-0761 to Amgen, Inc., for worldwide development and sales for all non-oncology indications, except for Japan and certain Asian countries.

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NOTE TO PERFORMANCE FORECASTS:
Forecasts contained in Annual Report 2009 represent judgments based on information available as of June 25, 2009. It should be noted that there is a possibility that actual results could differ significantly due to a variety of factors.

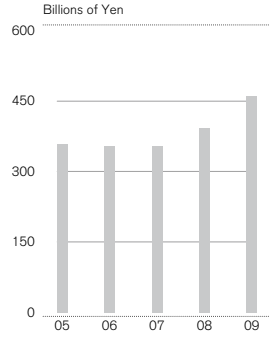
FINANCIAL HIGHLIGHTS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

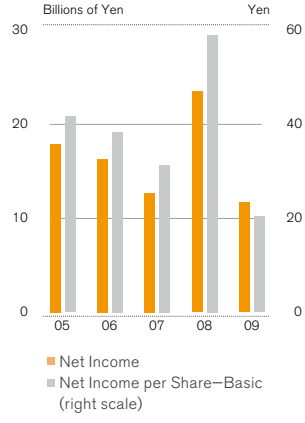
	Millions of Yen			Thousands of U.S. Dollars[1]
	2009	2008	2007	2009
For the Year:				
Net sales	¥460,184	¥392,120	¥354,274	$4,684,760
Operating income	45,387	39,390	30,699	462,049
Net income	11,727	23,477	12,694	119,382
Capital expenditures	18,523	14,796	14,498	188,573
Depreciation and amortization	18,780	14,347	10,006	191,181
R&D expenses	48,389	34,110	33,342	492,613
At Year-End:				
Total assets	¥699,041	¥394,081	¥378,871	$7,116,371
Interest-bearing debt	13,540	12,790	13,137	137,847
Total net assets	543,070	256,758	244,082	5,528,557
Total shareholders' equity[2]	547,203	239,329	220,427	5,570,634
		Yen		U.S. Dollars[1]
Per Share Data:				
Net income—basic[3]	¥ 20.4	¥ 59.0	¥ 31.3	$0.208
Net assets	938.4	639.7	607.5	9.533
Cash dividends	20.0	10.0	10.0	0.204
Financial Ratios:				
Return on assets (ROA)	1.62%	6.07%	3.33%	
Return on equity (ROE)	2.17%	9.47%	5.10%	

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥98.23=U.S.$1, the approximate exchange rate at March 31, 2009.
2. Due to a change in accounting standards, figure for total shareholders' equity in the year ended March 31, 2007, has been restated.
3. Net income per share—basic is based upon the weighted-average number of shares of common stock outstanding during each year, appropriately adjusted for subsequent free distributions of common stock.

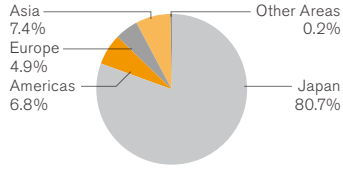
Net Sales



Net Income/Net Income per Share—Basic



Sales Composition by Geographic Area (Fiscal 2009)



TO OUR SHAREHOLDERS

Yuzuru Matsuda
President and Chief Executive Officer

Kyowa Hakko Kirin is evolving from its foundations in biotechnology to become a world-class, R&D-based life sciences Group, focused on pharmaceuticals.

A Historic Year
The Birth of Kyowa Hakko Kirin

Fiscal 2009, the year ended March 31, 2009, was a historic year for us. In April 2008, Kirin Pharma Company, Limited, became a wholly owned subsidiary of Kyowa Hakko, and at the same time Kyowa Hakko became a consolidated subsidiary of Kirin Holdings Company, Limited, assuming responsibility for the Kirin Group's pharmaceutical business. Subsequently, in October 2008 Kyowa Hakko merged with Kirin Pharma, and the new company was inaugurated under the corporate name Kyowa Hakko Kirin Co., Ltd. I would like to express my deep appreciation to our shareholders and other stakeholders for their support and understanding during this momentous time.

The Kyowa Hakko Kirin Group's vision states "Kyowa Hakko Kirin is evolving from its foundations in biotechnology to become a world-class, R&D-based life sciences Group, focused on pharmaceuticals." In that spirit, we have begun implementing our business integration plans in a speedier time frame than initially planned. That we have been able to forge ahead in this way is a testament to the hard work of each and every employee, who came together as one under the new Group structure and worked to achieve our targets.

Operating Environment and Performance

The Kirin Pharma Merger Effect Contributes to Double-Digit Growth in Net Sales and Operating Income

The Japanese economy deteriorated rapidly in the year ended March 31, 2009, influenced by the global economic downturn brought on by the deepening financial crisis and exacerbated further by sharp share market declines and the rapid appreciation of the yen.

Looking at the Group's operating environment, it is clear that Pharmaceuticals operations continued to face extremely challenging business conditions. The government's health care cost containment policy was strengthened by further reductions in National Health Insurance (NHI) official drug prices and continued promotion of the widespread use of generics. Overseas pharmaceutical companies also adopted an increasingly aggressive market stance and global competition for new drug development remained intense.

Bio-Chemicals operations were adversely affected by rapid yen appreciation and surging glucide raw material prices resulting from brisk production levels for bio-ethanol.

In Chemicals operations, crude oil and naphtha prices fluctuated dramatically, as overall demand sharply declined in line with the global economic recession, and conditions in chemical product markets also worsened significantly.

The Food operations business environment also became more difficult. Consumers were increasingly focused on food safety, including the steps taken by companies to ensure the safety of their food products. At the same time, raw material prices escalated and consumption levels weakened.

With these operating conditions as a backdrop, we began implementing an action plan aimed at rapidly achieving Group synergies and bringing to fruition the corporate vision outlined in our current three-year medium-term management plan, of which fiscal 2009 was the first year. That corporate vision states "Kyowa Hakko Kirin is evolving from its foundations in biotechnology to become a world-class, R&D-based life sciences Group, focused on pharmaceuticals."

As a result, in the year ended March 31, 2009, consolidated net sales rose 17.4%, to ¥460.2 billion, and operating income grew 15.2%, to ¥45.4 billion. Net income fell 50.0%, to ¥11.7 billion, principally due to extraordinary losses totaling ¥21.5 billion on such items as loss on revaluation of investments in securities and loss on impairment of fixed assets.

As planned, we doubled the annual dividend from the previous period, to ¥20.0 per share, including the interim dividend. At first glance, the dividend payout ratio of 97.9% may seem particularly high. However, providing shareholders with a consistent and reliable dividend stream is a Company priority, and we decided on this amount only after confirming that we retained sufficient internal reserves to fund future investment, particularly in new drug development. The annual dividend was calculated on a cash flow basis before amortization of goodwill and extraordinary losses.

Overview by Business Segment

Pharmaceuticals Operations Post Higher Sales and Profits in Comparison with Simple Sum of Predecessors' Results in Previous Fiscal Year

In Pharmaceuticals operations, both sales and operating income grew substantially year on year. Despite the impact of an industry-average 5.2% reduction in NHI official drug prices in April 2008, Kirin Pharma products such as the anemia treatments Nesp® and Espo®, the granulocyte colony-stimulating factor (G-CSF) formulation Gran®, and the secondary hyperparathyroidism treatment Regpara® provided new contributions to net sales, and such Kyowa Hakko mainstay products as the antiallergic agent Allelock® and antiallergic eyedrops Patanol® continued to grow favorably. Further, in April 2008 we commenced sales of Coversyl®, an ACE inhibitor for the treatment of hypertension, which also contributed to sales growth, as did a rise in technology licensing and pharmaceutical exports, largely attributable to an up-front payment related to a licensing agreement with Amgen, Inc., for KW-0761. Compared with the simple sum of the results of Kyowa Hakko and Kirin Pharma in the year ended March 31, 2008, Kyowa Hakko Kirin achieved increases in both sales and operating income.

Bio-Chemicals operations recorded higher sales but lower operating income year on year. In raw materials for pharmaceutical and industrial use, primarily amino acids, nucleic acids, and related compounds, strong demand overseas for products such as amino acids for use in transfusions led to continued solid growth in sales volumes of amino acids. However, sales of raw materials for pharmaceutical and industrial use declined due to the stronger yen in the second half of the fiscal year.

Compared to the previous fiscal year, Chemicals operations saw both sales and operating income decline significantly. While overall the segment performed well in the first half of the fiscal year, from the second half results rapidly deteriorated. Sales volumes plummeted as demand drastically contracted due to the global economic recession and conditions in the chemical product markets worsened significantly due to the sharp drop in the prices of raw materials and fuel, including naphtha and crude oil.

Food operations also recorded a decline in sales and operating income. A principal factor was sluggish sales of our mainstay natural seasonings products, attributable to the rapid rise in the price of fuel and raw materials and weak consumer spending.

The Current Medium-Term Management Plan

New Medium-Term Management Plan Targets to be Announced in January 2010

Our performance in fiscal 2009 unfortunately fell short of the targets set in our current three-year medium-term management plan, which began in the fiscal year under review.

This was primarily due to the fact that when we formulated the plan, our two predecessor companies had not agreed upon a unified standard for establishing medium-term management plan targets, which resulted in sales targets for some mainstay products being set too high. It was also due to the

drastic changes in the operating environment, which arose after the targets had been set.

We subsequently closely reviewed the initial plan in order to standardize its methodology and account for changes in the operating environment and in January 2009 announced revised performance targets. We were largely able to achieve the revised targets.

Further, we are fully aware that we need to revise the current medium-term management plan because our management environment has changed dramatically. These changes include the removal of Food operations from the scope of consolidation and the significant worsening of the global economic recession from fall 2008.

Moreover, from a practical business perspective, in order to align our fiscal year with that of parent company Kirin Holdings, we are changing our fiscal year-end from the end of March to the end of December. As a result, the current fiscal period will be an irregular nine-month accounting period running from April 1, 2009, to December 31, 2009. The upcoming New Medium-Term Management Plan, to run for three years from 2010 to 2012, will be based on the current medium-term management plan. Following further detailed investigations, we intend to announce a revised plan at the end of January 2010.

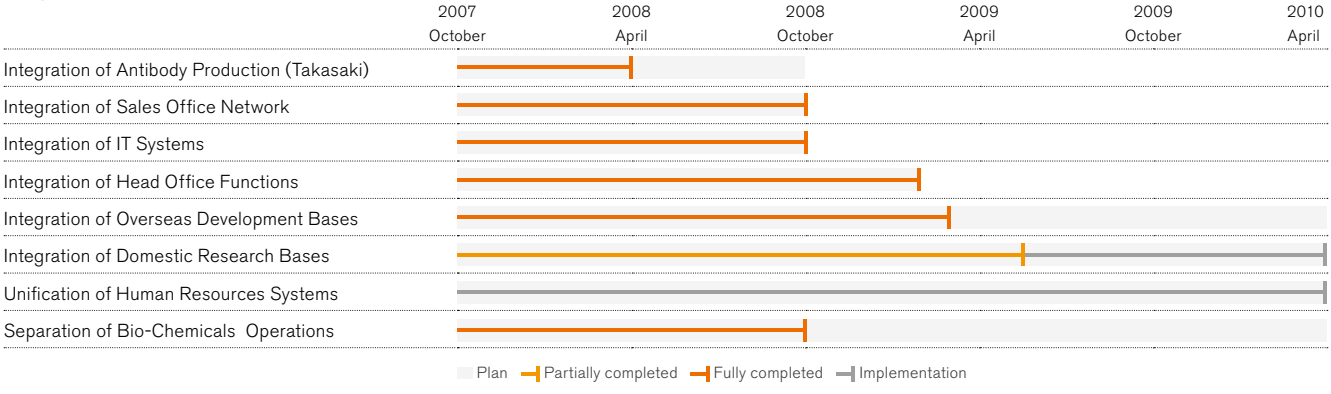
Progress toward Integration

Ahead of Schedule with Integration Operations

In Pharmaceuticals operations, as previously mentioned, Kirin Pharma became a wholly owned subsidiary of Kyowa Hakko in April 2008. Following the merger in October 2008, Kyowa Hakko Kirin was inaugurated.

Since then, we have made steady progress toward the full integration of the pharmaceuticals businesses of our predecessor companies. By the end of the fiscal period under review, we had successfully consolidated head office functions and IT systems, and had also brought together our sales office network, antibody production, and overseas development bases. All that remains is to integrate domestic research bases and to unify human resource systems. We are on course to complete these tasks ahead of schedule.

Integration Schedule



We brought forward the timing for the spin-off of our Bio-Chemicals operations by 18 months, and in October 2008 Kyowa Hakko Bio Co., Ltd., was established. Further, in Food operations, in April 2009 the Company's wholly owned subsidiary, Kyowa Hakko Food Specialties Co., Ltd., merged with the Kirin Group's food operations company, Kirin Food-Tech Company, Limited, to form Kirin Kyowa Foods Company, Limited. This company will be able to more strategically develop its business as a consolidated subsidiary of Kirin Holdings (65% equity interest) responsible for the Kirin Group's food division. Kirin Kyowa Foods has thus become a Kyowa Hakko Kirin equity-method affiliate (35% equity interest) and in January 2011 will become a wholly owned subsidiary of Kirin Holdings.

Integration Synergies Achieved in Pharmaceuticals Operations

Tangible Results in R&D, Manufacturing, and Sales

Currently, just nine months since the inauguration of Kyowa Hakko Kirin in October 2008, not enough time has passed for sales synergies to sufficiently manifest themselves so as to be readily apparent in performance figures. However, through the integration of our Pharmaceuticals operations we now have a sales force of approximately 1,400 medical representatives (MRs) to provide medical specialists with even more comprehensive information about mainstay products, such as treatments for anemia, Nesp® and Espo®, and the antihypertensive and angina pectoris agent Coniel®. We are already starting to see the benefits of integration, for example, with a substantial increase in our share of the market for erythropoiesis-stimulating agents (ESAs). In the area of cost synergies, we were able to achieve results that matched our targets for the first year of the current medium-term management plan.

Our principal focus in integrating pharmaceuticals businesses is to achieve synergies in R&D. While we do not expect benefits to be evident in the short term, we are making solid progress in our product pipeline. The goal of the current medium-term management plan is to strengthen our R&D capabilities—particularly our drug discovery capabilities—by marrying the cutting-edge antibody technologies of both predecessor companies and then leveraging this strength to become a global specialty pharmaceutical company.

To this end, every year we aim to advance four new drug candidates—two therapeutic antibodies and two small molecule compounds—to the development stage. In this way, we will have a total of 20 new drug candidates under development in five years. We made smooth progress toward meeting this target in the year ended March 31, 2009, with three therapeutic antibodies—BIW-8962, ASKP1240, and KRN23—entering phase I clinical trials. Further, a number of candidates have been advanced to the next stage of development, including an application for an additional indication that was filed for our mainstay anemia treatment Nesp®.

In manufacturing, to keep step with advances in our therapeutic antibodies development pipeline, we have been constructing a facility to produce investigational therapeutic antibodies in the Bio Process Research and Development

Laboratories at our Takasaki Plant. The project is scheduled for completion in the spring of 2010 at a cost of approximately ¥10.0 billion.

I am personally very pleased about the construction of this manufacturing facility, which has been fully utilizing the world-class protein pharmaceutical manufacturing technologies accumulated by our predecessor Kirin Pharma.

Therapeutic Antibody Business

Positive Contributions Expected in Future Results

We use three business models in our therapeutic antibody business.

The first is our in-house antibody pipeline. This includes KW-0761, which I will return to later. Of course, we are capable of taking a drug all the way from development through to sales, but depending on the situation we sometimes out-license to another company during development. In these cases, in addition to an up-front payment when the agreement is made and subsequent milestone payments, we can also expect to receive royalties linked to sales once the drug is marketed.

The second model is antibody technology out-licensing, such as for Potelligent®, our high antibody-dependent cellular cytotoxicity (ADCC) production technology. At present, we have licensed this technology to 11 antibody pharmaceutical companies in Japan and overseas. (Please refer to the Special Feature section on page 11 for details.) In terms of revenue, we benefit from an up-front agreement payment, milestone payments, and royalties when we out-license technology, just as we do when we out-license a therapeutic antibody.

The third model is collaborative alliances with bio-venture companies for in-licensing or joint development of therapeutic antibodies. Under this model, in return for providing bio-venture companies with antibody technologies and funding, we participate in the development process for the therapeutic antibody and then acquire its marketing rights.

Against the backdrop of recent strength in the therapeutic antibodies market, I feel that expectations for our therapeutic antibody business have risen both inside and outside the Company.

In March 2008, the out-licensing of the anti-CCR4 (CC chemokine receptor 4) humanized monoclonal antibody KW-0761, which utilizes the Potelligent® technology platform, to U.S. pharmaceutical company Amgen resulted in an up-front payment of $100.0 million in the year under review. This agreement grants Amgen exclusive worldwide rights to develop and market KW-0761 for all non-oncological indications in all countries except Japan, Korea, China, and Taiwan. Under the terms of the agreement, we will receive a total of $420.0 million in milestone payments as the product progresses through development to marketing, and after it is launched we will be entitled to double-digit royalties on sales.

In parallel, we are developing KW-0761 in-house for indications as a treatment for blood cancers. At present, we have completed phase I clinical trials in relapsed patients with CCR4-positive adult T-cell leukemia-lymphoma (ATL) and peripheral T-cell lymphoma (PTCL). Trial results are extremely encouraging, indicating both safety and efficacy, and we began phase II clinical

trials in June 2009. Patients with these diseases, for which there is currently no effective drug treatment, have submitted a petition to the Ministry of Health, Labour and Welfare requesting expedited approval. Our goal is to realize a rapid launch to respond to these unmet medical needs.

If development of KW-0761 for blood cancers proceeds smoothly as expected, we will file a New Drug Application (NDA) in 2011 and anticipate approval in 2012 in Japan. If KW-0761 is launched as our first in-house therapeutic antibody utilizing the Potelligent® technology platform, then it will prove to be an extremely fair wind for our therapeutic antibody business.

In December 2006, we out-licensed the anti-IL-5R humanized monoclonal antibody BIW-8405 (MEDI-563) to MedImmune, Inc. (acquired by AstraZeneca plc). Currently, it is in phase II clinical trials as an asthma treatment.

In addition, in May 2009 we signed a research collaboration and licensing agreement with leading French pharmaceutical company sanofi-aventis for our anti-LIGHT fully human monoclonal antibodies. Through this agreement, we will receive sales-dependent royalties in addition to a one-off payment and development milestone payments, which in total could reach as much as $315.0 million.

Future Business Strategies and Portfolio

Further Strengthening Pharmaceuticals and Bio-Chemicals as the Company's Core Operations

In Pharmaceuticals operations, our goal is to be a global specialty pharmaceutical company with special strengths in biotechnology. Through integration, we are further strengthening our drug discovery capabilities in the key fields of oncology, nephrology, and immunology, with a focus on antibody technology. We hope to capitalize on our enhanced development pipeline to construct sales and marketing networks in the United States and Europe.

We visualize a steady growth path for our Pharmaceuticals operations between 2009 and 2012. While we expect contributions from such in-licensed drugs as Asacol® and HFT-290, we work to increase domestic sales by further promoting and obtaining approval for additional indications of our mainstay products.

As previously mentioned, we are planning a 2012 market launch for the therapeutic antibody KW-0761. From that point, we expect steadily increasing sales in our therapeutic antibody business to contribute to our performance. And thus, we are also optimistic about establishing our own overseas marketing network.

Bio-Chemicals operations, which span pharmaceutical raw materials, intermediates, and health care products, cover areas peripheral to our Pharmaceuticals operations, which are centered on ethical pharmaceuticals, principally antibodies, and on diagnostic reagents. I believe our strength has been to successfully combine the twin strengths derived from expertise in our Pharmaceuticals and Bio-Chemicals operations to create a unique business portfolio that is unlike that of any other company in the world. This portfolio has successfully raised our profile as a company that does more than specialize in pharmaceuticals.

At first glance, the Chemicals business does not seem to fit snugly into our business portfolio. However, it has been the starting point of all our businesses since 1948, when we became the first company in Japan to mass produce acetone and butanol from syrup using a fermentation method.

These days, our Chemicals operations employ synthesis technologies to manufacture petrochemical products. Undeniably, there are few similarities between our Chemicals operations and our Pharmaceuticals and Bio-Chemicals businesses, both of which are founded on biotechnology. We are, however, a prominent player in the chemicals market, with several products holding the number one share or other top share in their segment, and thus we feel a responsibility to continue supplying these products.

Recently, increasing opportunities for reorganization have arisen in the petrochemical industry. I want us to consider multiple scenarios for the evolution of our Chemicals business, while taking into account the importance of employment security for our staff, in order to make the best possible choices for the future.

Our Role and Position within the Kirin Group

Shared Focus on Three Keywords Contributes to the Kirin Group

The first keyword is “food and health,” which is adopted from the Kirin Group management philosophy. The Kirin Group has been steadily expanding its alcohol, soft drinks, foods, and pharmaceuticals businesses. As a company with our own businesses in pharmaceuticals and health foods, we are confident that we have an important role to play in helping the Kirin Group realize its management philosophy.

The second keyword is “biotechnology,” which is the technological foundation of our Company. As Japan’s major beer brewing company, the Kirin Group has its origins in fermentation technology. At Kyowa Hakko Kirin, an R&D-based life sciences company, our corporate foundations are in biotechnology, which itself evolved from earlier fermentation technologies and today supports the development of such cutting-edge pharmaceuticals as therapeutic antibodies.

New Organizational Structure
As of April 2009

* **April 1, 2009:** Established following a merger between Kirin Food-Tech and Kyowa Hakko Food Specialties (Kirin Holdings ownership: 65%/Kyowa Hakko Kirin ownership: 35%)
January 1, 2011 (planned): To become a wholly owned subsidiary of Kirin Holdings.

The third is an “Asia–Oceania strategy.” The Kirin Group’s long-term business framework, Kirin Group Vision 2015, sets out the goal of being the leading “food and health” company in the Asia–Oceania region. We, too, are accelerating business expansion into Asia through the regional bases established by our predecessor, Kirin Pharma.

Future Prospects

Annual Dividend of ¥15.0 per Share Planned for the Year Ending December 31, 2009

In the year ending December 31, 2009, an irregular nine-month accounting period, we will aggressively invest management resources in our core business areas of Pharmaceuticals and Bio-Chemicals. The aim of this strategy is to implement operational reforms that will lead to greater profitability and heightened competitiveness, and then in turn to a stronger company and highly efficient R&D.

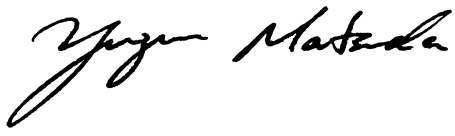
We forecast net sales of ¥300.0 billion, a decrease of 17.2% on the previous comparable period, and operating income of ¥27.0 billion, down 36.8%. As a result of an expected significant reduction in the level of extraordinary losses, we anticipate net income of ¥13.0 billion, a 24.0% increase.

Providing a return to shareholders through stable and consistent dividend payments is one of our highest management priorities. The current medium-term management plan targets a dividend payout ratio of more than 30.0%, calculated before amortization of goodwill and extraordinary losses. In line with that target, we are planning a dividend of ¥15.0 per share for the irregular nine-month accounting period to December 31, 2009, being three-quarters the value of the annual dividend for the prior fiscal year.

