KYOWA KIRIN

Kyowa Hakko Kirin Co, Ltd

Consolidated Financial Summary

Fiscal 2008 Interim

(April 1, 2008 – September 30, 2008)

KYOWA KIRIN

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

For the Interim Period of the Fiscal Year Ended March 31, 2009

October 30, 2008

Stock Code:	4151	Listed Exchanges:	1st Section of the Tokyo Stock Exchange
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Scheduled date of submission of financial report: November 11, 2008
Scheduled date of interim dividend payment: December 1, 2008

1. Results for the six months ended September 30, 2008

(1) Consolidated business performance

Millions of yen, rounded down

	April 1, 2008 to September 30, 2008	Change (%)	April 1, 2007 to September 30, 2007	Change (%)
Net sales	247,769	--	192,639	11.3
Operating income	29,164	--	18,246	25.2
Recurring income	30,357	--	18,080	19.4
Net income	8,285	--	11,047	177.2
Net income per share (¥)	¥14.43		¥27.77	
Fully diluted net income per share (¥)	¥14.42		¥27.75	

Notes: Percentages for net sales, operating income, etc, show changes compared to the same period of the previous fiscal year

(2) Consolidated financial position

Millions of yen, rounded down

	As of September 30, 2008	As of March 31, 2008
Total assets	748,454	394,081
Net assets	551,817	256,758
Shareholders' equity ratio (%)	73.1%	64.5%
Net assets per share (¥)	¥952.77	¥639.69

Note: Total shareholders' equity: September 30, 2008: ¥546,839 million; March 31, 2008: ¥254,289 million

2. Dividends

Dividends per share	Fiscal year ended March 31, 2008	Fiscal year ending March 31, 2009 (forecast)
Interim dividend per share (¥)	¥5.00	¥10.00
Year-end dividend per share (¥)	¥5.00	¥10.00
Annual dividend per share (¥)	¥10.00	¥20.00

Note: Changes to the dividend forecast during the term: None

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3. Consolidated results forecasts for the fiscal year ending March 31, 2009

Millions of yen rounded down

	April 1, 2008 to March 31, 2009	Change
Net sales	490,000	25.0%
Operating income	50,000	26.9%
Recurring income	50,000	31.6%
Net income	17,000	-27.6%
Net income per share	¥29.60	-5.5%

Notes: 1. Percentage change show changes compared to the previous fiscal year.
2. Changes to the consolidated results forecast during the term: None

4. Other

1) Transfer of important subsidiaries during the period (transfers of specific subsidiaries resulting in changes in the scope of consolidation): Yes

Companies newly consolidated: (1) Kirin Pharma Company, Limited

Companies removed from scope of consolidation: None

2) Use of simplified accounting methods or special accounting procedures: None

3) Changes in accounting methods, procedures and presentation in the preparation of these financial statements (key items mentioned in Significant Items for the Preparation of Consolidated Financial Statements):

1. Changes following revisions to accounting standards: Yes
2. Other changes: None

Note: See pages 7/8, Consolidated Operating Results, Section 4: Other for more detail.

4) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):

   September 30, 2008: 576,483,555; March 31, 2008: 399,243,555

2. Number of treasury shares

   September 30, 2008: 2,537,900; March 31, 2008: 1,723,184

3. Average number of shares during the interim period :

   Six months to September 30, 2008: 574,229,177 shares
   Six months to September 30, 2007: 397,830,495 shares

Notice regarding the appropriate use of the financial forecasts

1. The above forecasts are based on the information available and assumptions made at the time of release of this document about a number of uncertain factors that may affect results in the future. Actual results can differ materially from these projections for a wide variety of reasons.
2. As of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 14) will be applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting a quarterly consolidated financial report will be prepared.
3. On April 1, 2008, Kyowa Hakko, acting as the parent company of Kirin Pharma Company, Limited, implemented a share exchange making Kirin Pharma, a wholly owned subsidiary. Following this, as Kyowa Hakko Kirin became a subsidiary of Kirin Holdings, accounting regulations for business integration deem the share exchange a reverse acquisition, and the quarterly financial statements for the interim period of the consolidated fiscal year ending March 31, 2009 have been prepared assuming that Kyowa Hakko has been acquired by Kirin Pharma. As a result, the balances at the end of the previous consolidated fiscal year in the consolidated financial statements for the previous fiscal year and the balances at the beginning of the interim period of the current consolidated fiscal year in the quarterly consolidated financial statements for the current fiscal year differ, and therefore, comparisons with previous periods cannot be made.
4. On October 1, 2008 Kyowa Hakko Kogyo Co., Ltd. merged with Kirin Pharma Company, Limited (Kyowa Hakko Kirin is the continuing company) and changed its name to Kyowa Hakko Kirin Co., Ltd.