Kyowa Hakko Kirin is a member of the Kirin Group, and Kirin Holdings owns 50.1% of our shares. However, we always endeavor to carry out highly transparent management that considers the position of all stakeholders, including our minority shareholders. Further, we constantly strive to fulfill our corporate social responsibilities, in areas such as compliance and quality assurance. Through these efforts, I believe we have become a life sciences company that has built strong bonds of trust with people throughout society.

I would like to express my gratitude to all our shareholders for their understanding and support in what has been a historic year for our Company, and to ask for your continued encouragement in the years ahead.

June 25, 2009



Yuzuru Matsuda
President and Chief Executive Officer

Advancing in Harmony

At the Life Sciences Frontier

On October 1, 2008, we marked our new beginning as Kyowa Hakko Kirin and are now working to use our leading-edge biotechnologies—especially antibody technologies—to continually discover innovative new drugs, centered on the fields of oncology, nephrology, and immunology. By combining the distinctive technologies and R&D assets of our predecessors—Kyowa Hakko and Kirin Pharma—we are "advancing in harmony" at the life sciences frontier. In these endeavors, we aim to become a global specialty pharmaceutical company that responds to unmet medical needs and contributes to the health and well-being of people around the world.

R&D Strategies

At Kyowa Hakko Kirin, we are devoting our energies to R&D in the area of new therapeutic antibodies that utilize our unique antibody technological platforms—such as Potelligent® and KM Mouse®, which generates fully human antibodies from mice—as well as the area of small molecule compound pharmaceuticals.

We have established oncology, nephrology, and immunology as our three priority exploratory R&D areas. These were priority areas for both Kyowa Hakko and Kirin Pharma, and we are optimistic that the integration will help us achieve even greater synergies. Specifically, we are aiming to generate post-merger synergies that leverage our antibody technologies and increase efficiency in new drug discovery for small molecule compounds. Going forward, we are poised to enhance our development pipeline and accelerate our progress toward our next stage.

We are integrating our R&D bases, and by March 2010 we plan to complete a network of two research bases in Japan (the Tokyo Research Park and Fuji Research Park) and two overseas (Kyowa Hakko Kirin California, Inc., and Hematech, Inc.).

In addition, we have further strengthened our alliance with the La Jolla Institute for Allergy & Immunology (LIAI), to which we provide support for research, and are looking forward to seeing the results of this proactive joint research endeavor. Further, in innovative drug discovery technologies, Hematech, a subsidiary in the United States, is currently pushing forward with research to develop cattle that can efficiently produce human polyclonal antibodies. Moreover, we are striving to discover targets for new drug discovery by utilizing our EXPOC System (Express POC System). We are also actively engaging in alliances with external research organizations with the objective of enhancing our development pipeline.

In order to deliver pharmaceutical treatments to patients throughout the world as quickly as possible, we smoothly execute a coordinated series of development activities to progress from non-clinical trials and manufacturing of investigational drugs through to clinical trials and acquisition of approval for manufacturing and marketing.

In pharmaceutical development, to make new drugs available to patients throughout the world as quickly as possible, we smoothly execute a coordinated series of development activities extending from non-clinical trials and manufacturing of investigational drugs through to clinical trials and acquisition of approval for manufacturing and marketing.

We have development bases in Japan, the United States, the United Kingdom, and China, and at each base we maintain high levels of quality in the evaluation of efficacy and safety in accordance with the standards of each country. In clinical development, Kyowa Hakko Kirin is committed to rapidly demonstrating pharmacological efficacy, or acquiring Proof of Concept (POC), as quickly as possible and moving to the latter phases of clinical trials.

In the United States, we have consolidated our experience and expertise through the integration of our two clinical development bases into Kyowa Hakko Kirin Pharma, Inc., located in Princeton, New Jersey. In addition, we are taking steps to efficiently and rapidly implement development activities through the global development network, including global clinical trials.

Regarding the manufacture of investigational drugs, we are proactively utilizing contract manufacturing organizations both in Japan and overseas for small molecule compounds. We also can manufacture and supply investigational therapeutic antibodies, primarily through our own manufacturing facilities within the Bio Process Research and Development Laboratories at our Takasaki Plant in Gunma Prefecture. In addition, we are constructing a new facility for the production of investigational therapeutic antibodies at the same site in Takasaki.

Our development project management system encompasses a range of activities that help achieve rapid development and maintain our products' high levels of competitiveness and quality. These activities include decision-making processes that incorporate a range of viewpoints, strengthened project progress management, cooperation with our laboratories, and enhanced strategic tools for electronic document management and applications.

Antibody Pharmaceuticals Pipeline
As of April 2009

THERAPEUTIC AREA	PRECLINICAL	PHASE I	PHASE II
Cancer	9 antibodies (including 7 Potelligent® antibodies)	• KW-0761 (CCR4) • BIW-8962 (GM2) • KRN330	KW-2871 (GD3) Out-licensed to Life Science Pharmaceuticals
Immunology/Allergy		• AMG 761 (CCR4) Out-licensed to Amgen • ASKP1240 Out-licensed to Astellas Pharma	• MEDI-563 (IL-5R) Out-licensed to MedImmune
Other		• KRN23	

• Potelligent® technology applied • KM Mouse® technology applied

Therapeutic Antibody Business

Because therapeutic antibodies target malignant cells, such as cancer, with pinpoint accuracy, they are expected to have minimal side effects and to show high efficacy in the treatment of diseases that are difficult to treat with conventional types of drugs. The therapeutic antibody market is continuing to grow rapidly. In 2007, the global market was valued at more than ¥2.5 trillion and is expected to be over ¥5.0 trillion by 2015. One of our predecessors, the former Kyowa Hakko, developed the Potelligent® technology platform, an antibody-dependent cellular cytotoxicity (ADCC) enhancing technology, and the Complegent™ technology platform, a complement-dependent cytotoxicity (CDC) enhancing technology, promoting the Potelligent® technology platform as the global standard in therapeutic antibodies production. Our other predecessor, the former Kirin Pharma, created the highly regarded KM Mouse® technology for the production of fully human antibodies, and other technologies that it accumulated through its experience in the production of biopharmaceuticals.

By combining the technological achievements of both companies, Kyowa Hakko Kirin intends to strengthen its ability to develop drugs more efficiently and effectively, increase opportunities to acquire new drug target molecules through a stronger presence in the area of therapeutic antibody technology, and expedite development of therapeutic antibodies. In this way, we will have a substantial advantage in the therapeutic antibody business.

Three Business Models for Our Therapeutic Antibody Business

In-House Antibody Pipeline

The development pipeline for therapeutic antibodies now includes various antibodies that utilize our Potelligent® technology as well as many KM Mouse® antibodies. Development candidates are in early clinical trial or preclinical trial stages, and we are endeavoring to speed up the development process. From the standpoint of value maximization, we assess each development candidate individually to determine its future course, including how far along the development process it should be taken in-house, whether it should be out-licensed, or whether we should undertake sole development through to marketing.

In December 2006, we licensed the anti-IL-5R antibody BIW-8405 to MedImmune (MedImmune development code: MEDI-563). In December 2008, MedImmune began phase II clinical trials of MEDI-563 as a treatment for asthma patients. Also, in March 2008 we licensed the anti-CCR4 (CC chemokine receptor 4) antibody KW-0761 to U.S. pharmaceutical company Amgen and received an up-front payment of $100.0 million when the agreement came into effect. The KW-0761 licensing agreement also includes milestone payments totaling $420.0 million during development, and once the product is launched we will receive royalty payments from Amgen based on sales value.

In addition, in May 2009 we signed a research collaboration and licensing agreement through which sanofi-aventis, of France, receives worldwide rights to Kyowa Hakko Kirin's anti-LIGHT fully human monoclonal antibodies, which utilize the KM Mouse® technology platform.

Development status of KW-0761, a humanized monoclonal antibody targeting CCR4 utilizing the Potelligent® technology platform

In Japan, we have completed phase I clinical trials of KW-0761 in relapsed patients with CCR4-positive adult T-cell leukemia-lymphoma (ATL) and peripheral T-cell lymphoma (PTCL). The results of the trials were extremely positive, indicating both safety and efficacy at the minimum dosages of 0.01mg/kg to 1.0mg/kg. We began phase II clinical trials in June 2009. In the United States, we are preparing for the start of phase I clinical trials during 2009 for the indication of hematologic tumor, while Amgen has commenced phase I clinical trials in the United Kingdom for KW-0761 for an indication of asthma.

Antibody Technology Licensing

Kyowa Hakko Kirin's U.S. subsidiary BioWa, Inc., has aggressively out-licensed Potelligent® technology. In May 2007, a U.S. patent was issued covering all antibodies with fucose-free complex-type sugar chains (a type of mammalian sugar chain), irrespective of the antigen or type of production method. This means that a license from BioWa is essential to commercialize Potelligent® antibodies in the United States. This patent reinforces the exclusive position of Kyowa Hakko Kirin and BioWa in the R&D of Potelligent® antibodies and furthers our aim for this technology to become the global standard. We have now granted licenses for Potelligent® technology to 11 of the world's preeminent companies in therapeutic antibodies as well as pharmaceutical companies, including Genentech, Inc., Biogen Idec Inc., GlaxoSmithKline plc, Novartis AG, Takeda Pharmaceutical Co., Ltd., and sanofi-aventis.

Out-licensing agreements for high ADCC antibody technologies like Potelligent® technology bring with them an up-front payment when the agreement comes into effect, various milestone payments along the development process, and royalty payments once the product is launched. The KW-0761 licensing agreement with Amgen mentioned above

Potelligent® Technology-Related Alliances

As of April 2009

Antibody Pipeline

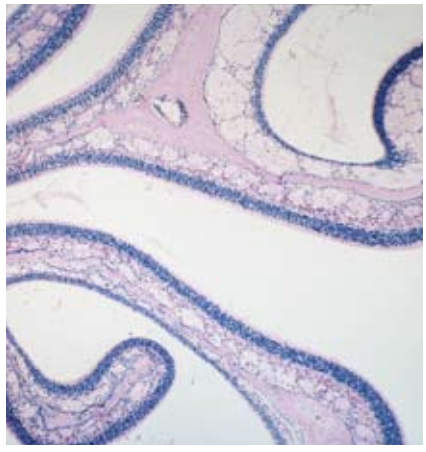
KW-0761 (Out-licensed to Amgen)
BIW-8405 (Out-licensed to MedImmune)
LIV-1205 (In-licensed from LivTech)

Antibody Technology Licensing

Biogen Idec	CSL Limited
Genentech	GlaxoSmithKline
KaloBios	Medarex
MedImmune	Novartis
sanofi-aventis	Takeda Pharmaceutical
UCB-Celltech	

Collaborative Alliances

Arana Therapeutics
Lonza



simultaneously highlights the great value of KW-0761 as an innovative new drug and enhances the worldwide reputation of our proprietary Potelligent® technology. Also, the former Kirin Pharma actively out-licensed its proprietary KM Mouse® technology—co-developed with Medarex, Inc., for producing fully human antibodies—to a wide range of pharmaceutical manufacturers.

Collaborative Alliances

Since 2004, Kyowa Hakko Kirin has investigated potential collaborative alliances for joint R&D projects combining ADCC Potelligent® and CDC Complegent™ enhancing technologies from the Company with promising antigens and antibodies for cancer or inflammatory allergic treatment held by bio-venture companies. In April 2008, these efforts came to fruition for the first time when we entered into a co-development agreement with the Australian company Arana Therapeutics Limited to develop an antibody to treat colorectal cancer. Under this agreement, we have the exclusive option to develop and market this product in Asia, including Japan, China, South Korea, and Taiwan. We also share with Arana Therapeutics the rights to this product in the United States and European markets.

Licensing Activities

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

Out-Licensing

In the out-licensing of therapeutic antibodies, in January 2007 we entered into a licensing and collaborative research and development agreement with Astellas Pharma Inc. for our fully human anti-CD40 antagonistic monoclonal antibody ASKP1240, in addition to Potelligent® technology-applied BIW-8405 and KW-0761 as mentioned earlier. Further, in February 2007 we licensed the antibody KW-2871, targeting malignant melanoma, to Life Science Pharmaceuticals, of the United States, which is now conducting phase I and phase II clinical trials, and in May 2009 we completed a collaboration and licensing agreement with sanofi-aventis, which receives

Progress of Out-Licensing and In-Licensing Compounds
As of April 2009

	CODE NAME	COMPANY	STAGE	REMARKS
Out-licensing	CEP-701	Cephalon	Phase III	Anticancer (acute myelogenous leukemia)
	KW-3902 (MK-7418/rolofylline)	Merck (NovaCardia)	Phase III	Congestive heart failure and renal impairment
	KW-2871	Life Science Pharmaceuticals	Phase II	Anticancer (malignant melanoma), low-fucose antibody
	BIW-8405 (MEDI-563)	MedImmune	Phase II	Antiallergic (IL-5R antibody), Potelligent® antibody
	KRN951 (AV-951)	AVEO	Phase II	Anticancer (renal cell carcinoma)
	LY2523355	Eli Lilly	Phase I	Anticancer (Eg5 inhibitor)
	KW-0761 (AMG 761)	Amgen	Phase I	Antiallergic (anti-CCR4 antibody), Potelligent® antibody
	ASKP1240	Astellas Pharma	Phase I	Organ transplant rejection, fully human monoclonal antibody
	Debio0719	Debio	Preclinical	Bone metastasis (LPA receptor inhibitor)
	KRN7000	REGiMMUNE	Preclinical	Immunosuppressive agent (GvHD, cedar allergy rhinitis)
	anti-LIGHT antibody	sanofi-aventis	Preclinical	Autoimmune disease, fully human monoclonal antibody
In-licensing	Asacol®	Zeria Pharmaceutical	Phase III	Inflammatory bowel disease (Crohn's disease) NDA for ulcerative colitis
	KW-2246	Orexo	Phase III	Cancer pain, sublingual tablet
	KW-6500	Britannia Pharma	Phase II	Parkinson's disease, injection
	AGS-003	Argos Therapeutics	Phase II	Dentritic cell-based immunotherapeutics (renal cell carcinoma)
	AGS-004	Argos Therapeutics	Phase II	Dentritic cell-based immunotherapeutics (HIV)
	ARQ 197	ArQule	Phase I	Anticancer
	KRN654	Shire	Phase I	Essential thrombocythemia
	NU206	ARCA biopharma (Nuvelo)	Phase I	Inflammatory bowel disease
	ALN-RSV01	Alnylam Pharmaceuticals	Preclinical	RSV infection (RNAi therapeutic)
	ART104	Arana Therapeutics	Preclinical	Anticancer (colon and rectum cancer)
	LIV-1205	LivTech	Preclinical	Anticancer
	HFT-290	Hisamitsu Pharmaceutical	NDA	Transdermal analgesic for persistent cancer pain

worldwide rights, except for Japan and Asian countries, to our fully human anti-LIGHT monoclonal antibodies, a promising treatment for autoimmune diseases.

In the out-licensing of small molecule compounds, in August 2003 we entered into a licensing agreement with the U.S. pharmaceutical-development company NovaCardia, Inc. (acquired by Merck in September 2007), for the adenosine A1 receptor antagonist KW-3902 (MK-7418) for congestive heart failure and renal impairment. To Cephalon, Inc., of the United States, we out-licensed CEP-701, which is currently in phase III clinical trials for acute myelogenous leukemia. In December 2005, we entered into an agreement with Eli Lilly and Company, for a mitotic kinesin Eg5 inhibitor, and Eli Lilly is presently conducting phase I clinical trials.

In January 2007, we concluded an agreement with AVEO Pharmaceuticals, Inc., of the United States, for the oral VEGF receptor inhibitor KRN951, and AVEO is now conducting phase II clinical trials for the treatment of renal cell carcinoma.

Moreover, pharmaceutical exports and technology licensing fees continue to grow, especially for olopatadine hydrochloride, the active ingredient in our original antiallergic agent Allelock®, whose exports and royalty income significantly contribute to our revenues. The Alcon Group, headquartered in Switzerland, markets olopatadine hydrochloride in over 100 countries around the world as Patanol® eyedrops. This drug is also available in the United States as a nasal spray.

In-Licensing

In June 2008, we entered into a joint sales agreement with Hisamitsu Pharmaceutical Co., Inc., for HFT-290 (NDA filed in Japan), a transdermal continuous-action drug for the treatment of cancer pain, while in January 2007 we concluded an agreement with Zeria Pharmaceutical Co., Ltd., for the co-development and co-marketing rights for Asacol®, for which an NDA has been submitted in Japan for the treatment of ulcerative colitis and which is also in phase III clinical trials for the treatment for inflammatory bowl disease (Crohn's disease). In April 2007, we entered into an agreement with ArQule, Inc., of the United States, for exclusive development and marketing rights for Japan and parts of Asia for ARQ 197 (phase I clinical

trials completed in the United States), an anticancer agent to treat solid malignant tumors, and we are conducting phase I clinical trials in Japan.

In June 2008, we concluded a licensing agreement for the exclusive development and marketing rights in Japan and principal Asian regions for the RNAi therapeutic ALN-RSV01, a treatment for respiratory syncytial virus (RSV) infection that is currently in phase II clinical trials in the United States, by Alnylam Pharmaceuticals, Inc., of the United States.

In addition, we are collaborating on AGS-003 (phase II clinical trials for renal cell carcinoma in Canada and the United States) and AGS-004 (phase II clinical trials for HIV in Canada) with Argos Therapeutics, Inc., of the United States. The platform technology of Argos Therapeutics for dendritic cell technology is showing considerable promise for new treatments for cancer and infectious diseases.

Development Pipeline

Kyowa Hakko Kirin aims to create innovative, new development candidates and to advance two new antibodies and two new small molecule compounds to the development stage each year. The primary products in development are as follows.

KW-6002

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

KW-6500

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

KW-0761

This is a humanized antibody against CCR4 selectively expressed on T helper type 2 (Th2), regulatory T cells and certain types of T-cell neoplasms. Following phase I clinical trials in Europe as a treatment for allergic disorders, in March 2008 we concluded an out-licensing agreement with Amgen, granting it exclusive development and marketing rights for KW-0761 for all indications except cancer treatment and in all countries except Japan, China, South Korea, and Taiwan. In addition, in phase I clinical trials in Japan it demonstrated efficacy as a treatment for malignant tumors (hematologic cancer) in which CCR4 is highly expressed, and POC was established. Phase II clinical trials started in June 2009.

KW-2449

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

ARQ 197

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

KW-2478

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

BIW-8962

BIW-8962 is an antibody that targets the GM-2, which is expressed at high levels in multiple myeloma, small cell lung cancer, and brain tumors. It utilizes Potelligent® technology to increase ADCC activity and has shown promising antitumor effects by destroying GM2 positive cancer cells through ADCC and CDD activity. Phase I clinical trials in the United States for multiple myeloma began in February 2009 and are currently in progress.

Z-206

In January 2007, we concluded a co-development and co-marketing agreement with Zeria Pharmaceutical for Asacol®, a treatment for inflammatory bowel disease (Crohn's disease) that is undergoing clinical III trials in Japan. Z-206 is an enteric product comprising mesalazine coated with a pH-dependent controlled-release substance. It is already marketed in 53 countries worldwide for other gastrointestinal indications and holds the leading share of one-third of the global market for inflammatory bowel disease treatments. In April 2008, Zeria Pharmaceutical's application for the additional indication of ulcerative colitis was approved.

KW-3357

This recombinant antithrombin is of the same type as antithrombin in the human body and was designed using the sugar chain control technology we acquired during the development of Potelligent® technology. Because the antithrombins currently marketed in Japan are all blood products and involve the possibility of infection, KW-3357 will have great value as a safer substitute treatment. It entered phase I clinical trials in Japan in December 2007, safety was confirmed, and preparations for phase IIa clinical trials are underway. Further, there are plans to implement phase I clinical trials in Europe.

KRN321

Efficacy and safety have been verified in phase III clinical trials for the development of additional indications for the antianemia agent Nesp® (novel erythropoiesis stimulating protein) for anemia in chronic kidney disease (CKD) patients not on dialysis and for anemia in patients undergoing chemotherapy for cancer. Based on the results of these trials, an application for an indication for anemia accompanying cancer chemotherapy was made in November 2008, and for renal anemia in December 2008.

KRN125

This is the long-acting type of the G-CSF agent Gran® that chemically modifies polyethylene glycol. It is currently in phase II clinical trials in Japan as a treatment for persistent leukopenia, targeting the reduction in neutrophilic leucocytes resulting from cancer chemotherapy.

KRN23

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

ASKP1240

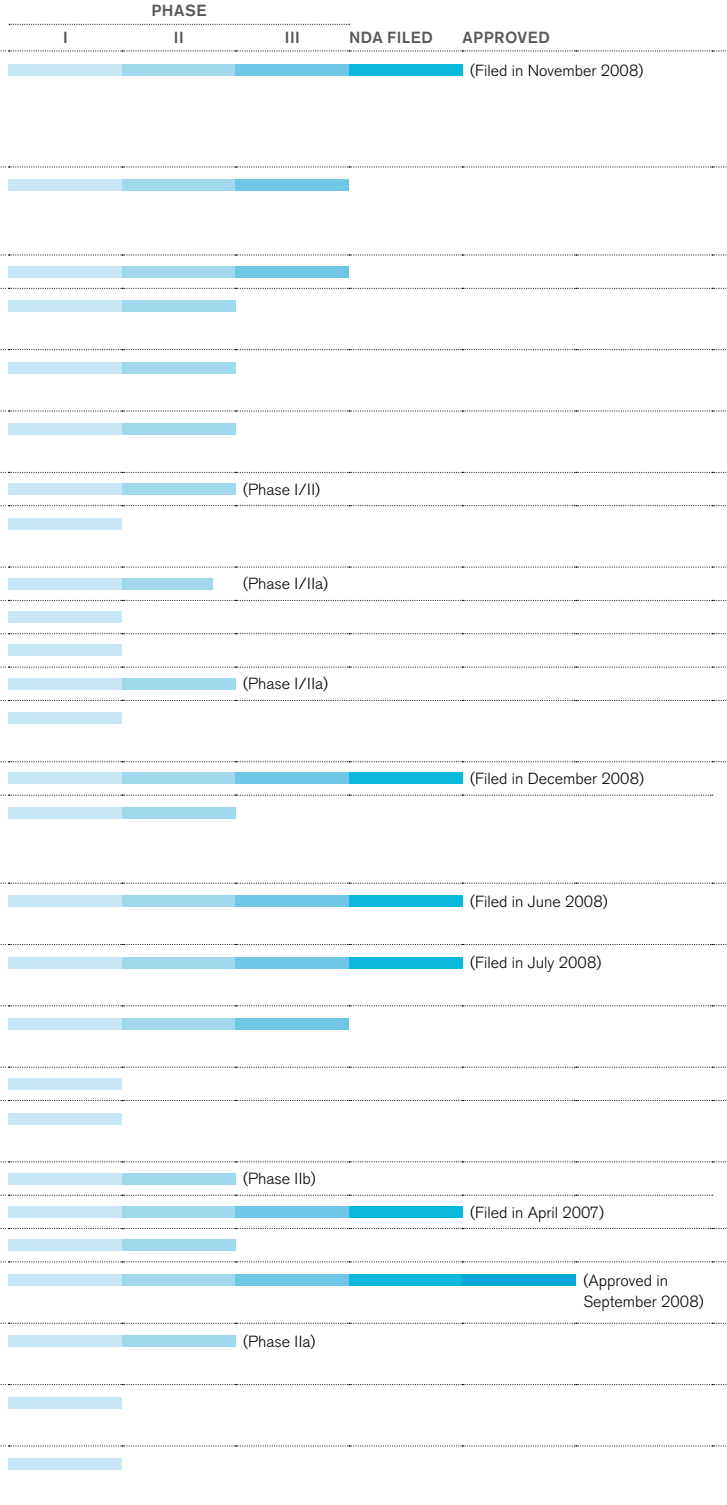
A fully humanized antibody combined with CD40, which blocks the molecular interaction with CD40 ligand (CD154). By inhibiting cellularity and humoral immunity, this antibody will meet needs that are not being met by existing therapeutic agents for organ transplants. In January 2007, we entered into a joint-research agreement with Astellas Pharma and phase I clinical trials are underway in the United States.