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Operating Results and Financial Statements

1. Summary of business performance

During the interim period under review, the Japanese economy weakened and the global economy rapidly deteriorated due to factors such as the cooling of consumer spending against a background of crisis in the financial markets caused by the sub-prime loan problem in the U.S., and the high price of raw materials such as crude oil.

As regards the business environment in which the Kyowa Hakko Kirin Group operates, in the Pharmaceuticals business, the operating environment remained severe as factors limiting medical treatment costs, such as the promotion of generic pharmaceuticals, strengthened, and competition from foreign companies and in new drug development worldwide intensified. The Bio-Chemicals business was affected by rapid increases in the cost of energy and raw material following an intensification of bio-ethanol production. In the Chemicals business, product prices remained at high levels in both overseas and domestic markets as a result of increased oil prices, however due to the effects of a slowdown in housing investment in and consumer spending there was a sharp decrease in sales volumes. In the Food business, further emphasis was placed on initiatives to ensure food safety and security, and upward pressure on raw materials prices became more severe.

Fiscal 2008 is the first year of Kyowa Hakko Kirin Group's three-year medium-term business plan and against the environment outlined above we will strive to become a world-class, Japanese R&D life sciences company, based on bio-technology and with its core business in pharmaceuticals. As a new group, we aim to realize the Kyowa Hakko Kirin vision and implement our action plan to rapidly achieve Group synergies.

In the interim period of fiscal 2008, partly due to the effects of the integration with Kirin Pharma Company, consolidated net sales for were ¥247.7 billion, 28.6% higher than in the interim period of the previous fiscal year. Consolidated operating income was ¥29.1 billion (up 59.8%) and recurring income was ¥30.3 billion (up 67.9%). Consolidated interim net income was ¥8.2 billion (down 25%) due to an extraordinary loss of ¥4.7 billion resulting from impairment losses and integration related expenses, and also, in accordance with tax accounting law, we were required to record a corporate tax adjustment of ¥5.6 billion in respect of a timing difference* (see note below) following our decision to sell shares in a consolidated subsidiary.

Summary of segmental performance

Pharmaceuticals

In the Pharmaceuticals business, consolidated sales increased significantly to ¥108.7 billion (up 57.8%) and operating income increased by 102.4% to ¥19.6 billion. Sales of ethical pharmaceutical products in Japan in particular were significantly higher due to the consolidation of Kirin Pharma, and despite reductions

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* In accordance with tax effect accounting rules we are required to recognize the tax effect of the one-time difference (the difference between the amount of the investment in the consolidated balance sheets and the book value of the investment in the non-consolidated balance sheets) in respect of this investment in our consolidated financial statements.

in National Health reimbursement prices.
As regards Kyowa Hakko products, despite a decline in sales of *Durotep,* an analgesic for persistent cancer pain, due to the ending of a joint sales contract, strong sales were maintained by *Allelock,* an antiallergic agent, *Depakene*, an anti-epileptic agent, and *Patanol*, an antiallergic ophthalmic solution, while sales of *Coversyl*, an ACE inhibitor for treatment of hypertension, that commenced in April, 2008, also performed well and contributed to growth in sales. At Kirin Pharma, in a severe competitive environment for core anemia products NESP and ESPO, we are actively providing information on them to medical practitioners, while efforts are being made to achieve rapid market penetration of REGPARA tablets, a treatment for secondary hyperthyroidism during dialysis therapy that was launched in January 2008.