PHARMACEUTICAL PIPELINE

As of June 25, 2009

	CODE NAME (PRODUCT NAME)	GENERIC NAME	INDICATION	COUNTRY	FORMULATION
Hematology/ Cancer	KRN321* (Nesp)	Darbepoetin Alpha	Anemia (After chemotherapy for cancer)	Japan	Injection
	AMG531	Romiplostim	Ideopathic thrombocytopenic purpura	Japan	Injection
	KW-2246	Fentanyl citrate	Cancer pain	Japan	Sublingual tablet
	KRN125	Pegfilgrastim	Neutropenia	Japan	Injection
	AGS-003		Renal cell carcinoma	U.S. and Canada	Injection
	AGS-004		HIV	Canada	Injection
	KRN654	Anagrelide hydrochloride	Essential thrombocythemia	Japan	Oral
	KW-0761		Anticancer (Hematologic tumor)	Japan	Injection
	KW-2449		Anticancer	U.S.	Oral
	KW-2478		Anticancer	Europe	Injection
	ARQ 197		Anticancer	Japan	Oral
	KRN330		Anticancer	U.S.	Injection
	BIW-8962		Anticancer	U.S.	Injection
Kidney	KRN321* (Nesp)	Darbepoetin Alpha	Anemia (For CKD patients not on dialysis)	Japan	Injection
			Anemia (For CKD patients on dialysis)	China	Injection
	PB94 (Renagel)	Sevelamer hydrochloride	Hyperphosphatemia	China	Oral
Immunology/ Allergy	KW-4679 (Allelock)	Olopatadine hydrochloride	Antiallergic	China	Oral
	Z-206 (Asacol)	Mesalazine	Inflammatory bowel disease (Crohn's disease)	Japan	Oral
	NU206		Inflammatory bowel disease	Australia	Injection
	ASKP1240		Organ transplant rejection	U.S.	Injection
Central Nervous System	KW-6002	Istradefylline	Parkinson's disease (Adjunct therapy)	Japan	Oral
				U.S.	Oral
	KW-6500	Apomorphine hydrochloride	Parkinson's disease	Japan	Injection
Cardiovascular	KW-3049* (Coniel)	Benidipine hydrochloride	Angina pectoris	China	Oral
Other	KW-7158		Bowel disease (Irritable bowel syndrome)	Japan	Oral
	KW-3357	Antithrombin	Blood coagulation (Disseminated intravascular coagulation)	Japan	Injection
	KRN23		Hypophosphatemic disease such as X-linked Hypophosphatemia (XLH)	U.S.	Injection

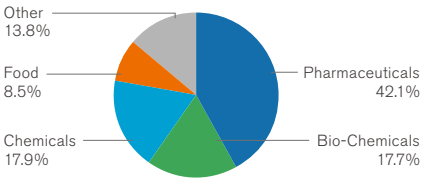
* For additional indication



REMARKS
• Licensed from Kirin-Amgen • Long-acting erythropoiesis stimulating protein • Approval has been given in Japan for anemia of CKD patients on dialysis
• Thrombopoiesis stimulating peptibody • In accordance with our agreement, the clinical development is being conducted by Amgen Development KK
• Licensed from Orexo
• Licensed from Kirin-Amgen • Long-acting G-CSF
• Jointly developed with Argos Therapeutics • Dentritic cell-based immunotherapeutics
• Jointly developed with Argos Therapeutics • Dentritic cell-based immunotherapeutics
• Licensed from Shire
• Humanized monoclonal antibody (Potelligent® technology applied)
• Licensed from ArQule
• Fully human monoclonal antibody
• Humanized monoclonal antibody (Potelligent® technology applied)
• Licensed from Kirin-Amgen • Long-acting erythropoiesis stimulating protein • Approval has been given in Japan for anemia of CKD patients on dialysis
• Licensed from Chugai Pharmaceutical • Prescribed in Japan as Phosblock®
• Prescribed in Japan as Allelock®
• Licensed from and jointly developed with Zeria Pharmaceutical
• Licensed from ARCA biopharma (previously Nuvelo)
• Fully human monoclonal antibody • Jointly developed with Astellas Pharma
• Monotherapy* in Japan in phase IIa
• Licensed from Britannia Pharma.
• Prescribed in China from December 2004 as Coniel® (Indication: hypertension)
• The development program of KW-7158 for overactive bladder/ urinary incontinence was discontinued in September 2006
• Recombinant antithrombin product
• Fully human monoclonal antibody

AT A GLANCE

Segment Sales Composition* (Fiscal 2009)
(Including intersegment transactions)



PHARMACEUTICALS

42.1%

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

Ethical Drugs
Nesp®, Espo® (ESA formulation), Coniel® (hypertension and angina pectoris), Allelock® (antiallergic agent), Depakene® (antiepileptic agent), 5-FU (anticancer agent), Gran®, Neu-up® (G-CSF agent), Regpara® (secondary hyperparathyroidism)
Diagnostic Reagents
Determiner® series (clinical chemistry diagnostic reagents)

BIO-CHEMICALS

17.7%

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

Fine Chemicals
Amino acids, nucleic acids, related compounds
Health Care Products
Amino acids, vitamins, minerals, carotenoids, peptides, Remake® series, Enguard® series
Agrochemicals and Livestock and Fisheries Products
Plant growth regulators, animal health products
Alcohol
For use in alcoholic beverages, in food preservatives, in disinfectants

* On April 1, 2009, Kyowa Hakko Food Specialties Co., Ltd., which was responsible for the Company's Food operations, was integrated with Kirin Food-Tech Company, Limited, to form Kirin Kyowa Foods Company, Limited, which became an equity-method affiliate of the Company.

CHEMICALS

17.9%

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

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

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

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

TOPICS

April 2008	• Entered an agreement with Arana Therapeutics Limited, of Australia, to jointly develop an antibody for cancer treatment.
	• Announced the fiscal 2008 to 2010 Group Medium-Term Management Plan.
May 2008	• Commenced sales through Kyowa Medex Co., Ltd., of "Quick Chaser Adeno," an adenovirus antigen detection kit for the throat and conjunctiva.
June 2008	• Commenced sales of the "Remake Soy CSPHP" dietary supplement.
	• Entered a joint sales agreement with Hisamitsu Pharmaceutical Co., Inc., for HFT-290, a transdermal absorption-type continuous-action analgesic for persistent cancer pain.
	• Entered a licensing agreement with Alnylam Pharmaceuticals, Inc., of the United States, for the development and commercialization of RNAi therapeutic ALN-RSV01 in Asia, including Japan.
July 2008	• Expanded strategic joint development agreement with the Lonza Group Ltd., of Switzerland.
September 2008	• Commenced sales through Kyowa Medex of "MetaboLead HDL-C," a reagent for use in clinical trials.
October 2008	• Inaugurated Kyowa Hakko Kirin Co., Ltd.
	• Established Kyowa Hakko Bio Co., Ltd.
	• Commenced sales through Kyowa Medex of "CL-JACK," a fully automated chemiluminescence system.
November 2008	• Commenced sales of reformulated "Remake Glucosamine."
January 2009	• Announced development policy for the anti-Parkinson's disease drug KW-6002.
April 2009	• Established Kirin Kyowa Foods Company, Limited (equity interest: Kyowa Hakko Kirin, 35%; Kirin Holdings 65%), following the integration of Kyowa Hakko Food Specialties Co., Ltd., and Kirin Food-Tech Company, Limited, a wholly owned subsidiary of Kirin Holdings.
May 2009	• Commenced sales of "Nesp® Injection Plastic Syringe," a long-acting erythropoiesis stimulating agent.
	• Entered an out-licensing agreement for the anti-LIGHT fully human monoclonal antibody.
	• Commenced sales through Kyowa Medex of the measuring equipment "A1c GEAR K" and its special reagent "MEDIDAS HbA1c K."

Ken Yamazumi
Director of the Board
Senior Executive Managing Officer
Chief Operating Officer

PHARMACEUTICALS

Industry Trend

Japanese pharmaceutical companies still face a challenging business environment that includes government initiatives to contain health care costs, such as the promotion of generic drugs, the growing presence of foreign-based pharmaceutical companies, and fierce global competition for new drugs.

In this challenging business environment, our goal is to be a pharmaceutical company that is highly trusted by patients and health care professionals as a result of our contribution to the widespread utilization of evidence-based medicine (EBM) realized through the provision of high-quality medical information. Our mission is the rapid and continuous creation of innovative and efficacious new drugs that meet the needs of the medical community in our key focus areas of oncology, nephrology, and immunology. To this end, we take full advantage of our own cutting-edge biotechnologies as well as utilize a variety of internal and external resources.

Operational Strategy

We have identified three strategic goals on the path to becoming a global specialty pharmaceutical company that contributes to the health and well-being of people around the world.

The first goal is to improve our R&D productivity. In addition to prioritizing the allocation of resources to our focus areas—oncology, nephrology, and immunology—we will enhance our R&D productivity further by taking advantage of our leading-edge proprietary technological platforms—such as Potelligent®, which enables us to produce therapeutic antibodies with high antibody-dependent cellular cytotoxicity (ADCC), and KM Mouse®, which enables us to generate fully human antibodies. Each year, we plan to advance two new drug candidates to the development stage in therapeutic antibodies as well as in small molecule compounds, for a total of 20 new drug candidates in five years.

The second goal is to expand our market presence further in order to strengthen our leading position in the markets for our existing mainstay products. We will pursue the top share of the erythropoiesis stimulating agent (ESA) market through the strategic allocation of medical representatives (MRs) in nephrology, one of our focus areas. In oncology, we will maintain the number one position of Gran® in the market for granulocyte colony-stimulating factor (G-CSF) agents.

The third goal is to expand our overseas operations. In Asia, we will build a solid long-term profit base by expanding sales of our mainstay nephrology and oncology products, by developing new products, and by securing additional indications for our existing products. In the United States and Europe, we will maximize the value of our antibody business. By licensing our highly-effective antibody technologies, such as Potelligent®, to the world's leading pharmaceutical companies, we will successfully establish a superior international presence in antibody engineering technology. At the same time, we will build our therapeutic antibody pipeline, both through the rapid development of proprietary products and through alliances with biotech companies that have promising antigens and antibodies. We are also preparing for the establishment of independent marketing operations in the United States and Europe to keep up with the pipeline progress that we are making.

Overview

Sales from Pharmaceuticals operations were up 52.1% year on year, to ¥210.4 billion, primarily due to the consolidation of Kirin Pharma from April 2008. Operating income rose 74.5%, to ¥34.8 billion.

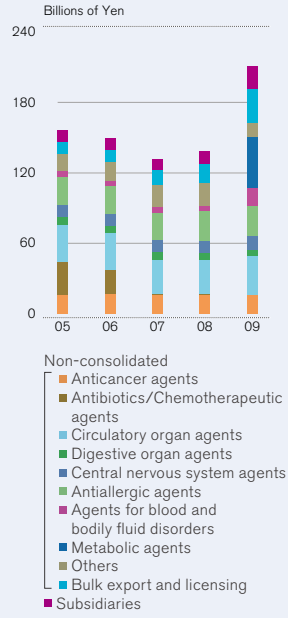
Ethical Drugs

In the domestic market, although the reduction in NHI official drug prices and the termination of a joint sales agreement for Durotep®, a transdermal analgesic for persistent cancer pain, adversely affected sales, the continuing strong sales of the antiallergic Allelock®, the antiepileptic Depakene®, and the antiallergic eyedrops Patanol® resulted in an overall sales increase. In addition, Coversyl®, a treatment for high blood pressure that was launched in April 2008, performed solidly and contributed to earnings.

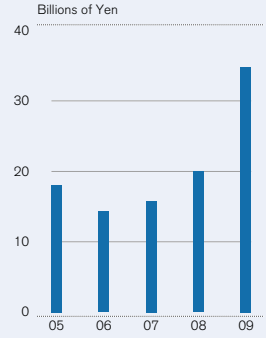
The combined market share of Nesp® and Espo®—the two mainstay products of Kirin Pharma, which was integrated with Kyowa Hakko in October 2008—steadily increased, while Regpara®, a treatment for secondary hyperparathyroidism, recorded steady growth in sales in its market.

Technology licensing and pharmaceutical exports substantially increased, including the receipt of an up-front payment for the licensing agreement for the anti-CCR4 antibody KW-0761, with Amgen of the United States.

Segment Sales*



Segment Operating Income*



* Including intersegment transactions

Nesp®, ESA formulation

Allelock®, antiallergic agent

Principal Drug Sales[1]

PRODUCT	INDICATION	Billions of Yen 2009	2008	2007
Nesp/Espo	ESA formulation	¥43.7	¥ –	¥ –
Allelock	Antiallergic	25.0	23.3	21.0
Coniel	Cardiovascular (hypertension and angina pectoris)	23.1	25.4	26.3
Gran/Neu-up[2]	G-CSF	17.6	4.4	4.5
Depakene	Antiepileptic	10.7	10.5	10.2
Adriacin + Farmorubicin	Anticancer	7.4	8.7	8.6
Patanol	Antiallergic eyedrops	6.6	4.3	2.1
Nauzelin	Gastrointestinal	5.5	6.1	6.5
Coversyl	Cardiovascular (hypertension)	5.0	–	–
Regpara	Secondary hyperparathyroidism	4.6	–	–
Inovan + Pre Dopa	Cardiovascular	3.7	4.1	4.3
Celtect	Antiallergic	3.6	4.1	4.8
5-FU	Anticancer	3.6	3.4	3.3
Navelbine	Anticancer	3.1	3.1	2.8
Topina	Antiepileptic	0.9	0.1	–
Bulk export and licensing		29.1	16.3	12.8

1. Non-consolidated basis
2. Figures for 2008 and 2007 represent Neu-up sales only

Regpara®, treatment for secondary hyperparathyroidism

Patanol®, antiallergic eyedrops

Diagnostic Reagents

Subsidiary Kyowa Medex Co., Ltd., manufactures and markets our diagnostic reagents. Clinical chemistry diagnostic reagents and immunological reagents registered increased sales, leading to overall diagnostic reagent sales growth in fiscal 2009.

New Drug Development

In Japan, we filed applications for additional indications for the antianemia agent Nesp® (novel erythropoiesis stimulating protein)—for anemia accompanying cancer chemotherapy in November 2008 and for renal anemia prior to dialysis in December 2008.

In addition, we made progress in phase III clinical trials for KW-2246, a sublingual tablet for cancer pain; phase II trials for KRN125, a treatment for persistent leukopenia that targets a reduction in neutrophilic leucocytes, and KW-6500, for Parkinson's disease; and phase I trials for KW-3357, an anticoagulant, and ARQ 197, an anticancer agent for treating solid malignant tumors. Clinical trials for KW-0761 (therapeutic antibody), a hematologic cancer treatment, entered phase II in June 2009.

Overseas, in the United States, clinical trials for KW-2449 and KRN 330 (therapeutic antibody) for malignant tumors have entered phase I/IIa. Phase I trials are underway for KRN23 (therapeutic antibody), which lowers phosphorus within blood plasma; for the ASKP1240 (therapeutic antibody), which inhibits immunological rejection with organ transplants; and for BIW-8962 (therapeutic antibody), for malignant tumors.

In Europe, phase I trials are underway for KW-2478, for malignant tumors, while in Australia, ARCA biopharma, Inc. (formerly Nuvelo, Inc.), of the United States, is carrying out phase I trials for the jointly developed NU206, for inflammatory bowel disease. In China, in September 2008 we acquired approval of Coniel® for an additional indication as a treatment for angina pectoris, and we filed NDAs for Phosblock® for hyperphosphatemia in June 2008 and for the antiallergic Allelock® in July 2008.

CL-JACK, fully automated chemiluminescence system

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

BIO-CHEMICALS

Industry Trend

Our mainstay fermented bulk products, including amino acids, nucleic acids, and related compounds, are used widely in pharmaceuticals, pharmaceutical intermediates, foods and dietary supplements, and cosmetics. We expect continued solid growth in demand for amino acids for pharmaceutical and industrial use, with noticeable rises in demand from BRICs, Asia, and other areas where the use of amino acids has become popular in medical transfusions. However, competition intensified from the second half of the previous fiscal year, as customers made temporary inventory adjustments due to the global recession.

In Japan, the market for health foods remained sluggish and sales of amino acids for use in beverages and as raw materials for health food products were slow. Nevertheless, the worldwide trend toward heightened awareness of health maintenance and improvement issues continues to grow. Factors of concern in recent years include sharply rising prices for raw materials and crude oil that have led to unavoidable cost increases, and growing attention by the market at large on issues of food safety and product quality. To maximize customer value and provide safe, high-quality products, we are enhancing production efficiencies and further strengthening our global quality assurance system.

Operational Strategy

In Bio-Chemicals, we have three strategic objectives in place to strengthen our business base in fine chemicals, such as amino acids, and to promote growth in our share of the medical and health care markets.

First, we aim to increase the amino acid sales volume in the primary areas of medical foods, transfusions, and culture media. Kyowa Hakko Bio and Ajinomoto Co., Inc., are the world's leading manufacturers of amino acids for medical foods and industrial use, but in recent years competitors from China and South Korea have begun to make their mark in the health care foods market with aggressive low-pricing strategies. In response, Kyowa Hakko Bio is reconfirming its position in the global market by honing the cost-competitiveness of its products through efforts to increase production capacity and implement processing innovations across its base of operations in Japan, the United States, and China.

Second, we will take measures to strengthen cooperation with Daiichi Fine Chemical, a Kyowa Hakko Bio subsidiary. By using Daiichi Fine Chemical's synthesis

technologies to modify Kyowa Hakko Bio's fermentation products, we are creating high-value-added products for pharmaceutical raw materials and intermediates in the fine chemicals sector.

Third, we will cultivate and strengthen our health care business in Japan. To achieve this, we are developing a strong marketing system based on a firm grasp of consumer needs and fine-tuned product development and project planning, as well as promoting sales of mainstay mail-order products, such as citrulline and ornithine, and working to extend our activities in the OEM and raw materials businesses.

Overview

Sales in Bio-Chemicals operations grew 1.9%, to ¥88.5 billion, while operating income was down 13.9%, to ¥8.3 billion. The principal factors included the uptrend in world-wide demand for amino acids for medical transfusions and pharmaceutical raw materials, offset by the appreciation of the yen, resulting in the increase in sales but decrease in operating income.

Fine Chemicals

Raw materials for pharmaceutical and industrial use—primarily amino acids, nucleic acids, and related compounds—saw strong sales expansion. Overseas, this resulted from growth in the area of medical transfusions and from higher volume exports of nucleic acids. However, sales were reduced by the impact of the yen's appreciation.

Health Care Products

OEM and raw materials were unable to overcome the adverse influence of the stagnant domestic health foods market, and sales were sluggish. Nonetheless, favorable sales growth was recorded by amino acids for use in health food products overseas and by the mail-order Remake® series of products in Japan. As a result, overall sales of health care products posted a year-on-year increase.

Agrochemicals and Livestock and Fisheries Products

Increasing prices for feed and raw materials slowed the Japanese livestock and fisheries industries, while competition was fierce in the overseas agrochemical markets. These factors led to a decline in sales of agrochemicals as well as livestock and fisheries products.

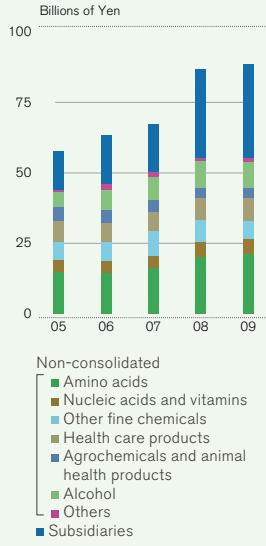
Alcohol

Sales of raw material alcohol and industrial alcohol were down year on year, both in terms of volume and value. Nevertheless, profits were maintained at the same level as in the previous year due to the lower cost of raw material alcohol stemming from the appreciation of the yen.

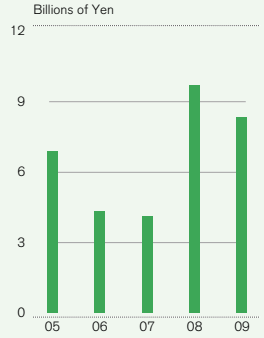
R&D

We continue to research new ways to make fermentation production processes more efficient in order to keep costs down in our amino acid, nucleic acid, and related compounds operations. We are redoubling efforts to develop new products as well as new applications for existing materials in the health care field.

Segment Sales*



Segment Operating Income*



* Including intersegment transactions

Remake® series of health care products

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

CHEMICALS

Industry Trend

The operating environment that faced the petrochemical industry in the year ended March 31, 2009, was unprecedented in its severity.

In the first half of the fiscal year, the prices of raw materials such as crude oil and naphtha maintained their previous high level, while the global economy trended downward due to slumping consumer spending and other factors. Moreover, from the second half of the fiscal year, the effects of the financial crisis that began in the United States spread to the real economy, and demand for petrochemical products substantially declined. Consequently, there was a trend toward reduced production among domestic and overseas manufacturers across a wide range of industries. From the fall onward, conditions in the petrochemical products market deteriorated accompanying the rapid fall in the price of raw materials, and petrochemical manufacturers were faced with the biggest declines in sales and profits in their histories.

Going forward, we anticipate that the severe economic conditions will continue. A common challenge shared by all petrochemical companies in Japan is to implement cost-cutting measures and to establish a business structure that is less influenced by economic trends.

Operational Strategy

The global economic slowdown is expected to continue and the severe business environment facing petrochemical companies is making it increasingly difficult to forecast such factors as trends in the price of raw materials or currency exchange rates. We are aiming to secure stable profits by establishing and carrying out highly targeted production, sales, and purchasing policies that suit the needs of the operating environment and by implementing thorough cost-cutting initiatives.

Further, our goal is to adopt a business structure that is less susceptible to the effects of our external environment, and to achieve this we are striving to realize the following strategic objectives:

(1) We are aiming to further strengthen our oxo-related basic chemical business through strategic options that could include alliances with other companies.

(2) As one of the world's leading suppliers, we are targeting further growth and continuing to make the necessary investment in products such as environment-friendly lubricant raw materials for refrigeration systems and high-purity solvents for the IT industry.

(3) We are bolstering our R&D activities for developing new products, particularly in the key areas of raw materials for lubricants, recording materials, and waterborne resins. In addition to maintaining an in-house system that fosters efficient R&D activities, we are actively working with universities and other outside research organizations to cultivate the future growth and development of our business.

Overview

Petrochemical operations sales were solid in the first half of the year. We revised our product prices in response to the surging prices of raw materials, and there was growth in demand for environment-friendly functional products, such as high-purity solvents for electronic materials and lubricant raw materials for refrigerators.

On the other hand, from the second half of the year, business conditions became extremely challenging. The impact of the global economic recession stemming from the financial crisis in the United Sates resulted in a dramatic decline in demand, and sales volume decreased substantially in Japan and overseas. Further, the sharp fall in the prices of raw materials led to a significant deterioration in conditions in the market prices of our products, causing sales to drop dramatically.

As a result, in fiscal 2009 sales of the Chemicals operations decreased 17.4% year on year, to ¥89.2 billion, and operating loss was ¥47 million, compared with operating income of ¥7.2 billion in the previous fiscal year.

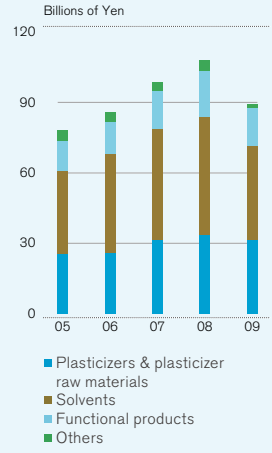
Basic Chemicals

Although demand was strong in the first half of the fiscal year, on entering the second half the rapid slowdown of the global economy led to substantial declines in demand from industries involved in the main end uses of our products, including the automotive, housing, and electric machinery industries. Further, there was a dramatic decline in the market prices of our products due to the sharp fall in the prices of raw materials. Due to these factors, sales volume and sales value, both domestically and for exports, were significantly lower year on year.

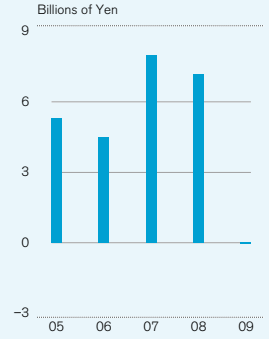
Specialty Chemicals

Responding to globally rising demand, we strengthened our production capabilities of raw materials for lubricants used in refrigeration systems that utilize ozone-friendly chlorofluorocarbon (CFC) substitutes. However, the global economic recession that began in the United States led to lower sales for all specialty chemicals, particularly raw materials for lubricants. Consequently, results were substantially down year on year, and we recorded declines in sales volume and sales value both domestically and for exports.

Segment Sales*



Segment Operating Income (Loss)*



* Including intersegment transactions

Yokkaichi Plant

INTELLECTUAL PROPERTY

Basic Policies Regarding Intellectual Property

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

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

Functions of the Intellectual Property Department

The Intellectual Property Department functions across the Company to make operations more efficient and reinforce risk management with regard to IP. The Department is responsible for carrying out IP-related matters for each business division and providing IP support to major subsidiaries. As a result of the merger with Kirin Pharma in October 2008, the intellectual property departments of the two predecessor companies were also integrated, thereby further enhancing the Company's supervisory function with regard to its pharmaceutical IP management.

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

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

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

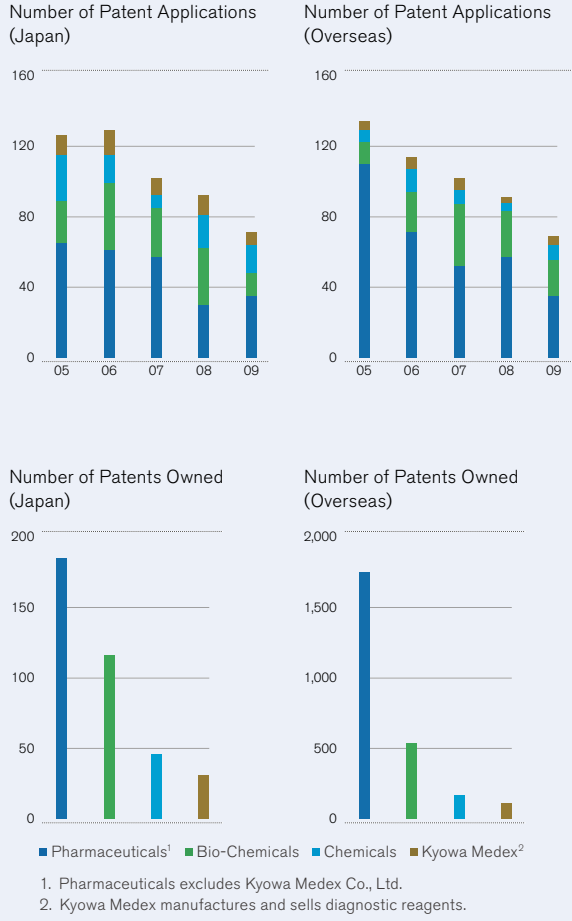
Contributions to Licensing Activities

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

The Company has accumulated numerous core technologies that are founded on unique and innovative research and technology. These include the proprietary Potelligent® technology, which dramatically enhances the antibody-dependent cellular cytotoxicity (ADCC) of antibodies, Complegent™ high complement dependent cytotoxicity (CDC) antibody technology, and KM Mouse® technology, which develops and evaluates novel fully human monoclonal antibodies for cancer treatment. While working to acquire multifaceted patent rights for these technologies, the Company is also active in out-licensing them. Moreover, the Company has multiple core technologies related to drug formulation, which are contributing to its profits under the protection of IP rights.

Policies Related to the IP Portfolio

In principle, the Company encourages the filing of patents based on discoveries created from research. Nevertheless, the timing of overseas applications and examination requests as well as post-registration operations, management, and other activities are evaluated in terms of technology, business operations, and IP rights. Each issue or project is prioritized with consideration to the additional factor of cost effectiveness, and decisions are made to maintain only those IP rights deemed necessary. This makes it possible to concentrate IP-related internal resources on the most significant issues. In Pharmaceuticals, for instance, meetings are regularly held to decide which technologies to apply for and in which countries in which to lodge applications, while meetings are held when necessary to discuss which patent rights to maintain in light of changes in strategic direction and to make maximum use of the patent rights. Each business division works to build an IP portfolio that is consistent with its business strategy, taking into account the position of individual projects under the strategy as well as the position of each IP right within the project. In addition, given the particular importance of IP strategies in Pharmaceuticals, meetings are regularly held to decide principal issues related to R&D as part of a structure for analyzing and evaluating IP-related issues as a whole or as individual projects.



1. Pharmaceuticals excludes Kyowa Medex Co., Ltd.
2. Kyowa Medex manufactures and sells diagnostic reagents.

CORPORATE SOCIAL RESPONSIBILITY

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

Environment and Safety Management

Management Systems

To deal with its environment and safety management, the Kyowa Hakko Kirin Group has adopted the ISO 14001 standard for environmental issues and established the safety and health management system for the safety, health, and welfare of employees, focused on risk assessment. We have been pushing forward with environment and safety management initiatives by implementing the Plan, Do, Check, and Act (PDCA) cycle, and in addition to complying with environmental and safety-related laws and regulations, we have set our own even higher standards for compliance.

Establishing such strict standards helped us to acquire ISO 14001 certification on an integrated Companywide basis, including at every production and R&D base and the head office. The integration has helped achieve strengthened environmental governance throughout the Kyowa Hakko Kirin Group, and we are continuously working to further reduce our carbon emissions by enhancing our environmental activities throughout the supply chain.

Performance

In fiscal 2009, we worked to reduce the impact of our business activities on the environment through Groupwide implementation of the Kyowa Hakko Kirin Eco Project, which targets energy and resource conservation and zero emissions. Thanks to our efforts in recycling industrial waste, we were able to achieve Groupwide zero emissions for the fifth consecutive year. In addition, in fiscal 2009 we achieved the target set by the Kyoto Protocol of reducing greenhouse gas emissions by approximately 20% relative to the 1990 base year. We also achieved our target of generating 2000 kWh per month through the solar power generation equipment we installed at our Fuji Plant.

Furthermore, the entire Group is engaged in green office plan activities, with a focus on the promotion of a green supply chain along with saving energy and promoting recycling in administrative departments. Thanks to the range of efforts to promote workplace safety, the Group was able to maintain an accident rate of close to zero at 0.27%, at Kyowa Hakko Kirin, Kyowa Hakko Bio, Kyowa Hakko Chemical, and Kyowa Medex.

Solar power generation equipment installed at our Fuji Plant

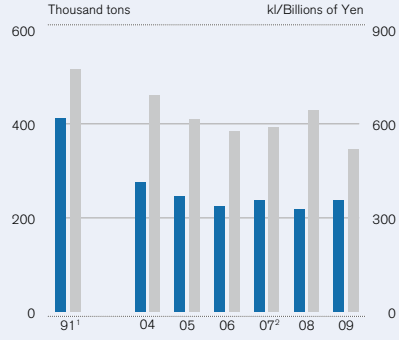
Communication

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

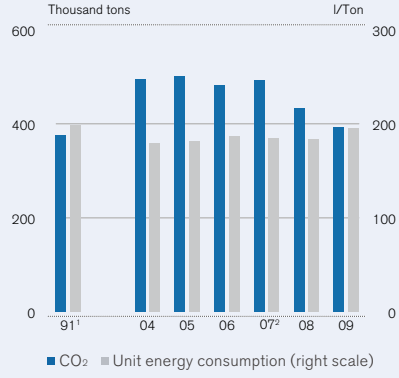
Continuous Improvement

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

Yearly Changes in Unit Energy Consumption
(The Kyowa Hakko Kirin Group, except Kyowa Hakko Chemical)



Yearly Changes in Unit Energy Consumption
(Kyowa Hakko Chemical)



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

Quality Assurance

The Kyowa Hakko Kirin Group created the Quality Assurance Action Policy in 2008 to raise awareness about the importance of quality assurance among employees and to ensure it is actively carried out throughout the Group, including at overseas subsidiaries. Our goal is to provide our customers with superior products and services that will earn their trust and satisfy their needs. Toward this goal, we are striving to further enhance our high levels of quality throughout the supply chain, from R&D through to procurement, production, distribution, and sales. Further, by establishing and enhancing quality assurance systems, including GMP (good manufacturing practice) and ISO 9001, at all our plants to address new laws, such as the Pharmaceutical Affairs Law, we have been successfully implementing highly reliable production control and quality control.

Corporate Citizenship

Local Science Experiment Classrooms

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

Kato Memorial Bioscience Foundation

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

Free Braille Calendars for Schools for the Blind Nationwide

Every year since 1994, Kyowa Hakko Kirin has created a braille calendar for people with visual disabilities and distributed it free to schools for the blind all over Japan. Approximately 4,000 of the 2009 calendar were delivered to 71 schools

2009 braille calendar

CORPORATE GOVERNANCE

Fundamental Approach

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

Fundamental Structure

Kyowa Hakko Kirin uses a company auditor system, with the General Shareholders' Meeting as the highest decision-making body. The corporate governance structure is based on the Board of Directors and the Board of Auditors, which together carry out the functions stipulated under the Corporation Law of Japan.

Directors and Board of Directors

In principle, the Board of Directors meets once a month and had seven members, including one outside director, as of June 25, 2009. The Board of Directors performs critical Groupwide management functions, including strategic planning, decision making, and the monitoring of operational execution. In performing these functions, the Board of Directors met 15 times during the year ended March 31, 2009.

Company Auditors and Board of Auditors

The Company has adopted a corporate governance system using company auditors. The Board of Auditors comprised five members, including four outside auditors, as of June 25, 2009. Based on the audit policies established by the Board, company auditors attend important meetings, including those of the Board of Directors, inspect operations and assets, and audit the work of directors. In performing these duties, the Board of Auditors met 14 times during the year ended March 31, 2009.

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

Group Management Meeting, Executive Officer System, and Advisory Board

The Group Management Meeting has been established as a decision-making body to make accurate and effective management decisions from a strategic viewpoint. It met 15 times during the year ended March 31, 2009, to deliberate on important and fundamental issues related to the Group's management policies and operational execution. In addition, an executive officer system has been introduced to facilitate rapid decision making and strengthen operational execution.

Also, Kyowa Hakko Kirin has established the Advisory Board, which acts as a counseling body to the Board of Directors in order to strengthen management and ensure transparency and soundness as well as to provide an external management perspective on various management-related issues to the entire Group. The Advisory Board is made up of four outside advisors and met twice during the year ended March 31, 2009.

Risk Management System and In-House Committees

To address the variety of risks inherent in management issues, seven in-house committees have been established to strengthen risk management and enhance corporate governance. These committees regularly report on their activities to the Board of Directors. These in-house committees are the CSR Committee, the Group Risk Management Committee, the Risk Management Committee, the Group Environmental Safety Committee, the Group Quality Assurance Committee, the Information Disclosure Committee, and the Financial Management Committee. For details of identified risks, please refer to "Risk Factors" on page 51.

Internal Control System

A policy for the establishment of a system for internal control to ensure the integrity of operations was approved by the Board of Directors on May 22, 2006, and this system is currently under development based on that resolution. Based on subsequent changes to the operating environment, such as law revisions, and the progress made by the Kirin Group and the Company in developing the internal control system, the Company's Board of Directors resolved at a meeting on April 22, 2009, to revise the internal control system.

Compliance

Kyowa Hakko Kirin views regulatory compliance as one of its most important management issues and the Kyowa Hakko Kirin Group Compliance Guidelines make clear its position on employees always observing corporate ethics when carrying out their duties. Further, the Company has established organizations and regulations to ensure the guidelines are effectively adhered to. This includes a specialist organization to promote corporate ethics throughout the Group and to carry out training for all employees in all Group companies. Kyowa Hakko Kirin has also created a system of internal reporting and works to ensure all employees are aware of it and utilize it if necessary.

In addition to aiming to protect those people reporting on compliance-related issues, a structure is in place to maintain transparency and to decisively respond to situations arising from internal reporting. The Company has also established a dedicated internal audit organization that is independent of the operating organization to carry out checks on the effectiveness of the compliance system.

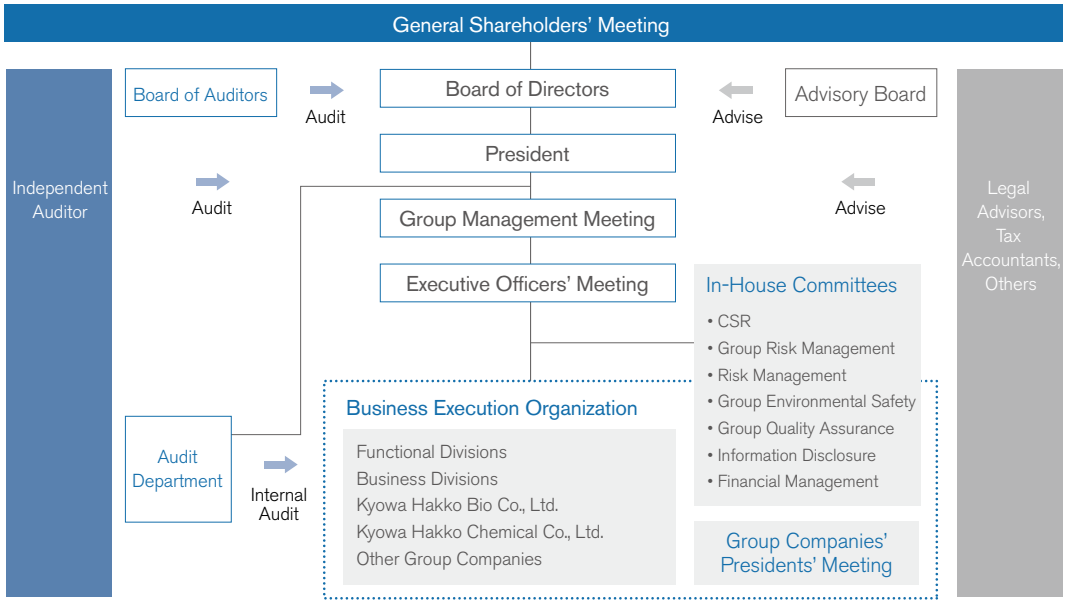
Internal Audit

The Audit Department consists of six people and was established to operate under the direct supervision of the Company president. It examines and reports on the status of the Company's operations from legal, internal compliance, and effective management perspectives. Also, the Audit Department offers advice and makes proposals to enhance operations and improve efficiency.

Structure for Reporting to Company Auditors

Directors and employees are obligated to report to company auditors any violations of laws, internal regulations, resolutions of the Board of Directors, or other rules under the internal reporting structure. Company auditors may attend important management meetings, including those of the Board Directors and the Group Management Meeting, as well as examine meeting minutes and other documents as well as carry out other audits in cooperation with the dedicated internal audit department.

Corporate Governance Structure
As of June 25, 2009



Independent Auditor

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

Compensation to Directors and Company Auditors

Executive compensation to directors and company auditors during the year ended March 31, 2009, totaled ¥373 million, of which ¥281 million was compensation for directors (including ¥9 million as compensation paid to outside directors) and ¥91 million was for company auditors.

The Company introduced a performance-based compensation system for its directors and executive officers. Furthermore, a stock option scheme for a stock-linked compensation plan has been offered in place of the discontinued retirement benefit system, and the compensation to directors shown above included stock options of ¥40 million. In addition, ¥153 million in audit fees were paid to the independent auditor, including ¥121 million for audit-certification duties.

MESSAGE FROM THE OUTSIDE COMPANY AUDITORS

Of Kyowa Hakko Kirin's five company auditors, four are outside auditors, including three full-time auditors. Auditors have a high degree of autonomy, and the three outside auditors are able to conduct continuous audits while remaining entirely independent of the executive management of the Company. They conduct separate checks to ensure each other's independence and have full and free access to in-house information.

Kyowa Hakko Kirin has established a system of continuous audits conducted by multiple independent, full-time outside auditors. All the executives and employees accept that auditors play an essential role in creating an extremely transparent corporate culture and create no impediments to the execution of audits, such as withholding information from auditors who are carrying out their individual duties.

In determining the agenda to be put before the Board of Directors, the following procedure is extremely effective and important from a perspective of enhancing corporate governance and the decision-making process. The auditors offer their opinions based on information provided to them at Group Management Meetings and information previously acquired when carrying out their investigations at the divisional level. Then, executives and administrative staff fully take these opinions into consideration, including those of the outside auditors, during the decision-making process.

June 25, 2009

Akira Taniguchi, Outside Company Auditor
Tomojiro Sato, Outside Company Auditor
Hiroaki Nagai, Outside Company Auditor

MANAGEMENT MEMBERS

As of June 25, 2009

MEMBERS OF THE BOARD

DIRECTORS

Yuzuru Matsuda[1]*
President

Tomohiro Mune[2]*

Tomonori Yuji[3]

Ken Yamazumi[4]

Kazuyoshi Tachibana[5]

Nobuo Hanai[6]

Kozo Fujita[7]
Outside Director, Lawyer

COMPANY AUDITORS

Akira Taniguchi[8]
Outside Company Auditor

Nobuo Kanda[9]

Tomojiro Sato[10]
Outside Company Auditor

Hiroaki Nagai[11]
Outside Company Auditor

Hiroyuki Takahashi[12]
Outside Company Auditor

MANAGING OFFICERS

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Yuzuru Matsuda

EXECUTIVE VICE PRESIDENT

Tomohiro Mune

SENIOR EXECUTIVE MANAGING OFFICERS

Tomonori Yuji
Ken Yamazumi
Yutaka Yoshida

EXECUTIVE MANAGING OFFICERS

Kazuyoshi Tachibana
Nobuo Hanai
Hiroyuki Kawai
Manabu Suzuki

MANAGING OFFICERS

Yoshiki Tsunekane
Akira Karasawa
Fumihiro Nishino
Masau Takayanagi
Hideo Inoue
Shigeru Morotomi
Toshifumi Mikayama
Nobuhisa Yamazaki
Yoichi Sato
Etsuo Oshima

* Representative Director

FINANCIAL SECTION

ELEVEN-YEAR SELECTED FINANCIAL DATA

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

	2009	2008	2007	2006
For the Year:				
Net sales	¥460,184	¥392,120	¥354,274	¥353,440
Gross profit	200,298	144,918	131,425	126,983
Selling, general and administrative expenses	154,911	105,528	100,726	101,448
Operating income	45,387	39,390	30,699	25,535
Net income	11,727	23,477	12,694	16,273
Capital expenditures	18,523	14,796	14,498	10,859
Depreciation and amortization	18,780	14,347	10,006	9,789
R&D expenses	48,389	34,110	33,342	32,876
Cash Flows:				
Net cash provided by operating activities	41,069	30,714	23,381	14,303
Net cash (used in) provided by investing activities	(3,981)	(9,492)	(8,494)	(1,796)
Net cash used in financing activities	(20,978)	(13,500)	(24,417)	(5,139)
Cash and cash equivalents at the end of the year	69,287	44,119	36,614	45,820
At Year-End:				
Total current assets	279,476	232,661	214,352	212,985
Total assets	699,041	394,081	378,871	384,381
Total current liabilities	108,522	111,744	106,566	94,148
Interest-bearing debt	13,540	12,790	13,137	12,216
Total net assets	543,070	256,758	244,082	257,491
Total shareholders' equity [2]	547,203	239,329	220,427	232,621
Number of employees [4]	7,256	6,073	5,756	5,800
Per Share Data:				
Net income–basic [3]	¥ 20.4	¥ 59.0	¥ 31.3	¥ 38.4
Net assets	938.4	639.7	607.5	604.9
Cash dividends	20.0	10.0	10.0	10.0
Common Stock Price Range (Per share):				
High	1,212	1,430	1,154	946
Low	708	933	722	656
Stock Information (Thousands of shares):				
Number of common stock issued	576,484	399,244	399,244	434,244
Weighted average number of common stock issued	574,083	397,717	405,270	422,920
Financial Ratios:				
Return on assets (ROA)	1.62	6.07	3.33	4.29
Operating return on assets	6.26	10.19	8.04	6.73
Return on equity (ROE)	2.17	9.47	5.10	6.63
Equity ratio	77.04	64.53	63.80	66.55
Debt/equity ratio	2.51	5.03	5.43	4.78

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥98.23=U.S.$1, the approximate exchange rate at March 31, 2009.
2. Due to a change in accounting standards, figures for total shareholders' equity in the years ended March 31, 2007 and 2006, have been restated.
3. Net income per share–basic is based upon the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for subsequent free distributions of common stock.
4. Figures for number of employees prior to the year ended March 31, 2000, were only available in non-consolidated basis.

Millions of Yen							Thousands of U.S. Dollars[1]
2005	2004	2003	2002	2001	2000	1999	2009
¥358,963	¥348,838	¥359,285	¥378,668	¥375,610	¥374,910	¥384,671	$4,684,760
132,113	129,507	126,328	128,744	123,945	126,872	127,864	2,039,070
98,606	102,671	110,239	108,387	106,233	105,216	104,407	1,577,021
33,507	26,836	16,089	20,357	17,712	21,656	23,457	462,049
17,932	10,017	8,485	5,535	9,395	11,274	6,143	119,382
7,647	9,041	11,791	11,454	17,092	21,053	24,408	188,573
10,565	11,358	14,768	17,819	18,502	19,153	17,673	191,181
28,762	29,206	31,438	29,294	28,921	25,888	24,083	492,613
30,104	34,264	18,193	16,955	28,789	32,737	—	418,092
(8,104)	10,477	2,586	8,377	(1,991)	23,422	—	(40,532)
(9,116)	(44,226)	(38,748)	(16,843)	(20,871)	(50,077)	—	(213,563)
37,818	24,911	24,588	41,908	32,600	26,215	—	705,350
210,341	194,062	195,878	244,410	237,852	223,353	270,499	2,845,118
374,493	361,096	368,772	430,113	431,410	433,958	477,729	7,116,371
103,489	98,914	95,046	162,508	169,821	158,542	211,376	1,104,773
12,193	13,358	51,969	74,354	87,624	102,870	151,489	137,847
—	—	—	—	—	—	—	5,528,557
235,439	225,042	219,047	211,652	194,692	195,039	185,766	5,570,634
5,960	6,294	6,749	7,299	7,766	7,866	5,044	
	Yen						U.S. Dollars[1]
¥ 41.7	¥ 23.0	¥ 19.4	¥ 12.7	¥ 21.6	¥ 26.0	¥ 13.9	$ 0.208
556.3	522.6	505.4	487.5	448.3	449.1	427.8	9.533
10.0	7.5	7.5	7.5	7.5	10.0	7.5	0.204
864	719	780	899	1,225	1,581	694	12.338
661	495	411	587	701	610	485	7.208
434,244	434,244	434,244	434,244	434,244	434,244	434,244	
427,636	431,497	433,748	434,244	434,244	434,244	441,906	
	%						
4.88	2.74	2.12	1.28	2.17	2.47	1.34	
9.11	7.35	4.03	4.73	4.09	4.75	5.13	
7.79	4.51	3.94	2.72	4.82	5.92	3.28	
62.87	62.32	59.40	49.21	45.13	44.94	38.89	
5.18	5.94	23.73	35.13	45.01	52.74	81.55	

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Combination

Accounting Procedures

On April 1, 2008, Kirin Pharma became a wholly owned subsidiary of Kyowa Hakko following a share exchange, and Kyowa Hakko became a consolidated subsidiary of Kirin Holdings. Subsequently, on October 1, 2008, Kyowa Hakko merged with Kirin Pharma, and its corporate name was changed to Kyowa Hakko Kirin. The surviving company, Kyowa Hakko, is a consolidated subsidiary of Kirin Holdings, and therefore the share exchange was classified as a reverse acquisition by the Accounting Standard for Business Combinations, with Kirin Pharma as the acquirer.

As a result, the net assets at the end of the previous fiscal period became that net assets, at that time of the acquiree, Kyowa Hakko, while the net assets at the beginning of the period under review became the net assets at that time of the acquirer, Kirin Pharma. Consequently, there is no continuity between these figures.

Net assets at the end of the current period under review have been calculated by adding the acquisition cost of Kyowa Hakko to the Kirin Pharma's net assets at the beginning of the period, reflecting changes during the period.

Changes in Net Assets Accompanying the Share Exchange

	Millions of Yen				
	2009				2008
Period ended March 31,	KHK	Changes during the period	KP balance at the beginning of the period	KH acquisition cost	KH
Common stock	¥ 26,745	¥ —	¥ 3,000	¥ 23,745	¥ 26,745
Additional paid-in capital	512,418	(14)	56,814	455,618	43,180
Retained earnings	10,432	5,988	4,444	—	170,948
Treasury stock	2,392	(848)	—	(1,544)	(1,544)
Total shareholders' equity	547,203	5,126	64,258	477,819	239,329
Valuation, translation adjustments and others	4,133	4,554	421	—	17,429
Net assets	¥543,070	¥ 572	¥64,679	¥477,819	¥256,758

KHK = Kyowa Hakko Kirin KP = Kirin Pharma KH = Kyowa Hakko

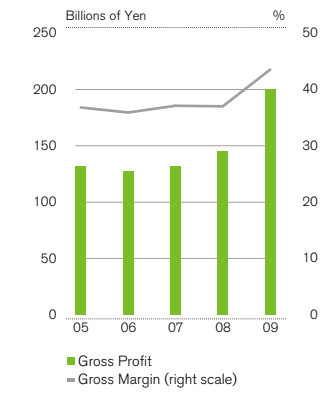
Goodwill

Accompanying this share exchange, the acquisition cost of the acquiree, the Company, exceeded the market value of the Company's net assets at the time the business combination occurred. This excess amount was recognized as goodwill.

- Total goodwill generated: ¥191.9 billion
- Amortization method: Straight-line method
- Amortization period: 20 years

Amortization of goodwill resulting from the reverse acquisition was ¥9.6 billion recorded in the fiscal period under review.

Gross Profit



Profit and Loss

Sales

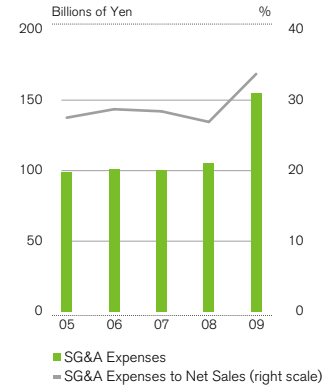
Consolidated net sales in the year ended March 31, 2009, increased 17.4% year on year, to ¥460.2 billion. NHI price revisions were a negative factor in mainstay Pharmaceuticals operations, although the contribution of the newly consolidated Kirin Pharma and a large up-front payment accompanying an out-licensing agreement resulted in a substantial rise in sales. In addition, Bio-Chemicals operations registered an increase due to the rise in sales of its health care products. Chemicals operations, however, recorded a decline because of the impact of the global recession, while sales in Food operations also fell slightly due to the surging prices of raw materials

and stagnant consumption. In sales in Other operations, the new consolidation of Kashiwagi Corporation was the principal factor behind the substantial increase.

Cost of Sales and SG&A Expenses

Cost of sales was up 5.1% year on year, to ¥259.9 billion. Gross profit registered a 38.2% increase, to ¥200.3 billion, and the gross margin improved 6.6 percentage points, to 43.5%. Selling, general and administrative (SG&A) expenses rose 46.8%, to ¥154.9 billion. The substantial increase was due primarily to the impact of the new consolidation of Kirin Pharma, such as through higher R&D and personnel expenses. The total includes amortization of goodwill of ¥9.6 billion that occurred as a result of the integration with Kirin Pharma. The ratio of SG&A expenses to net sales improved 6.8 percentage points, to 33.7%.

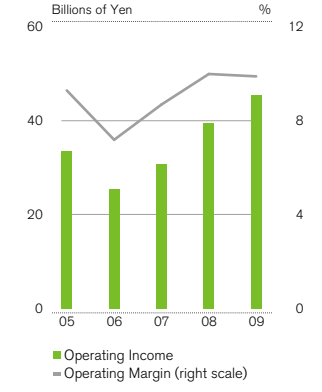
SG&A Expenses



Operating Income

Operating income for fiscal 2009 grew 15.2%, to ¥45.4 billion, but the operating margin edged down 0.1 percentage point, to 9.9%. Despite the recording of amortization of goodwill, the improvement in the gross margin meant that the decline in the operating margin was kept to a minimum. The operating margin before the amortization of goodwill was 11.9%.

Operating Income



Other Revenue (Expenses)

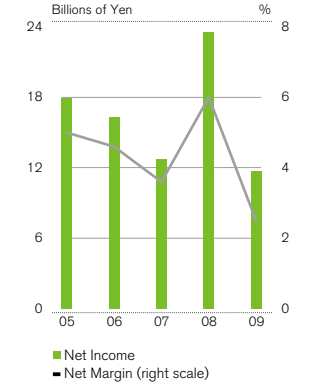
Other expenses increased substantially, to ¥14.4 billion, from ¥0.6 billion in the previous year. Positive factors, including a ¥2.4 billion gain in dividend income and a ¥5.8 billion gain on sale of investments in subsidiaries and affiliates, were exceeded by negative factors, such as a ¥1.0 billion loss on sale and disposal of property, plant and equipment, a ¥6.6 billion loss on revaluation of investments in securities, a ¥5.7 billion loss on impairment of fixed assets, and ¥5.5 billion for expenses related to business integration under the Strategic Alliance with the Kirin Group.

Consequently, income before income taxes and minority interests declined 20.3% year on year, to ¥30.9 billion.

Income Taxes

Income taxes in the fiscal year under review totaled ¥18.9 billion, an increase of 24.6% year on year. As a percentage of pretax income, the effective tax rate was 61.2%, a rise from 39.1% in the previous year. Primary factors included the recording of amortization of consolidated goodwill, for which there is no tax effect recognized.

Net Income



Net Income

Consequently, net income for the year ended March 31, 2009, declined 50.0% year on year, to ¥11.7 billion, and the net margin fell 3.4 percentage points, to 2.5%.

Performance by Industry Segment

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

Pharmaceuticals

This segment, the mainstay of Kyowa Hakko Kirin's business, registered a 52.1% increase in sales in fiscal 2009, to ¥210.4 billion, and represented 42.1% of the Company's consolidated net sales. Operating expenses increased 48.3%, to ¥175.6 billion, but due to the increase in sales, operating income rose to ¥34.8 billion, up 74.5%. Significant factors behind the increase was Kirin Pharma's contribution to sales following its consolidation, such as by its mainstay Nesp® and Espo® products

and the receipt of a large up-front payment accompanying the out-licensing agreement of KW-0761 to Amgen, Inc., of the United States.

Bio-Chemicals

Sales from Bio-Chemicals operations increased 1.9%, to ¥88.5 billion, accounting for 17.7% of consolidated net sales. Operating expenses rose 3.9%, to ¥80.1 billion, and operating income fell 13.9%, to ¥8.3 billion. While solid demand both domestically and overseas for health care products contributed to increased sales, this was offset by the impact of the rapid appreciation of the yen from the second half of the fiscal year, despite an increase in shipments of pharmaceutical- and industrial-use raw materials to overseas markets.

Chemicals

Sales were down 17.4%, to ¥89.2 billion, with Chemicals operations contributing 17.9% to consolidated net sales. Operating expenses decreased 11.5%, to ¥89.3 billion, but the fall in sales resulted in a ¥7.2 billion decline in operating income and the subsequent recording of an operating loss of ¥47 million. The decline was attributable to the rapid fall in demand accompanying the global economic recession from the second half of the year and the substantial deterioration of product prices due to the sharp fall in the prices of fuel and raw materials.

Food

Food operations sales declined 2.0% year on year, to ¥42.5 billion, contributing 8.5% to consolidated net sales. While operating expenses edged down 0.9%, to ¥41.4 billion, operating income decreased 31.1%, to ¥1.1 billion, because of the fall in sales. The primary factors were an increase in sales of *umami* seasonings and decreases in sales of natural seasonings, confectionery and bakery products, and processed foods.

	Millions of Yen						Thousands of U.S. Dollars[1]
	2009	2008	2007	2006	2005	2004	2009
Sales by Industry Segment:							
Pharmaceuticals	¥210,449	¥138,377	¥131,526	¥148,939	¥156,426	¥142,881	$2,142,407
Bio-Chemicals	88,465	86,820	67,120	63,241	57,767	69,195	900,587
Chemicals	89,204	108,007	98,650	85,835	77,983	66,899	908,117
Food[2]	42,469	43,324	42,589	42,440	44,500	45,912	432,337
Other	68,733	49,000	48,480	45,950	57,784	62,906	699,719
Corporate, elimination and other	(39,136)	(33,408)	(34,091)	(32,965)	(35,497)	(38,955)	(398,407)
Total	¥460,184	¥392,120	¥354,274	¥353,440	¥358,963	¥348,838	$4,684,760
Operating Income (Loss) by Industry Segment:							
Pharmaceuticals	¥34,832	¥19,962	¥15,746	¥14,268	¥18,100	¥11,943	$354,597
Bio-Chemicals	8,342	9,688	4,112	4,341	6,887	8,847	84,925
Chemicals	(47)	7,169	7,974	4,501	5,339	2,893	(479)
Food[2]	1,087	1,577	1,832	1,602	1,662	1,654	11,064
Other	1,094	839	968	711	1,634	1,767	11,141
Corporate, elimination and other	79	155	67	112	(115)	(268)	801
Total	¥45,387	¥39,390	¥30,699	¥25,535	¥33,507	¥26,836	$462,049

1. U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥98.23=U.S.$1, the approximate exchange rate at March 31, 2009.
2. Due to the transfer of alcoholic beverage operations in September 2002, the name of the Liquor and Food Segment was changed to the Food Segment from the year ended March 31, 2004.
3. Due to the reclassification of business segments effective from fiscal 2005, segment information for fiscal 2004 has been restated. However, segment information for years prior to fiscal 2004 has not been restated.
4. Due to the reclassification of the Other Segment effective from fiscal 2007, segment information for the Pharmaceuticals, Bio-Chemicals, and Other segments for fiscal 2006 has been restated. However, segment information for years prior to fiscal 2006 has not been restated.

Other

Other operations recorded a 40.3% rise in sales, to ¥68.7 billion, with this segment accounting for 13.8% of consolidated net sales. Despite an increase in operating expenses of 40.4%, to ¥67.6 billion, the higher sales meant an increase in operating income of 30.6%, to ¥1.1 billion. The new consolidation of Kashiwagi Corporation was the primary factor behind the substantial increase in sales. The Other segment includes wholesale and transportation operations at subsidiaries.

Performance by Geographic Segment

Japan

In Japan, net sales increased 15.3% year on year, to ¥444.2 billion, and operating income was up 3.6%, to ¥39.6 billion. In addition to the effects of the new consolidation of Kirin Pharma in April 2008, another main factor behind the increase was the receipt of a large up-front payment from U.S. pharmaceutical company Amgen for an out-licensing agreement.

Other

Net sales in other regions rose 44.3%, to ¥47.8 billion, and operating income increased 303.9%, to ¥6.5 billion, due principally to the effects of consolidating nine overseas subsidiaries of Kirin Pharma and the steady performance of the European subsidiaries of the Bio-Chemicals operations.

Cash Flows

The balance of cash and cash equivalents at the end of fiscal 2009 increased ¥25.2 billion year on year, to ¥69.3 billion, as compared to ¥44.1 billion at the end of the previous fiscal year. The balance of cash and cash equivalents at the beginning of the year includes ¥10.4 billion that represents cash and cash equivalents of acquirer (Kirin Pharma) at the beginning of the year and ¥43.7 billion in increase in cash and cash equivalents of newly consolidated subsidiaries (including Kyowa Hakko's cash and cash equivalents of ¥44.1 billion at the end of the previous fiscal year), reflecting the changes during the period. As a result, the change in net increase in cash and cash equivalents during fiscal 2009 was an increase of ¥15.1 billion. The primary factors contributing to changes in cash flow conditions during fiscal 2009 were as follows.

Net cash provided by operating activities was ¥41.1 billion, an increase of 33.7% year on year. Positive factors included income before income taxes and minority interests of ¥30.9 billion, depreciation and amortization of ¥18.8 billion, and amortization of goodwill of ¥9.9 billion. The principal negative factor was income taxes paid of ¥20.0 billion.

Net cash used in investing activities was ¥4.0 billion, which was 58.1% less than the previous year. The main outlays were a ¥18.2 billion payment for the acquisition of property, plant and equipment and ¥7.0 billion in payments into time deposits, while the main inflows were ¥16.9 billion in proceeds from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation (the partial sale of shares of Kyowa Hakko Food Specialties Co., Ltd.), and ¥3.1 billion in proceeds from withdrawal of time deposits.

Net cash used in financing activities in fiscal 2009 was ¥21.0 billion, which was 55.4% more than fiscal 2008. The principal factors were ¥12.6 billion for the repayment of long-term debt and ¥7.7 billion for dividends paid.

Financial Position

Assets

Total assets rose to ¥699.0 billion, up 77.4%, compared to ¥394.1 billion at the end of fiscal 2008, mainly due to the share exchange with Kirin Pharma. As the Accounting Standard for Business Combinations deemed this share exchange to be a reverse acquisition, Kirin Pharma's consolidated net assets of ¥96.9 billion at the start of the period were incorporated into the market value (acquisition cost) of the Company's consolidated net assets of ¥477.8 billion, reflecting changes during the period.

Total current assets rose 20.1% year on year, or ¥46.8 billion, to ¥279.5 billion (including the Kirin Pharma balance at the start of the period of ¥49.5 billion). Cash and bank deposits increased 78.4%, or ¥14.5 billion, to ¥33.0 billion (including the Kirin Pharma balance at the start of the period of ¥6.6 billion). Accounts and notes receivable rose 0.3%, to ¥115.1 billion (including the Kirin Pharma balance at the start of the period of ¥20.6 billion). In addition, marketable securities, such as commercial paper, of ¥26.7 billion were held at the end of fiscal 2008, but the entire amount was redeemed during fiscal 2009. Short-term loans receivable at the end of fiscal 2009 was ¥47.3 billion, which includes ¥42.0 billion to the parent company, Kirin Holdings.

Total property, plant and equipment, net, increased 68.6%, or ¥65.3 billion, to ¥160.4 billion (including ¥56.0 billion recorded as differences in the Company's market value accompanied the reverse acquisition and the Kirin Pharma balance of ¥25.7 billion at the start of the period).

Total investments and other assets grew 291.0%, or ¥192.9 billion, to ¥259.2 billion (including goodwill of ¥176.8 billion due to the reverse acquisition).

Liabilities

Total liabilities rose 13.6%, or ¥18.6 billion, to ¥156.0 billion (including the Kirin Pharma balance at the start of the period of ¥32.2 billion). Total current liabilities fell 2.9%, to ¥108.5 billion, primarily due to a substantial decline in accounts and notes payable. Total long-term liabilities were up 85.5%, or ¥21.9 billion, to ¥47.4 billion. This was mainly because deferred tax liabilities significantly increased, due to the differences in market value that accompanied the reverse acquisition. Interest-bearing debt was up 5.9%, to ¥13.5 billion, while cash and bank deposits remained considerably higher than borrowings.

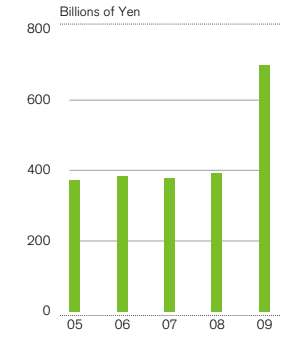
Net Assets

Total net assets increased 111.5%, or ¥286.3 billion, to ¥543.1 billion. The Kirin Pharma balance at the beginning of the period accounted for ¥64.7 billion of this amount. Total shareholders' equity was ¥547.2 billion at the end of fiscal 2009, a year-on-year rise of 128.6%, or ¥307.9 billion. Specifically, this total was comprised of the Kirin Pharma balance at the beginning of the period of ¥64.3 billion, and, as the surviving company following a reverse acquisition, the Kyowa Hakko market value (acquisition cost) at the start of the period of ¥477.8 billion. The increase during the period was ¥5.1 billion. Additional paid-in capital at the end of fiscal 2009 rose ¥469.2 billion, to ¥512.4 billion, including increase due to the share exchange of ¥455.6 billion.

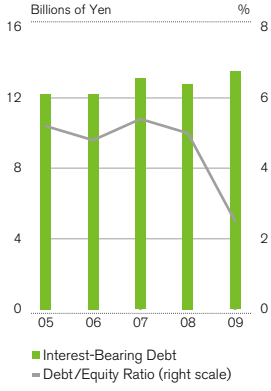
As a result, the equity ratio[1] rose 12.5 percentage points, to 77.0%, from 64.5% at the end of fiscal 2008. The debt/equity ratio[2] improved 2.5 percentage points, to 2.5%, from 5.0% at the end of the previous fiscal year, reflecting a further strengthening of stability.

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

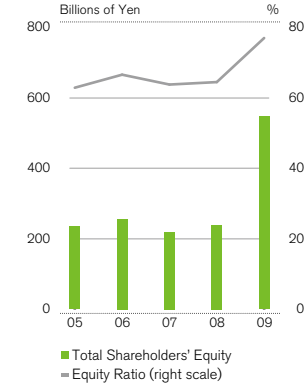
Total Assets



Interest-Bearing Debt



Total Shareholders' Equity



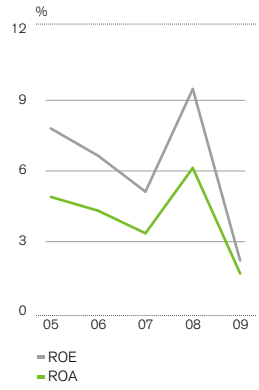
Management Indexes

Both return on equity (ROE) and return on assets (ROA) fell substantially year on year, down from 9.47% to 2.17% and from 6.07% to 1.62% respectively. While net income reduced by half, net assets and total shareholders' equity doubled due to the integration with Kirin Pharma. Operating return on assets also fell, from 10.19% to 6.26% over the same period.

The current medium-term management plan emphasizes return on invested capital (ROIC[2]) as a key management indicator and in its final year, the year ending March 31, 2011, sets a ROIC target of 16.0%. On the calculation of ROIC at the end of the period, due to the integration with Kirin Pharma, operating income was calculated using a total before the amortization of goodwill, and property, plant and equipment was calculated using a total that excluded goodwill. As a result, ROIC increased from 13.8% at the end of fiscal 2008 to 14.5%. Earnings before income tax, depreciation and amortization (EBITDA[3]) for fiscal 2009 declined 6.1% year on year, to ¥50.2 billion.

2. ROIC = Operating income / total fixed assets + (accounts receivable + inventories − trade payables)
3. EBITDA = Income before income taxes and minority interests + interest expenses + depreciation and amortization

ROE and ROA

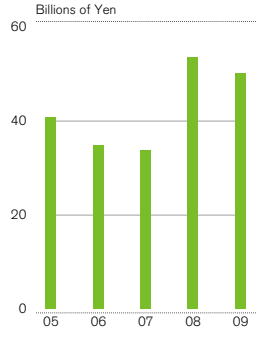


Capital Expenditures

Capital expenditures increased 25.2% year on year, to ¥18.5 billion. The Company maintained its aggressive, forward-looking capital expenditure program. In fiscal 2009, this mainly involved investing in expanding production facilities for clinical trial-use antibodies and the construction of new research buildings in Pharmaceuticals, and expanding production facilities for active pharmaceutical ingredients in Bio-Chemicals.

Depreciation and amortization was ¥18.8 billion, up 30.9%, and total capital expenditure was covered within the amount of depreciation and amortization. The breakdown of capital expenditures and depreciation and amortization are shown in the following table.

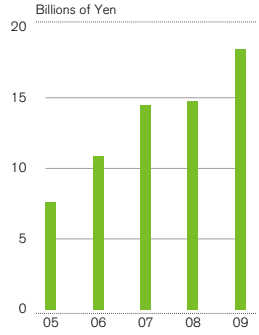
EBITDA



Millions of Yen

	Capital Expenditures			Depreciation and Amortization		
	2009	2008	2007	2009	2008	2007
Pharmaceuticals	¥ 9,641	¥ 4,233	¥ 3,681	¥ 8,394	¥ 3,947	¥ 3,606
Bio-Chemicals	5,376	4,192	6,628	5,027	5,540	3,181
Chemicals	4,359	4,345	3,623	4,218	3,772	2,302
Food	566	1,955	886	998	978	799
Other	103	71	30	150	120	130
Corporate, elimination and other	(1,522)	—	(350)	(7)	(10)	(12)
Total	¥18,523	¥14,796	¥14,498	¥18,780	¥14,347	¥10,006

Capital Expenditures



R&D Expenses

R&D expenses, which are accounted for under production expenses and SG&A expenses, rose 41.9%, to ¥48.4 billion. This represented 10.5% of fiscal 2009 consolidated net sales, an increase of 1.8 percentage points, compared to 8.7% at the end of fiscal 2008. R&D expenses in Pharmaceuticals operations of ¥42.6 billion constituted 88.1% of total R&D expenses and represented 20.3% of Pharmaceuticals operations sales, a slight fall of 0.1 percentage point from the previous fiscal year.

Per Share Data

Net income per share—basic fell substantially in fiscal 2009, to ¥20.4 from ¥59.0 in the previous fiscal year. Net income per share before the amortization of goodwill was ¥37.14. Net assets per share grew to ¥938.4 from ¥639.7 at the end of the previous fiscal year. The annual dividend doubled year on year, to ¥20.0 per share, including an interim dividend of ¥10.0.

Distribution of Profits

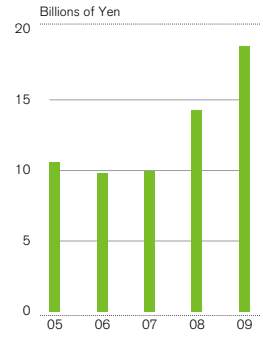
Kyowa Hakko Kirin considers returns to shareholders to be one of its most important management principles. Its dividend policy balances the need to augment retained earnings as a foundation for future business growth with the desire to make stable and consistent dividend payments after giving thorough consideration of consolidated business results, the dividend payout ratio, and the yield of net assets.

In fiscal 2009, profits fell due to the considerable impact of the loss on impairment of fixed assets and the loss on revaluation of investments in securities, but as planned we doubled the annual dividend from the previous year to ¥20.0 per share. As a result, the dividend payout ratio for fiscal 2009 was 97.9%, up significantly from 16.9% in fiscal 2008.

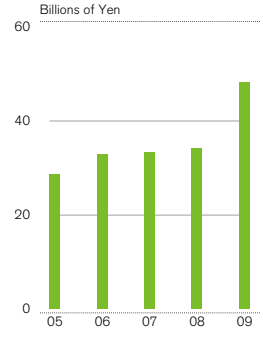
The year ended March 31, 2009, was the first year of the current medium-term management plan, which targeted a dividend payout ratio of over 30.0% (calculated on the basis of net income before amortization of goodwill). Reflecting the change in fiscal year-end from March to December, Kyowa Hakko Kirin plans a nine-month dividend of ¥15.0 per share for the year ending December 31, 2009 (equivalent to ¥20.0 per share on a yearly basis).

Internal reserves including retained earnings are used to supplement the investments that will help us achieve our next growth stage, including R&D that will contribute to future increases in corporate value and for capital expenditures.

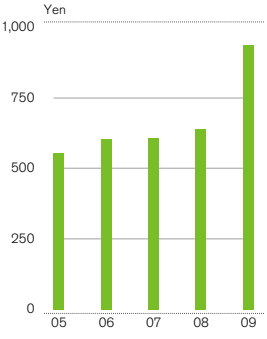
Depreciation and Amortization



R&D Expenses



Net Assets per Share



RISK FACTORS

In the analysis of Kyowa Hakko Kirin's business performance and financial position, the major risks that could have a significant influence on the judgment of investors include those outlined below. The Group recognizes that these risk events may occur and uses a risk management system to prevent the occurrence of risk events that it is able to control. At the same time, the Company will do its utmost to respond to risk events if and when they were to occur. Matters in this section dealing with future events represent the judgment of the Kyowa Hakko Kirin Group as of March 31, 2009, the end of the fiscal year under review.

Risks Inherent in the Domestic Pharmaceutical Industry's Operating Environment

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

Risk of Non-Recovery of Substantial R&D Investments

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

Risks Related to Intellectual Property Rights

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

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

Legal Risks

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

Risks Related to Defective Products

Kyowa Hakko Kirin manufactures a variety of products at plants in the countries in which it operates, in compliance with locally recognized quality control and other

standards. Furthermore, the Company requires that the products it purchases for sale conform to the same quality and standards required of Kyowa Hakko Kirin products. However, there is no guarantee that all products will be free of defects. Therefore, the possibility of product defects leading to large-scale product recalls or product liability claims cannot be ruled out.

Risks Related to Disasters and Accidents

To minimize the negative effects of interruptions in manufacturing line activities, the Company conducts regular disaster prevention tests and inspections of all its production facilities. Nevertheless, no guarantee exists that the Company will be able to completely prevent events that interrupt production, including accidents, electrical outages, and boiler stoppages. Furthermore, the Company handles flammable materials, including petrochemical products and raw material alcohol, as well as substances that are subject to an array of statutory regulations and guidelines. The handling of these materials is strictly controlled, but if a fire, natural disaster, or some other event were to occur, surrounding areas could suffer damage. Such an accident or disaster could not only result in large payments for damages but also adversely affect the public's trust in the Group.

Risks Related to the Strengthening of Environmental Regulations on Production Activities

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

Risks Inherent in Overseas Business Activities

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

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

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

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

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

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

The primary raw materials for the products of the Company's Chemicals operations include ethylene and propylene, which are made from naphtha, refined from crude oil.

The prices of these raw materials are significantly affected by fluctuations in the price of crude oil, which can be triggered by a variety of unpredictable factors, including the worldwide balance of supply and demand, weather conditions, war, and terrorism. In some cases, the Company may not be able to factor fluctuations in raw materials prices into product prices, or offset fluctuations through cost reductions, in a timely manner.

Risks Related to Fluctuations in Exchange Rates

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

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

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

Risks Relating to the Impairment of Fixed Assets

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

Risks Relating to the Procurement of Raw Materials

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

CONSOLIDATED BALANCE SHEETS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
As at March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2009**	2008	**2009**
Current Assets:			
Cash and bank deposits	¥ 32,979	¥ 18,481	$ 335,729
Marketable securities (Note 6)	–	26,668	–
Accounts and notes receivable:			
Trade	105,022	101,352	1,069,144
Unconsolidated subsidiaries and affiliates	4,962	10,534	50,515
Other	5,141	2,889	52,334
	115,125	114,775	1,171,993
Inventories	67,629	62,416	688,473
Deferred tax assets (Note 9)	11,633	6,830	118,428
Short-term loans receivable:			
Parent company	42,042	–	427,999
Other	5,225	20	53,190
	47,267	20	481,189
Other current assets	4,995	3,561	50,857
Less: allowance for doubtful accounts	(152)	(90)	(1,551)
Total Current Assets	279,476	232,661	2,845,118
Property, Plant and Equipment, at cost (Note 14):			
Land	74,180	21,254	755,165
Buildings and structures	147,417	124,832	1,500,733
Machinery and equipment	200,985	198,704	2,046,067
Other	51,003	35,905	519,220
Construction in progress	6,424	4,356	65,394
	480,009	385,051	4,886,579
Less: accumulated depreciation	(319,611)	(289,916)	(3,253,695)
Total Property, Plant and Equipment, net	160,398	95,135	1,632,884
Investments and Other Assets:			
Investments in securities (Notes 6 and 15)	42,944	44,900	437,183
Investments in unconsolidated subsidiaries and affiliates	19,636	9,880	199,895
Goodwill	177,275	180	1,804,695
Deferred tax assets (Note 9)	3,015	1,080	30,690
Other assets	17,244	11,765	175,551
Less: allowance for doubtful accounts	(947)	(1,520)	(9,645)
Total Investments and Other Assets	259,167	66,285	2,638,369
Total Assets	¥ 699,041	¥ 394,081	$ 7,116,371

The accompanying notes are an integral part of the statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 3) 2009
Current Liabilities:			
Short-term borrowings (Note 7)	¥ 12,750	¥ 12,534	$ 129,802
Current portion of long-term debt (Note 7)	231	65	2,353
Accounts and notes payable:			
Trade (Note 15)	39,483	44,712	401,945
Unconsolidated subsidiaries and affiliates	2,798	5,082	28,486
Construction and acquisition of properties	6,403	5,722	65,185
Other	18,217	15,475	185,451
	66,901	70,991	681,067
Income taxes payable	13,557	10,604	138,011
Accrued bonuses	4,116	3,776	41,907
Other current liabilities	10,967	13,774	111,633
Total Current Liabilities	108,522	111,744	1,104,773
Long-Term Liabilities:			
Long-term debt (Note 7)	559	192	5,692
Deferred tax liabilities (Note 9)	17,144	2,399	174,524
Reserve for retirement benefits:			
Employees (Note 11)	26,684	20,949	271,650
Directors and corporate auditors	188	219	1,917
Other long-term liabilities	2,874	1,820	29,258
Total Long-Term Liabilities	47,449	25,579	483,041
Total Liabilities	155,971	137,323	1,587,814
Commitments and Contingent Liabilities (Note 16)			
Net Assets:			
Shareholders' Equity (Note 17)			
Common stock:			
Authorized: 987,900,000 shares at March 31, 2009 and 2008			
Issued: 576,483,555 shares at March 31, 2009 and 399,243,555 shares at March 31, 2008	26,745	26,745	272,269
Additional paid-in capital	512,418	43,180	5,216,514
Retained earnings	10,432	170,948	106,206
Treasury stock, at cost:			
2,589,766 shares at March 31, 2009 and 1,723,184 shares at March 31, 2008	(2,392)	(1,544)	(24,355)
Total Shareholders' Equity	547,203	239,329	5,570,634
Valuation, Translation Adjustments and Others			
Net unrealized holding (loss) gain on other securities (Note 6)	(4,733)	15,349	(48,183)
Net deferred gain (loss) on hedges	5	(9)	47
Translation adjustments	(3,920)	(379)	(39,907)
Total Valuation, Translation Adjustments and Others	(8,648)	14,961	(88,043)
Share Subscription Rights	189	156	1,922
Minority Interests	4,326	2,312	44,044
Total Net Assets	543,070	256,758	5,528,557
Total Liabilities and Net Assets	¥699,041	¥394,081	$7,116,371

CONSOLIDATED STATEMENTS OF INCOME

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2009	2008	2007	2009
Net Sales	¥460,184	¥392,120	¥354,274	$4,684,760
Cost of Sales (Note 11)	259,886	247,202	222,849	2,645,690
Gross Profit	200,298	144,918	131,425	2,039,070
Selling, General and Administrative Expenses (Notes 11 and 13)	154,911	105,528	100,726	1,577,021
Operating Income	45,387	39,390	30,699	462,049
Other Revenue (Expenses):				
Interest and dividend income	3,083	1,803	1,167	31,389
Interest expenses	(523)	(328)	(240)	(5,328)
Foreign exchange gain (loss)	136	(1,035)	350	1,382
Equity in earnings of affiliates	1,212	1,125	832	12,335
Loss (gain) on sale and disposal of property, plant and equipment	(1,000)	6,916	4	(10,185)
Loss on impairment of fixed assets (Note 14)	(5,725)	(2,265)	(2,406)	(58,279)
Gain (loss) on sale of investments in subsidiaries and affiliates	5,835	–	(2,570)	59,401
Expenses related to business integration under the Strategic Alliance with the Kirin Group	(5,514)	(2,832)	–	(56,134)
Loss on revaluation of investments in securities	(6,634)	–	–	(67,536)
Compensation for damages	(1,937)	–	–	(19,722)
Loss on revaluation of investments in affiliates	–	(1,373)	–	–
Retroactive provision of reserve for periodic repairs	–	–	(1,016)	–
Other, net	(3,382)	(2,585)	(3,294)	(34,418)
	(14,449)	(574)	(7,173)	(147,095)
Income before Income Taxes and Minority Interests	30,938	38,816	23,526	314,954
Income Taxes (Note 9):				
Current	(20,799)	(15,229)	(10,456)	(211,741)
Deferred	1,865	35	(414)	18,987
	(18,934)	(15,194)	(10,870)	(192,754)
Income before Minority Interests	12,004	23,622	12,656	122,200
Minority Interests	(277)	(145)	38	(2,818)
Net Income	¥ 11,727	¥ 23,477	¥ 12,694	$ 119,382

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

Millions of Yen

		Shareholders' equity					Valuation, translation adjustments and others						
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding (loss) gain on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Total valuation, translation adjustments and others	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2006	434,243,555	¥ 26,745	¥43,186	¥ 170,718	¥ (8,028)	¥ 232,621	¥ 24,338	¥ –	¥ (1,152)	¥23,186	¥ –	¥ 1,684	¥ 257,491
Net income for the year ended March 31, 2007				12,694		12,694							12,694
Cash dividends				(4,105)		(4,105)							(4,105)
Directors' and corporate auditors' bonuses				(41)		(41)							(41)
Decrease due to initial consolidation of subsidiaries				(25)		(25)							(25)
Purchases of treasury stock					(20,755)	(20,755)							(20,755)
Disposal of treasury stock			(6)	(5)	29	18							18
Retirement of treasury stock	(35,000,000)			(27,671)	27,671	–							–
Decrease due to exclusion of affiliates accounted for by the equity method					20	20							20
Net changes during the year							(2,553)	6	650	(1,897)	66	616	(1,215)
Balance at March 31, 2007	399,243,555	26,745	43,180	151,565	(1,063)	220,427	21,785	6	(502)	21,289	66	2,300	244,082
Net income for the year ended March 31, 2008				23,477		23,477							23,477
Cash dividends				(3,978)		(3,978)							(3,978)
Decrease due to exclusion of consolidated subsidiaries				(102)		(102)							(102)
Purchases of treasury stock					(567)	(567)							(567)
Disposal of treasury stock				(14)	86	72							72
Net changes during the year							(6,436)	(15)	123	(6,328)	90	12	(6,226)
Balance at March 31, 2008	399,243,555	26,745	43,180	170,948	(1,544)	239,329	15,349	(9)	(379)	14,961	156	2,312	256,758
Balance of acquiree at March 31, 2008		(26,745)	(43,180)	(170,948)	1,544	(239,329)	(15,349)	9	379	(14,961)	(156)	(2,312)	(256,758)
Balance of acquirer at March 31, 2008		3,000	56,814	4,444		64,258	(163)		(868)	(1,031)		1,452	64,679
Increase due to the share exchange	177,240,000	23,745	455,618		(1,544)	477,819							477,819
Net income for the year ended March 31, 2009				11,727		11,727							11,727
Cash dividends				(5,739)		(5,739)							(5,739)
Purchases of treasury stock					(1,001)	(1,001)							(1,001)
Disposal of treasury stock			(14)		153	139							139
Net changes during the year							(4,570)	5	(3,052)	(7,617)	189	2,874	(4,554)
Balance at March 31, 2009	576,483,555	¥ 26,745	¥ 512,418	¥ 10,432	¥ (2,392)	¥ 547,203	¥ (4,733)	¥ 5	¥ (3,920)	¥ (8,648)	¥ 189	¥ 4,326	¥ 543,070

Thousands of U.S. Dollars (Note 3)

	Shareholders' equity					Valuation, translation adjustments and others						
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding (loss) gain on other securities	Net deferred gain (loss) on hedges	Translation adjustments	Total valuation, translation adjustments and others	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2008	$ 272,269	$ 439,583	$ 1,740,281	$(15,722)	$ 2,436,411	$ 156,253	$(95)	$ (3,853)	$ 152,305	$ 1,593	$ 23,537	$ 2,613,846
Balance of acquiree at March 31, 2008	(272,269)	(439,583)	(1,740,281)	15,722	(2,436,411)	(156,253)	95	3,853	(152,305)	(1,593)	(23,537)	(2,613,846)
Balance of acquirer at March 31, 2008	30,541	578,374	45,253		654,168	(1,664)		(8,833)	(10,497)		14,783	658,454
Increase due to the share exchange	241,728	4,638,286		(15,722)	4,864,292							4,864,292
Net income for the year ended March 31, 2009			119,382		119,382							119,382
Cash dividends			(58,429)		(58,429)							(58,429)
Purchases of treasury stock				(10,193)	(10,193)							(10,193)
Disposal of treasury stock		(146)		1,560	1,414							1,414
Net changes during the year						(46,519)	47	(31,074)	(77,546)	1,922	29,261	(46,363)
Balance at March 31, 2009	$ 272,269	$5,216,514	$ 106,206	$(24,355)	$ 5,570,634	$ (48,183)	$ 47	$(39,907)	$ (88,043)	$ 1,922	$ 44,044	$ 5,528,557

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kyowa Hakko Kirin Co., Ltd. and its consolidated subsidiaries
For the years ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2009	2008	2007	2009
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 30,938	¥ 38,816	¥ 23,526	$ 314,954
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	18,780	14,347	10,006	191,181
Loss on impairment of fixed assets	5,725	2,265	2,406	58,279
Amortization of goodwill	9,860	251	73	100,372
Increase (decrease) in reserve for retirement benefits	214	(1,037)	(3,123)	2,180
Increase in prepaid pension expenses	(3,670)	(3,337)	–	(37,366)
(Decrease) increase in accrued bonuses	(114)	365	(163)	(1,160)
(Reversal of) provision for allowance for doubtful accounts	(549)	424	(274)	(5,587)
Interest and dividend income	(3,083)	(1,803)	(1,167)	(31,389)
Interest expenses	523	328	240	5,328
Equity in earnings of affiliates	(1,212)	(1,125)	(832)	(12,335)
Loss (gain) on sale and disposal of property, plant and equipment	1,000	(6,916)	(82)	10,184
(Gain) loss on sale of investments in subsidiaries and affiliates	(5,835)	–	2,570	(59,401)
Loss on revaluation of investments in securities	6,634	–	–	67,536
Decrease (increase) in accounts and notes receivable	14,457	1,770	(9,274)	147,170
(Increase) decrease in inventories	(5,148)	(2,146)	38	(52,408)
(Decrease) increase in accounts and notes payable	(10,856)	(5,681)	4,689	(110,517)
Other	(112)	4,191	1,033	(1,132)
	57,552	40,712	29,666	585,889
Interest and dividend received	4,051	2,593	1,470	41,238
Interest expenses paid	(496)	(306)	(220)	(5,046)
Payment of expenses on support for employees' early retirement	–	–	(529)	–
Income taxes paid	(20,038)	(12,285)	(7,006)	(203,989)
Net Cash Provided by Operating Activities	41,069	30,714	23,381	418,092
Cash Flows from Investing Activities:				
Acquisition of property, plant and equipment	(18,231)	(14,402)	(13,040)	(185,595)
Proceeds from sale of property, plant and equipment	338	7,297	1,632	3,446
Acquisition of investments in securities	(150)	(1,189)	(68)	(1,526)
Proceeds from sale of investments of securities and affiliates	87	145	3,951	882
Acquisition of investments in consolidated subsidiaries resulting in change in scope of consolidation	–	(2,264)	–	–
Proceeds from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation	16,908	–	–	172,128
Payments into time deposits	(7,040)	(461)	(421)	(71,674)
Proceeds from withdrawal of time deposits	3,078	411	432	31,339
Other	1,029	971	(980)	10,468
Net Cash Used in Investing Activities	(3,981)	(9,492)	(8,494)	(40,532)
Cash Flows from Financing Activities:				
(Decrease) increase in short-term borrowings	(7)	(8,309)	169	(67)
Proceeds from long-term debt	492	–	282	5,007
Repayment of long-term debt	(12,573)	(665)	(8)	(127,995)
Acquisition of treasury stock	(1,001)	(567)	(20,755)	(10,193)
Dividends paid	(7,687)	(3,979)	(4,105)	(78,260)
Dividends paid to minority interests	(190)	(18)	(18)	(1,930)
Other	(12)	38	18	(125)
Net Cash Used in Financing Activities	(20,978)	(13,500)	(24,417)	(213,563)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,028)	(45)	238	(10,455)
Net Increase (Decrease) in Cash and Cash Equivalents	15,082	7,677	(9,292)	153,542
Cash and Cash Equivalents at the Beginning of the Year	44,119	36,614	45,820	106,282
Cash and Cash Equivalents of Acquiree at the Beginning of the Year	(44,119)	–	–	–
Cash and Cash Equivalents of Acquirer at the Beginning of the Year	10,440	–	–	–
Increase in Cash and Cash Equivalents of Newly Consolidated Subsidiaries	43,742	–	86	445,290
Decrease in Cash and Cash Equivalents of Deconsolidated Subsidiaries	–	(172)	–	–
Increase in Cash and Cash Equivalents Resulting from Merger	23	–	–	236
Cash and Cash Equivalents at the End of the Year	¥ 69,287	¥ 44,119	¥ 36,614	$ 705,350

Reconciliation between cash and cash equivalents at year-end and the account booked in the balance sheets				
Cash and bank deposits	¥ 32,979	¥18,481	¥ 28,896	$ 335,729
Time deposits whose maturity periods exceed 3 months	(5,734)	(331)	(281)	(58,378)
Marketable securities with original maturities of 3 months or less	–	25,969	6,998	–
Investments in accounts receivable securitization	–	–	1,001	–
Short-term loans receivable from parent company	42,042	–	–	427,999
Cash and Cash Equivalents	¥ 69,287	¥ 44,119	¥ 36,614	$ 705,350

The accompanying notes are an integral part of the statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1 Basis of Presenting Consolidated Financial Statements

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

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

Note 2 Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which it controls directly or indirectly. As of March 31, 2009, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 29 and 9 (22 and 5 in 2008), respectively. All significant intercompany balances and transactions are eliminated in consolidation.

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

(2) Cash and Cash Equivalents

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

(3) Securities

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

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

(4) Inventories

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

(5) Property, Plant and Equipment (Except for assets leased)
Depreciation is computed mainly by the declining-balance method.

The Company and its domestic consolidated subsidiaries compute depreciation expense for buildings (other than related equipment and leasehold improvements) acquired on or after April 1, 1998, by the straight-line method. See Note 2 (19 and 20).

The range of useful lives is principally as follows:

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

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

(7) Intangible Assets (Except for assets leased)
Intangible assets, including capitalized computer software costs, are amortized by the straight-line method over their respective estimated useful lives.

(8) Leases
Depreciation of assets on finance leases which do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with their residual value of zero, except the leases started on or before March 31, 2008. The leases which were started on or before March 31, 2008, are principally accounted for as operating leases.

(9) Allowance for Doubtful Accounts
An allowance for doubtful accounts is made against potential losses on collection at an amount measured using a historical bad debt ratio, plus an amount individually measured on collectibility of receivables that is expected to be uncollectible due to bad financial condition or insolvency.

(10) Accrued Bonuses
Accrued bonuses are provided for bonuses payable to employees based on the amount expected to be paid at the year-end.

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

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

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

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

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

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

(13) Derivative Financial Instruments

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

(14) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(15) Income Taxes

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

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

(16) Appropriation of Retained Earnings

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

(17) Net Income and Dividends per Share

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

(18) Reclassification

Certain fiscal 2008 and 2007 figures have been reclassified to conform to the current year presentation.

(19) Accounting Changes

Effective April 1, 2008, the Company and its domestic consolidated subsidiaries have adopted Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 9 "Accounting Standard for Measurement of Inventories." As a result, operating income, ordinary income and income before taxes and minority interests declined by ¥1,323 million ($13,471 thousand), respectively.

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

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

Effective April 1, 2007, according to the revision of the Japanese Corporate Income Tax Law, the Company and its domestic consolidated subsidiaries have changed the method of depreciation of property, plant and equipment acquired on or after April 1, 2007. This change has resulted in a decrease of operating income by ¥506 million and decreases in ordinary income and net income before income taxes and minority interests by ¥506 million, respectively.

Effective April 1, 2007, the Company adopted ASBJ Statement No. 5 "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and ASBJ Guidance No. 8 "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet." In this connection, the previously reported consolidated balance sheet as of March 31, 2006, and the consolidated statements of shareholders' equity for the years ended March 31, 2006, and 2005, have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Effective April 1, 2007, the Company adopted ASBJ Statement No. 8 "Accounting Standard for Share-Based Payment" and ASBJ Guidance No. 11 "Guidance on Accounting Standard for Share-Based Payment." As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2007, decreased ¥65 million, respectively.

Effective April 1, 2006, the Company recognized the part of estimated expenditure for repair work the each fiscal year. In light of the introduction of a quarterly financial reporting system from the year beginning on April 1, 2008, the Company made this change to increase the accuracy of periodic income statements and further the soundness of its financial position by allocating expenses to reflect the operational period until the next periodic repairs which are needed. As a result, compared with the previous method, operating income increased by ¥230 million and income before income taxes and minority interests decreased by ¥786 million for the year ended March 31, 2007. Further, the effect on segment information is described in Note 20.

(20) Additional Information

Effective April 1, 2008, in line with the revision of the Japanese Corporate Income Tax Law, the Company and its domestic consolidated subsidiaries have changed its estimates for the useful lives of machinery. This change has resulted in increases of operating income by ¥115 million ($1,166 thousand) and ordinary income and income before income taxes and minority interests by ¥113 million ($1,148 thousand), respectively.

Effective April 1, 2008, the Companies have adopted ASBJ Statement No. 11 "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No. 13 "Guidance on Accounting Standard for Related Party Disclosures." As a result, the existing definition of related parties has been expanded, and officers of the parent company and significant subsidiaries and their close family members, as well as companies and their subsidiaries, etc., controlled by such persons are now within the scope of disclosure. Transactions with related parties are described in Note 18.

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have changed its depreciation method to depreciate the residual values of the property, plant and equipment acquired on or before March 31, 2007, which was stipulated in the former Japanese Corporate Income Tax Law, using the straight-line method over 5 years after depreciated to the residual values. As a result, the operating income declined by ¥1,322 million and the ordinary income and net income before taxes and minority interests declined by ¥1,397 million, compared to the previous method.

Note 3

United States Dollar Amounts

The consolidated financial statements are prepared in Japanese yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥98.23 =U.S.$1, the approximate exchange rate at March 31, 2009. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts can be converted into dollars at ¥98.23 =U.S.$1 or at any other rate.

Note 4

Business Combinations

(1) Share Exchange

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

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

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

(2) Merger

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

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

(3) Divestiture of a Business

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

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

(4) Business Combination of a Subsidiary

At the meeting of the Board of Directors held on October 21, 2008, the Board passed a resolution to conclude an "Agreement to Integrate Food Products Businesses" aimed at integrating the food products businesses of the Company's wholly-owned subsidiary Kyowa Hakko Food Specialties Co., Ltd. (hereinafter "Kyowa Hakko Foods," whose trade name was changed to Kirin Kyowa Foods Company, Limited on April 1, 2009,) and Kirin Holdings' wholly-owned subsidiary Kirin Food-Tech Company, Limited (hereinafter "Kirin Food-Tech"), and the Company entered into the Agreement on the said date of the Board meeting. Under the Agreement, the Company sold 526 shares out of a total of 1,000 shares of Kyowa Hakko Foods to Kirin Holdings at ¥17,095 million ($174,030 thousand) on March 31, 2009, and recorded a gain on sale of investments in subsidiaries in the amount of ¥4,721 million ($48,064 thousand).

The integration of the foods businesses will also be performed as part of the strategic alliance between the Kyowa Hakko Group and the Kirin Group. The basic idea is to create a new company that combines the respective characteristics and strengths of Kyowa Hakko Foods and Kirin Food-Tech, and the aim is to maximize its enterprise value by creating synergies in the food products business and to boost its market presence.

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

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

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

Note 5 Inventories

Inventories as of March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Merchandise and finished goods	¥46,499	¥42,556	$473,365
Work in process	9,284	9,121	94,513
Raw materials and supplies	11,846	10,739	120,595
	¥67,629	¥62,416	$688,473

Note 6

Securities

(1) Marketable other securities as of March 31, 2009 and 2008, are as follows:

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

	2009		
	Thousands of U.S. Dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	$ 51,466	$ 59,399	$ 7,933
Securities whose acquisition cost exceeds their carrying value:			
Stocks	301,206	211,391	(89,815)

	2008		
	Millions of Yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥6,686	¥33,216	¥26,530
Securities whose acquisition cost exceeds their carrying value:			
Stocks	2,133	1,719	(414)

(2) The details of investments in securities without determinable market value as of March 31, 2009 and 2008, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Held-to-maturity debt securities:			
Commercial paper	¥ –	¥ 25,969	$ –
Other securities:			
Unlisted stocks	15,919	8,965	162,061
Other	425	1,698	4,331

(3) The maturity schedule of held-to-maturity debt securities with scheduled maturity as at March 31, 2008, is as follows:

	Millions of Yen
2009	¥25,969
2010–2014	–
2015–2019	–
Thereafter	–
	¥25,969

Note 7

Short-Term Borrowings and Long-Term Debt

(1) Short-term borrowings at March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Unsecured loans, principally from banks, with a weighted-average interest of 1.5% and 1.7% at March 31, 2009 and 2008, respectively	¥12,750	¥12,534	$129,802

(2) Long-term debt at March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Secured loans, principally from banks and other financial institutions, due 2009 to 2012 in 2009 and due 2008 to 2011 in 2008 with interest ranging from 2.1% to 7.4% per annum in 2009 and from 5.5% to 6.5% per annum in 2008	¥ 730	¥257	$ 7,434
Unsecured bond payable in yen with interest of 1.1% due through 2011	60	–	611
Less: Current portion of long-term debt	(231)	(65)	(2,353)
	¥ 559	¥192	$ 5,692

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

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥231	$ 2,353
2011	270	2,745
2012	184	1,871
2013	105	1,076
2014	–	–
	¥790	$ 8,045

Note 8

Leases

(1) Finance Leases

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

	Millions of Yen			Thousands of U.S. Dollars		
March 31, 2009	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
Acquisition cost	¥40	¥1,091	¥1,131	$ 412	$11,106	$11,518
Accumulated depreciation	32	640	672	333	6,517	6,850
Net book value	¥ 8	¥ 451	¥ 459	$ 79	$ 4,589	$ 4,668

	Millions of Yen		
March 31, 2008	Machinery and equipment	Other	Total
Acquisition cost	¥141	¥1,327	¥1,468
Accumulated depreciation	88	660	748
Net book value	¥ 53	¥ 667	¥ 720

Lease payments relating to finance leases accounted for as operating leases amounted to ¥263 million ($2,674 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the year ended March 31, 2009.

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

	Millions of Yen
2010	¥212
Thereafter	247
	¥459

(2) Operating Leases

Future minimum lease payments subsequent to March 31, 2009, on noncancelable operating leases are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 70	$ 712
Thereafter	217	2,211
	¥287	$2,923

Note 9

Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rate of approximately 40.7% for 2009, 2008 and 2007. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

(1) The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007, differ from the statutory tax rate for the following reasons:

	2009	2008	2007
Statutory tax rate	40.7%	40.7%	40.7%
(Reconciliation)			
Undistributed profit of affiliates scheduled to be sold	19.9	–	–
Amortization of goodwill	12.6	0.4	–
Non-deductible expenses, such as entertainment expenses	6.8	3.0	5.6
Non-taxable income, such as dividend income	(1.1)	(0.9)	(1.5)
Future deductible temporary differences deemed not to be realized	(1.3)	1.4	3.7
Equity in earnings of affiliates	(1.6)	(1.2)	(1.4)
Difference in statutory tax rate of subsidiaries	(1.9)	0.5	(0.2)
Special corporate tax credit	(11.5)	(4.5)	(5.1)
Loss on sale of equity method affiliates' shares	–	–	4.5
Other	(1.4)	(0.3)	(0.1)
Effective tax rate	61.2%	39.1%	46.2%

(2) The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Non-deductible portion of reserve for retirement benefits to employees	¥ 10,878	¥ 8,511	$ 110,741
Non-deductible portion of depreciation of property, plant and equipment	7,951	3,938	80,943
Prepaid expenses for tax purposes	3,646	1,165	37,121
Investments in subsidiaries	3,260	2,279	33,191
Deferred assets for tax purposes	1,768	1,319	18,003
Accrued bonuses	1,669	1,530	16,987
Other	11,365	10,030	115,688
Sub-total	40,537	28,772	412,674
Valuation allowance	(7,084)	(7,343)	(72,115)
Total deferred tax assets	¥ 33,453	¥ 21,429	$ 340,559
Deferred tax liabilities:			
Valuation of assets and liabilities of the former Kyowa Hakko Group at the fair market value related to reverse acquisition	¥(25,023)	¥ (236)	$(254,738)
Unrealized gains on marketable other securities	(3,105)	(10,481)	(31,612)
Undistributed profit of affiliates scheduled to be sold	(2,831)	–	(28,824)
Deferred gain, mainly related to expropriation of fixed assets	(2,027)	(2,217)	(20,631)
Prepaid pension expenses	(1,697)	(1,914)	(17,278)
Other	(1,267)	(1,070)	(12,894)
Total deferred tax liabilities	(35,950)	(15,918)	(365,977)
Deferred tax assets, net	¥ (2,497)	¥ 5,511	$ (25,418)

Note 10

Stock Option Plans

(1) The following table summarizes the contents of stock options as of March 31, 2009:

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

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

	2009 Plan	2008 Plan	2007 Plan	2006 Plan
Non-vested (number of shares):				
Stock options outstanding at March 31, 2008	—	—	—	—
Granted during the year	91,000	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	91,000	—	—	—
Stock options outstanding at March 31, 2009	—	—	—	—
Vested (number of shares):				
Stock options outstanding at March 31, 2008	—	92,000	83,000	81,000
Vested during the year	91,000	—	—	—
Exercised during the year	9,000	31,000	25,000	20,000
Forfeited during the year	—	—	—	—
Stock options outstanding at March 31, 2009	82,000	61,000	58,000	61,000

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

	2009 Plan	2008 Plan	2007 Plan	2006 Plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
Weighted-average market price per stock at the time of exercise	1,146	1,077	1,095	1,112
Fair value per stock at the date of grant	1,038	1,140	705	—

(4) Method of estimating the fair value of stock options
1. Valuation method used: Black-Scholes model
2. Principal basic numeric values and estimation methods

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

*1. Calculated based on share prices result over 2 years (from June 2006 to May 2008).
*2. Calculated by subtraction the average service years of present office holders from the average service years of retirees over the past 5 years.
*3. Based on dividends for fiscal 2008
*4. The rate of return on government bonds over the expected remaining period.

(5) Method of estimating number of stock option vested
In principle, a method reflecting actual expirations is adopted, because it is unable to estimate reasonably the number of share forfeited in the future.

Note 11 Reserve for Retirement Benefits to Employees

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

(1) The reserve for retirement benefits as of March 31, 2009 and 2008 are analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Retirement benefits obligations*	¥(78,214)	¥(64,578)	$ (796,234)
Plan assets at fair value	42,098	42,291	428,570
Unfunded retirement benefits obligations	(36,116)	(22,287)	(367,664)
Unrecognized actuarial differences	13,638	7,229	138,686
Unrecognized prior service costs	(29)	(1,175)	(147)
Prepaid pension expenses	(4,177)	(4,716)	(42,525)
Reserve for retirement benefits to employees	¥(26,684)	¥(20,949)	$ (271,650)

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

(2) The retirement benefits expenses for the years ended March 31, 2009, 2008 and 2007, are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	2009
Service cost*	¥ 3,552	¥ 2,517	¥ 2,445	$ 36,157
Interest cost	1,976	1,599	1,518	20,112
Expected return on plan assets	(1,427)	(1,343)	(1,136)	(14,531)
Amortization of unrecognized actuarial differences	278	1,083	1,158	2,834
Amortization of unrecognized prior service costs	(2)	(1,075)	(1,222)	(23)
Special severance payment	3	103	387	35
Other	212	36	–	2,131
Retirement benefits expenses	¥ 4,592	¥ 2,920	¥ 3,150	$ 46,715

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

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

	2009	2008	2007
Discount rate	2.5%	2.5%	2.5%
Expected rate of return on plan assets	3.0% (mainly)	3.0%	3.0%
Amortization period for prior service costs	10 years (mainly) (Straight-line method)	10 years (Straight-line method)	10 years (Straight-line method)
Amortization period for actuarial differences	5 years (mainly) (Straight-line method)	5 years (Straight-line method)	5 years (Straight-line method)

Note 12 Derivative Transactions

(1) Conditions of Derivative Financial Instruments

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

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

(2) Fair Value Information of Derivative Financial Instruments

The Companies have the following derivatives contracts outstanding at March 31, 2009 and 2008:

Year ended March 31, 2009	Millions of Yen			Thousands of U.S. Dollars		
Type of transaction	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts						
Selling U.S. dollar	¥2,331	¥2,487	¥(156)	$ 23,736	$ 25,321	$ (1,585)
Selling Euro	2,419	2,610	(191)	24,626	26,573	(1,947)
Currency swaps						
Receiving						
Japanese yen,						
Paying U.S. dollar	4,426	1	1	45,055	6	6
	¥9,176	¥5,098	¥(346)	$ 93,417	$ 51,900	$ (3,526)

Year ended March 31, 2008	Millions of Yen		
Type of transaction	Contract amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts			
Selling U.S. dollar	¥2,018	¥2,114	¥96
Selling Euro	2,584	2,549	(35)
Buying U.S. dollar	1	1	0
Currency swaps			
Receiving			
Japanese yen,			
Paying U.S. dollar	3,898	(94)	(94)
	¥8,501	¥4,570	¥(33)

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

Note 13 Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007, totaled ¥48,389 million ($492,613 thousand), ¥34,110 million and ¥33,342 million, respectively.

Note 14 Loss on Impairment of Fixed Assets

The Companies have made a group of fixed assets for impairment testing by the management accounting unit. However, the Company classifies certain assets as a separate unit for impairment testing. The assets include assets held for lease, idle assets and assets held for sale or disposition.

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

Year ended March 31, 2009 Location	Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Itabashi-ku, Tokyo	Idle assets	Land	¥3,506	$35,690
Maebashi City, Gunma Prefecture	Idle assets	Buildings and Structure, other	1,366	13,909
Ube City, Yamaguchi Prefecture	Idle assets	Buildings and Equipment, other	386	3,926
Takasaki City, Gunma Prefecture	Idle assets	Buildings and Equipment, other	288	2,929
Hofu City, Yamaguchi Prefecture	Idle assets	Other	179	1,825

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

Year ended March 31, 2007 Location	Description	Classification	Millions of Yen
5 locations, including a pharmaceutical distribution center in Tokyo (Itabashi-ku, Tokyo, etc.)	Assets scheduled for disposal	Buildings and equipment	¥1,310
Hofu Plant and 2 other locations (Hofu City, Yamaguchi Prefecture, etc.)	Idle assets	Buildings and equipment	1,096

Note 15

Pledged Assets

(1) The following assets were pledged as collateral for debts and other liabilities at March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Land	¥ 257	¥ —	$ 2,619
Investments in securities	918	833	9,347
Other	203	—	2,067
	¥1,378	¥833	$14,033

(2) Such collateral secured the following obligations:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Accounts and notes payable—trade	¥1,665	¥370	$ 16,945
Other	167	—	1,696
	¥1,832	¥370	$ 18,641

Note 16

Contingent Liabilities

(1) The Companies had contingent liabilities arising from notes discounted by banks in the amount of ¥120 million ($1,220 thousand) at March 31, 2009.

(2) The Companies recognized transfer of notes receivable through securitization in the amount of ¥1,810 million ($18,424 thousand) and transfer of accounts receivable through securitization in the amount of ¥2,039 million ($20,768 thousand) as contingent liabilities at March 31, 2009.

Note 17 Supplementary Information for Consolidated Statements of Changes in Net Assets

(1) Type and Number of Outstanding Shares

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

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

Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Year ended March 31, 2008 Number of shares Balance at end of year
Issued stock:				
Common stock	399,243,555	–	–	399,243,555
Total	399,243,555	–	–	399,243,555
Treasury stock:				
Common stock (*1, 2)	1,351,220	478,199	106,235	1,723,184
Total	1,351,220	478,199	106,235	1,723,184

*1. Treasury stock increased by 478,199 shares due to the repurchase of shares less than one unit.
*2. Treasury stock decreased by 106,235 shares due to the sale of shares by equity-method affiliates by 11,000 shares, the stock options exercised by 61,000 shares and the sale of shares less than one unit by 34,235 shares.

(2) Dividends

① Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. dollars)	Per share (Yen)	Per share (U.S. dollars)	Record date	Effective date
June 24, 2008	Annual general meeting of shareholders	Common stock	¥1,988	$ 20,234	¥5	$ 0.051	March 31, 2008	June 25, 2008
October 30, 2008	Board of directors	Common stock	5,739	58,429	10	0.102	September 30, 2008	December 1, 2008

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

Date of approval	Resolution approved by	Resource of dividends	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. dollars)	Per share (Yen)	Per share (U.S. dollars)	Record date	Effective date
June 25, 2009	Annual general meeting of shareholders	Retained earnings	Common stock	¥5,739	$ 58,423	¥10	$ 0.102	March 31, 2009	June 26, 2009

(3) Reverse Acquisition

As the share exchange executed with Kirin Pharma on April 1, 2008, corresponds to a "Reverse Acquisition," there is no continuity between the closing balance of net assets in the previous fiscal year and the opening balance of net assets in the current fiscal year.

"Acquiree" refers to the Company (on a consolidated basis) and "acquirer" refers to Kirin Pharma (on a consolidated basis). "Increase due to share exchange" corresponds to the increase due to the application of the purchase method by treating Kirin Pharma as the acquirer and the Company as the acquiree, and is equal to the acquisition cost of the Company as the acquiree. Dividends with a record date of March 31, 2008, paid by the Company are included in the "increase due to share exchange" as a component of additional paid-in capital.

Note 18 Related Party Transaction

Significant transactions and balances with related parties as of and for the year ended March 31, 2009 were as follows, as of and for the years ended March 31, 2008 and 2007 have been omitted because such transactions and balances were immaterial:

(1) Parent Company

Year ended March 31, 2009

	Capital	Ratio of voting rights owning (owned)		Amounts			Amounts	
Name	Millions of yen		Transactions	Millions of yen	Thousands of U.S. dollars	Closing balances	Millions of yen	Thousands of U.S. dollars
Kirin Holdings Company, Limited	¥102,045	directly (50.8%)	Loan of funds*1	¥11,287	$114,908	Short-term loans receivable	¥42,042	$427,999
			Sales price of subsidiary's shares*2	17,095	174,030	–	–	–
			Gain on sales of subsidiary's shares*2	4,721	48,064	–	–	–

*1 Related to "Cash Management System" offered by Kirin Holdings, calculated the amount of transactions from average amount of every month for fiscal 2009.
*2 Related to sale of 526 in 1,000 shares of Kyowa Hakko Foods to Kirin Holdings.

(2) Director of the Companies

Year ended March 31, 2009

	Ratio of voting right owning (owned)		Amounts			Amounts	
Name and occupation		Transactions	Millions of yen	Thousands of U.S. dollars	Closing balances	Millions of yen	Thousands of U.S. dollars
Akio Ozaki Director of consolidated subsidiary, Kyowa Hakko Bio Co., Ltd.	directly (0.0%)	Disposal of treasury stocks by exercise of stock options*	¥16	$ 161	–	¥–	$ –

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

Note 19

Supplementary Information for Cash Flow Information

(1) Reverse Acquisition

As the share exchange executed with Kirin Pharma on April 1, 2008, corresponds to a "Reverse Acquisition", the opening balance of cash and cash equivalents in the current fiscal year under review is Kirin Pharma's opening balance (on a consolidated basis) for the current fiscal year. For this reason, there is no continuity between the closing balance of cash and cash equivalents in the previous fiscal year and the opening balance of cash and cash equivalents in the current fiscal year.

"Acquiree" refers to the Company (on a consolidated basis) and "acquirer" refers to Kirin Pharma (on a consolidated basis). The closing balance of cash and cash equivalents in the previous fiscal year is included in the "increase in cash and cash equivalents of newly consolidated subsidiaries."

(2) Summary of Assets and Liabilities of Consolidated Subsidiaries which Are No Longer Consolidated due to Sale of Stocks

The following is a summary of assets and liabilities of Kyowa Foods Specialties Co., Ltd., Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd. and Kyowa HiFoods Co., Ltd., which are no longer consolidated due to sale of the stocks of Kyowa Foods Specialties Co., Ltd., and a reconciliation of the sales price and the proceeds from the sales:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Current assets	¥ 15,954	$ 162,417
Non-current assets	25,940	264,072
Current liabilities	(14,069)	(143,229)
Non-current liabilities	(4,721)	(48,059)
Gain on sales of investments in affiliates	4,721	48,064
The Company's interest after sale of the stocks	(10,730)	(109,235)
Sales price of shares	17,095	174,030
Cash and cash equivalents owned by subsidiaries	(187)	(1,902)
Proceeds from sales of investments in subsidiaries	¥ 16,908	$ 172,128

Note 20

Segment Information

(1) Industry Segment Information

The Companies operate principally in the following 5 industry segments:

Industry segments	Major products
Pharmaceuticals Division	Ethical drugs and diagnostic reagents
Bio-Chemicals Division	Pharmaceutical- and industrial-use raw materials, health care products, agrochemicals, products for livestock and fisheries industries and alcohol
Chemicals Division	Solvents, raw materials of plasticizers and specialty chemicals
Food Division	Seasonings, baking products and ingredients and processed foods
Other Division	Transportation and facilities

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

	Thousands of U.S. Dollars							
	Industry segment							
Year ended March 31, 2009	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Corporate, elimination and other	Consolidated total
I. Sales and Operating Income:								
Sales to outside customers	$2,135,393	$ 792,788	$790,863	$390,492	$575,224	$4,684,760	$ –	$4,684,760
Intersegment sales and transfers	7,014	107,799	117,254	41,845	124,495	398,407	(398,407)	–
Net sales	2,142,407	900,587	908,117	432,337	699,719	5,083,167	(398,407)	4,684,760
Operating expenses	1,787,810	815,662	908,596	421,273	688,578	4,621,919	(399,208)	4,222,711
Operating income (loss)	$ 354,597	$ 84,925	$ (479)	$ 11,064	$ 11,141	$ 461,248	$ 801	$ 462,049
II. Assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:								
Total assets	$3,908,524	$1,427,830	$771,272	$162,364	$274,253	$6,544,243	$ 572,128	$7,116,371
Depreciation and amortization	85,454	51,175	42,944	10,162	1,524	191,259	(78)	191,181
Loss on impairment of fixed assets	35,463	1,825	–	20,991	–	58,279	–	58,279
Capital expenditures	98,152	54,733	44,372	5,761	1,047	204,065	(15,492)	188,573

* According to a change in an accounting policy of the measurement of inventories, operating income for the current fiscal year of the Pharmaceuticals Division, Bio-Chemicals Division, Chemicals Division, Food Division and Other Division decreased by ¥23 million ($238 thousand), ¥248 million ($2,520 thousand), ¥946 million ($9,630 thousand), ¥90 million ($920 thousand) and ¥16 million ($163 thousand), respectively.

* Kyowa Hakko Foods—which belonged to the Food Division—as well as its subsidiaries Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd. and Kyowa HiFoods Co. Ltd., have been transformed into affiliates accounted for by the equity method in conjunction with the sale of some Kyowa Hakko Foods shares held by the Company on March 31, 2009. However, as such transformation came into effect at the end of the current fiscal year, only the statements of income have been prepared on a consolidated basis for the current fiscal year. The amount of "total assets" of the Food Division for the current fiscal year is stated in the amount of investments in such affiliate accounted for by the equity method, etc.

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

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

	Millions of Yen							
	Industry segment						Corporate, elimination and other	Consolidated total
Year ended March 31, 2007	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total		
I. Sales and Operating Income:								
Sales to outside customers	¥130,879	¥57,055	¥92,099	¥38,447	¥35,794	¥354,274	¥ —	¥354,274
Intersegment sales and transfers	647	10,065	6,551	4,142	12,686	34,091	(34,091)	—
Net sales	131,526	67,120	98,650	42,589	48,480	388,365	(34,091)	354,274
Operating expenses	115,780	63,008	90,676	40,757	47,512	357,733	(34,158)	323,575
Operating income	¥ 15,746	¥ 4,112	¥ 7,974	¥ 1,832	¥ 968	¥ 30,632	¥ 67	¥ 30,699
II. Assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:								
Total assets	¥117,778	¥85,871	¥83,523	¥34,775	¥22,632	¥344,579	¥34,292	¥378,871
Depreciation and amortization	3,606	3,181	2,302	799	130	10,018	(12)	10,006
Loss on impairment of fixed assets	815	940	138	513	—	2,406	—	2,406
Capital expenditures	3,681	6,628	3,623	886	30	14,848	(350)	14,498

* For fiscal 2007, the Companies recognized estimated expenditures allocated to the current fiscal as reserve for periodic repairs. As a result, operating income increased by ¥230 million in Chemicals Division compared with the previous method.

(2) Geographic Segment Information

The classification of geographic segments is as follows:

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

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

	Thousands of U.S. Dollars				
	Geographic segment				
Year ended March 31, 2009	Japan	Other	Total	Corporate, Elimination and other	Consolidated total
I. Sales and Operating Income:					
Sales to outside customers	$4,307,566	$377,194	$4,684,760	$ –	$4,684,760
Intersegment sales and transfers	213,997	109,307	323,304	(323,304)	–
Net sales	4,521,563	486,501	5,008,064	(323,304)	4,684,760
Operating expenses	4,118,804	420,704	4,539,508	(316,797)	4,222,711
Operating income	402,759	65,797	468,556	(6,507)	462,049
II. Total assets	$6,267,463	$447,559	$6,715,022	$ 401,349	$7,116,371

* According to a change in an accounting policy of the measurement of inventories, operating income for the current fiscal year of the Japan Segment decreased by ¥1,323 million ($13,471 thousand).
* Geographic segments are divided into categories based on their geographical proximity.

(3) Overseas Sales

The classification of overseas sales is as follows:

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

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

	Thousands of U.S. Dollars				
Year ended March 31, 2009	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	$315,823	$230,394	$348,719	$8,760	$ 903,696
II. Consolidated net sales					4,684,760
III. Ratio of overseas sales to consolidated net sales	6.8%	4.9%	7.4%	0.2%	19.3%

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

	Millions of Yen				
Year ended March 31, 2007	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	¥19,364	¥15,789	¥28,618	¥425	¥ 64,196
II. Consolidated net sales					354,274
III. Ratio of overseas sales to consolidated net sales	5.5%	4.4%	8.1%	0.1%	18.1%

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

Note 21 Per Share Data

	Yen			U.S. Dollars
	2009	2008	2007	2009
Net assets	¥938.4	¥639.7	¥607.5	$9.533
Net income—basic	20.4	59.0	31.3	0.208
Net income—diluted	20.4	59.0	31.3	0.208

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

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

Note 22 Subsequent Event

(1) Merger of an Affiliate

At the meeting of the Board of Directors of Kyowa Hakko Foods held on October 9, 2008, the Board passed a resolution to undertake an absorption and merger whereby Kyowa Hakko Foods would become the surviving company and Kirin Food-Tech the extinguished entity effective April 1, 2009. Subsequently, a merger agreement was concluded on October 21, 2008, and Kyowa Hakko Foods and Kirin Food-Tech merged on April 1, 2009. The new company's trade name was changed to Kirin Kyowa Foods Company, Limited on April 1, 2009.

As a result of the merger, the new company has become the Company's affiliate accounted for by the equity method (equity stake: 35.0%). The business performance of the new company will be reflected as equity in earnings or losses of affiliates in the consolidated statements of income from next fiscal year onwards.

(2) Change in End of Fiscal Year

At the meeting of the Board of Directors held on January 30, 2009, the Board passed a resolution to change the end of the fiscal year, and the said change was approved at the ordinary General Shareholders' Meeting convened on June 25, 2009.

The Company's fiscal year ends on March 31 each year. However, considering that its parent Kirin Holdings' fiscal year ends on December 31 each year, the Company's fiscal year end will be changed to December 31 each year for the purpose of executing operations in an efficient manner. At the same time, this change will also be applied to subsidiaries with the same fiscal year-end as the Company. The Company plans to standardize the fiscal year-end to December 31 for all of its consolidated subsidiaries.

The coming 87th fiscal year will be subject to this change and therefore will only be 9 months, starting on April 1, 2009, and ending on December 31, 2009.

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

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

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

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

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

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

June 25, 2009

Ernst & Young ShinNihon LLC

PRINCIPAL SUBSIDIARIES AND AFFILIATES

As of April 1, 2009

Name of Company	Percentage Owned Directly or Indirectly by the Company	Capital Stock (Millions)	Principal Business
PHARMACEUTICALS			
Kyowa Medex Co., Ltd.[1]	100.0%	¥450	Manufacture and sale of diagnostic reagents
Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.[1]	70.0%	CNY 247	Manufacture and sale of pharmaceuticals
Kyowa Medical Promotion Co., Ltd.[1]	100.0%	¥50	Sales promotion of pharmaceuticals
Kyowa Hakko Kirin America, Inc.	100.0%	$58	Holding company for managing subsidiaries in the United States
BioWa, Inc.[1]	100.0%	$10	Licensing of antibody technology
Kyowa Hakko Kirin Pharma, Inc.[1]	100.0%	$0[3]	Development of pharmaceuticals
Kyowa Hakko Kirin California, Inc.[1]	100.0%	$0[3]	Discovery of new drug candidates
Hematech, Inc.[1]	100.0%	$0[3]	Research of base technology for production of therapeutic antibodies
Hematech-GAC Venture, LLC[1]	51.0%	—	Research of base technology for production of therapeutic antibodies
Jeil-Kirin Pharm. Inc.[1]	90.0%	KRW 2,200	Sale of pharmaceuticals
Kyowa Hakko Kirin (Taiwan) Co., Ltd.[1]	100.0%	NT$12	Sale of pharmaceuticals
Kyowa Hakko Kirin (Hong Kong) Co., Ltd.[1]	100.0%	HK$6	Sale of pharmaceuticals
Kyowa Hakko Kirin (Singapore) Co., Ltd.[1]	100.0%	$1	Sale of pharmaceuticals
BIO-CHEMICALS			
Kyowa Hakko Bio Co., Ltd.[1]	100.0%	¥10,000	Manufacture and sale of raw materials for pharmaceuticals and industrial use
Daiichi Fine Chemical Co., Ltd.[1]	100.0%	¥6,276	Manufacture and sale of bulk pharmaceuticals and intermediates
BioKyowa Inc.[1]	100.0%	$20	Manufacture and sale of amino acids
Shanghai Kyowa Amino Acid Co., Ltd.[1]	70.0%	CNY156	Manufacture and sale of amino acids
Kyowa Hakko U.S.A., Inc.[1]	100.0%	$1	Import, export, and sale of amino acids and fine chemicals
Kyowa Hakko Europe GmbH[1]	100.0%	Euro1	Import, export, and sale of amino acids and fine chemicals
Kyowa Italiana Farmaceutici S.r.l.[1]	100.0%	Euro1	Import, export, and sale of amino acids and fine chemicals
Kyowa Hakko (H.K.) Co., Ltd.[1]	100.0%	HK$1	Import, export, and sale of amino acids and fine chemicals
Kyowa Hakko Bio U.S. Holdings, Inc.[1]	100.0%	$0[3]	Holding company for managing subsidiaries in the United States
Kyowa Wellness Co., Ltd.[1]	100.0%	¥30	Sale of health care products
Shinwa Pharmaceutical Co., Ltd.[1]	100.0%	¥95	Manufacture and sale of herbal medicines and health foods
Kyowa Engineering Co., Ltd.[1]	100.0%	¥70	Design and installation of equipment and facilities
CHEMICALS			
Kyowa Hakko Chemical Co., Ltd.[1]	100.0%	¥5,320	Manufacture and sale of petrochemicals
J-PLUS Co., Ltd.[2]	50.0%	¥480	Manufacture and sale of plasticizers
Kurogane Kasei Co., Ltd.[2]	40.0%	¥90	Manufacture and sale of plasticizers and fine chemicals
OTHERS			
Miyako Kagaku Co., Ltd.[1]	52.9%	¥111	Wholesale of pharmaceuticals, chemicals, and foods
Chiyoda Kaihatsu Co., Ltd.[1]	100.0%	¥113	Transportation, insurance, and sale of foods
Kashiwagi Corporation[1]	47.7%	¥90	Wholesale of pharmaceuticals, chemicals, and construction materials
Japan Synthetic Alcohol Co., Ltd.[2]	33.3%	¥480	Manufacture and sale of industrial-use alcohol
Kirin Kyowa Foods Company, Limited[2]	35.0%	¥3,000	Manufacture and sale of seasonings, sweeteners, and bakery products and ingredients
Kyowa F.D. Foods Co., Ltd.[2]	35.0%	¥100	Manufacture and sale of freeze-dried foods
Ohland Foods Co., Ltd.[2]	35.0%	¥50	Manufacture and sale of foods
Kyowa HiFoods Co., Ltd.[2]	35.0%	¥60	Import and sale of foods
Aji-Nihon Co., Ltd.[2]	16.2%	¥95	Manufacture and sale of foods and seasonings
Zenmi Foods Inc.[2]	17.5%	¥190	Manufacture and sale of seasonings

1. Consolidated subsidiary
2. Affiliate accounted for by the equity method
3. Due to the amount being less than the lowest unit expressed, capital stock value is indicated as zero.

OVERSEAS NETWORK

As of June 30, 2009

PHARMACEUTICALS

Kyowa Hakko Kirin America, Inc.
212 Carnegie Center, Suite 101,
Princeton, NJ 08540, U.S.A.
TEL: 1-609-580-7400
FAX: 1-609-919-1111

Kyowa Hakko Kirin Pharma, Inc.
212 Carnegie Center, Suite 101,
Princeton, NJ 08540, U.S.A.
TEL: 1-609-919-1100
FAX: 1-609-919-1111

BioWa, Inc.
212 Carnegie Center, Suite 101,
Princeton, NJ 08540, U.S.A.
TEL: 1-609-734-3420
FAX: 1-609-734-3455

Kyowa Hakko Kirin California, Inc.
9420 Athena Circle,
La Jolla, CA 92037, U.S.A.
TEL: 1-858-952-7000
FAX: 1-858-952-7001

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

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

Kirin-Amgen, Inc.
c/o Amgen, Inc.,
One Amgen Center Drive,
Thousand Oaks,
CA 91320-1799, U.S.A.
TEL: 1-805-447-1000
FAX: 1-805-447-1010

Kyowa Hakko Kirin UK Ltd.
258 Bath Road, Slough,
Berkshire SL1 4DX,
United Kingdom
TEL: 44-1753-566000
FAX: 44-1753-566010

Kirin Kunpeng (China)
Bio-Pharmaceutical Co., Ltd.
970 Long Dong Road,
Z. J. High-Tech Park,
Pudong New Area,
Shanghai 201203,
People's Republic of China
TEL: 86-21-5080-0909
FAX: 86-21-5080-0026

Jeil-Kirin Pharm. Inc.
5F, Poonglim B/D, 823
Yeoksam-Dong,
Kangnam-Ku, Seoul
135-080, Republic of Korea
TEL: 82-2-3471-4321
FAX: 82-2-3471-4322

Kyowa Hakko Kirin
(Taiwan) Co., Ltd.
16F, No.44, Sec 2,
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Taipei 10448, Taiwan
TEL: 886-2-2564-2800
FAX: 886-2-2560-1667

Kyowa Hakko Kirin
(Hong Kong) Co., Ltd.
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169 Electric Road,
North Point, Hong Kong,
People's Republic of China
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FAX: 852-2956-1627

Kyowa Hakko Kirin
(Singapore) Pte. Ltd.
c/o Steward Cross Pte Ltd,
801, Lorong 7, Toa Payoh 06-06,
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FAX: 65-6253-2438

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No. 5, Dong San Huan Bei Lu,
Chao Yang District, Beijing 100004,
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Kyowa Hakko Pharmaceutical
Technology (Shanghai) Co., Ltd.
Room 1605, Rui Jin Bldg.,
No. 205 Mao Ming Nan Lu,
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People's Republic of China
TEL: 86-20-8364-4123
FAX: 86-20-8364-4131

BIO-CHEMICALS

Kyowa Hakko U.S.A., Inc.
767 Third Avenue, 19th Floor,
New York, NY 10017, U.S.A.
TEL: 1-212-319-5353
FAX: 1-212-421-1283
West Coast Office
85 Enterprise, Suite 430,
Aliso Viejo, CA 92656, U.S.A.
TEL: 1-949-425-0707
FAX: 1-949-425-0708

Kyowa Hakko Bio U.S.
Holdings, Inc.
5469 Nash Road, P.O. Box 1550,
Cape Girardeau,
MO 63702-1550, U.S.A.
TEL: 1-573-335-4849
FAX: 1-573-335-1466

BioKyowa Inc.
5469 Nash Road, P.O. Box 1550,
Cape Girardeau,
MO 63702-1550, U.S.A.
TEL: 1-573-335-4849
FAX: 1-573-335-1466

Kyowa Hakko Europe GmbH
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D-40211 Düsseldorf, Germany
TEL: 49-211-17545-0
FAX: 49-211-17545-441

Kyowa Italiana Farmaceutici S.r.l.
Viale Fulvio Testi 280,
20126, Milan, Italy
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FAX: 39-02-644-704-44

Kyowa Hakko Bio Co., Ltd.
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FAX: 86-10-6590-8517

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Room 1712, Rui Jin Bldg.,
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FAX: 86-21-6415-6022

Shanghai Kyowa
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Qingpu Industrial Zone,
Shanghai 201700,
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FAX: 86-21-5970-1135

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Room 1908, Hang Lung Centre,
2-20 Paterson Street,
Causeway Bay, Hong Kong,
People's Republic of China
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FAX: 852-2576-6142
Guangzhou Representative Office
Room 411, China Hotel Office Tower,
Liu Hua Road, Guangzhou 510015,
People's Republic of China
TEL: 86-20-8667-5381
FAX: 86-20-8667-5472

Kyowa Hakko Bio Co., Ltd.
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Bandra Kurla Complex, Bandra (East),
Mumbai 400051, India
TEL: 91-22-6725-3457
FAX: 91-22-6725-3458

Kyowa Hakko Industry (S) Pte Ltd
260 Orchard Road, #12-04,
The Heeren, Singapore 238855
TEL: 65-6733-4948
FAX: 65-6733-0819

CHEMICALS

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FAX: 1-212-421-1283

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260 Orchard Road, #12-04,
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TEL: 65-6733-4948
FAX: 65-6733-0819

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Changning District,
Shanghai 200336,
People's Republic of China
TEL: 86-21-5208-0009
FAX: 86-21-5208-0130

PRINCIPAL PRODUCTS

As of April 1, 2009

PHARMACEUTICALS

Nephrology
Espo®, Nesp®, Phosblock®, Regpara®, Rocaltrol®

Oncology
Adriacin®, Dacarbazine®, 5-FU, Farmorubicin®, Hysron®H, Platosin®, Leunaze®, Mitomycin, Navelbine®, Gran®, Neu-up®, Leukoprol®, Busulfex®, Navoban®

Antihypertensive/Angina Pectoris
Coniel®, Coversyl®, Meditrans® Tape

Antiallergy
Allelock®, Celtect®, Patanol®, Propaderm®

Central Nervous System
Depakene®, Topina®, EC-Doparl®, Doparl®, Benozil®

Gastrointestinal
Nauzelin®, Glumin®, Bothdel®

Acute Care
Activacin®, Inovan®, Dobupum®, Pre Dopa®

Other Agents
Desmopressin, Hysron®, Pasetocin®, Emeradole®

Diagnostic Reagents (IVD)
Determiner®L HDL-C, Determiner®L LDL-C, MetaboLead®RemL-C, Determiner®L HbA1c, Determiner®BNP, UROPIECE® S

BIO-CHEMICALS

Fine Chemicals for Pharmaceutical and Industrial Use
Amino Acids (L-Alanine, L-Arginine, L-Glutamine, L-Histidine, L-Isoleucine, L-Ornithine, L-Aspartate, L-Proline, L-Serine, L-Threonine, L-Valine, etc.), Nucleic Acids (ATP, Orotic Acid, etc.), L-Malic Acid, Enzymes, Sodium Hyaluronate

Bulk Pharmaceuticals
Citicoline, Dacarbazine, Ubidecarenone (Coenzyme Q10)

Health Care Products
Amino Acids, Vitamins, Minerals, Carotenoids, Probiotics, Peptides, Remake® series, Enguard® series

Companion Animal Health Care Products
Elendaite®, E&D Shampoo and Rinse, Amino Glutamine Kyowa (H), Green Mussel E

Agrochemicals
Plant Growth Regulators (Gibberellin, Fulmet®)

Livestock and Fisheries Products
Nanaomycin, Polyup®, Atomolate®, Benesal®, Lysozyme Chloride for Aquaculture, Ampicirin for Aquaculture

Feeds and Feed Additives for Fish and Animals
Evian® Kyowa, Fry Feed Kyowa, Aminoplus®, Driselase®, Phytase

Alcohol
For use in refined sake, food preservatives, and disinfectants

CHEMICALS

Solvents
Butyl Alcohol, Butyl Acetate, Ethyl Acetate, Acetone, Glycol Ethers, MIBK, PM (Propylene Glycol Monomethyl Ether), PMA (Propylene Glycol Monomethyl Ether Acetate)

Raw Materials for Plasticizers
2-Ethylhexyl Alcohol, Isononyl Alcohol (INA), Isodecyl Alcohol (IDA)

Specialty Chemicals
2-Ethyl Hexanoic Acid, Isononanoic Acid, DAAM (Diacetone Acrylamide), High-Purity Solvents (PM-P, PMA-P, etc.), Diols (1-3 Butylene Glycol, 2,4-DiEthyl-1,5 Pentanediol, Butyl Ethyl Propanediol)

CORPORATE DATA

As of March 31, 2009

Kyowa Hakko Kirin Co., Ltd.

Head Office

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

Number of Employees

7,256 (Parent Company: 4,206)

Date of Foundation

July 1, 1949

Paid-in Capital

¥26,745 million

Principal Plants

Domestic

Pharmaceuticals
Takasaki
Fuji
Yokkaichi
Sakai
Ube
Kyowa Medex (Fuji)
Bio-Chemicals
Yamaguchi Production Center (Hofu, Ube)
Healthcare Plant (Tsuchiura)
Chemicals
Yokkaichi, Chiba

Overseas

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

R&D Network

Domestic

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

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

Bio Process Research and Development Laboratories
Chemical Process Research and Development Laboratories
Drug Formulation Research and Development Laboratories
Kyowa Medex Co., Ltd.
Research Laboratories
Bio-Chemicals
Technical Research Laboratories
Healthcare Products Development Center
Bioprocess Development Center
Chemicals
Yokkaichi Research Laboratories

Overseas

Pharmaceuticals
Kyowa Hakko Kirin Pharma, Inc. (U.S.A.)
Kyowa Hakko Kirin California, Inc. (U.S.A.)
Hematech, Inc. (U.S.A.)
Kyowa Hakko Kirin UK Ltd. (U.K.)

INVESTOR INFORMATION

As of March 31, 2009

Stock Listing
Tokyo

Securities Code Number
4151

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

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

Number of Shareholders
49,583

Principal Shareholders

	Number of Shares Held (Thousands)	Percentage of Total Shares Issued[1]
Kirin Holdings Company, Limited	288,819	50.32%
Japan Trustee Services Bank, Ltd. (Trust account)	20,135	3.50
The Master Trust Bank of Japan, Ltd. (Trust account)	19,006	3.31
Japan Trustee Service Bank, Ltd. (Trust account 4)	14,660	2.55
The Dai-ichi Life Mutual Insurance Co.	14,600	2.54
The Norinchukin Bank	10,706	1.86
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,207	0.90
Mizuho Trust & Banking Co., Ltd. (Retirement Benefit Trust for Mizuho Bank, Ltd.) [2]	4,781	0.83
Mizuho Bank, Ltd.	4,219	0.73
Mellon Bank NA as Agent for its Client Mellon Omnibus US Pension	3,641	0.63

1. The figures for percentage of total shares issued are calculated after subtracting the 1,708 thousand shares of treasury stock held by the Company.
2. The 4,781 thousand shares held by Mizuho Trust & Banking Co., Ltd. (Retirement Benefit Trust for Mizuho Bank, Ltd.) are the trust assets entrusted by Mizuho Bank for its retirement benefit trust, and voting rights for the shares are retained by Mizuho Bank.

Stock Price

Kyowa Hakko Kirin Co., Ltd.
1-6-1, Ohtemachi, Chiyoda-ku,
Tokyo 100-8185, Japan
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FAX: 81-3-3284-1968
URL: http://www.kyowa-kirin.co.jp/

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