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

In new drug development in Japan, Phase III clinical trials are progressing for additional indications for anemia treatment NESP, and for KW-2246, an analgesic for cancer pain. We are also carrying out Phase II clinical trials on KRN125 a treatment for neutropenia, KW-6002, an anti-Parkinson's disease treatment, KW-6500, also an anti-Parkinson's disease treatment, and KW-7158, a candidate treatment for irritable bowel syndrome. KW-0761, an antibody pharmaceutical, is in Phase I clinical trials as a blood cancer treatment, and KW-3357, an agent for inhibiting blood coagulation, and ARQ 197, an anticancer agent for the treatment of malignant tumors, are also in Phase I clinical trials.

Overseas, Phase I trials are progressing for anticancer agents KRN330 (an antibody pharmaceutical) and KW-2449 in the U.S., and for anticancer agent KW-2478 in Europe.

In Australia, joint Phase I trials with Nuvelo, Inc. of the U.S. for inflammatory bowel disease treatment NU-206 were commenced in July, while in China we received approval in September for the additional indication of angina pectoris for *Coniel,* and filed applications for approval of hyperphosphatemia treatment *Phosblock* in June, and for *Allelock,* an antiallergic agent, in July.

Bio-Chemicals
In the Bio-Chemicals business, sales increased 4.3%, to ¥45.7 billion, while operating income increased 29.0%, to ¥5.2 billion. In pharmaceutical and industrial use raw materials, mainly amino acids, nucleic acids, and related compounds, strong demand continued, primarily in overseas markets, for amino acids for pharmaceutical use raw materials and intravenous liquids, but sales growth was limited partly due to a rise in the yen exchange rate. In addition, sales at Daiichi Fine Chemical declined slightly, affected by a softening vitamin market.
In health care products, sales increased compared to the first half of last fiscal year driven by increasing mail-order sales of the *Remake* series and strong sales of health food ingredients.
Sales of agrochemicals and products for the livestock and fisheries industry increased slightly, and sales of alcohol increased as efforts to expand sales of industrial-use alcohol bore fruit.

In R&D, focus was placed on research to raise the productivity of fermentation production as well as on the integration of our existing fermentation technology with Daiichi Fine Chemical's synthesis technology in order to develop higher value-added pharmaceutical raw materials and intermediates. We are also seeking to raise the efficiency of fermentation by developing improved microbial strains and production processes.

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Chemicals

In the Chemicals business net sales increased 12.1%, to ¥57.2 billion, but operating income declined by 9.6%, to ¥2.9 billion due to an increase in depreciation expenses following investments in facilities, and other factors. In Japan, sales volumes declined significantly, compared to the first half of the previous fiscal year, partly due to our withdrawal of certain products from this fiscal year, but sales increased as revisions of core product prices were implemented as a significant rise in the naphtha and crude oil markets led to a background of higher raw materials and fuel prices. Meanwhile, export shipment volumes and sales both increased significantly due to high prices for our core products in overseas markets and continued steady operation of production facilities. By product category, volumes and sales of high-purity solvents for the IT industry increased. Specialty chemical product volumes and sales were higher than in the first half of last fiscal year driven mainly by exports and supported by strong growth in core refrigerant oil raw materials.

Food

In the Food business, sales decreased 0.7%, to ¥20.8 billion, while operating income decreased 16.2%, to ¥0.5 billion. In seasonings, sales increased as although higher raw material prices led to difficult market conditions and a sluggish performance for natural seasonings, sales of fermented seasonings through new channels were actively expanded and *Umami* seasonings performed well.

In bakery products and ingredients, sales declined partly due to our decision to halt sales of certain processed milk products due to the rapid rise in raw material prices, and despite strong growth in core flavor enhancers driven by high product approval ratings by customers. In processed foods, sales were slightly higher than in the first half of last fiscal year, partly as a result of an increase in OEM products.

Other

In the Other business segment, sales increased 48.4%, to ¥36.5 billion, while operating income increased by 50.4% to ¥0.6 billion.

Results by location

Japan

In Japan, net sales increased 27.9% to ¥239.2 billion and operating income increased 54.9% to ¥26.3 billion as a result of factors such as the receipt of a large onetime payment from contract out licensing, Kyowa Hakko Chemical’s decision to revise product prices in response to an environment of high fuel and raw material prices and the effects of the consolidation of Kirin Pharma from April 2008.

Other regions

Net sales from other regions increase 40.4% to ¥25.9 billion and operating income increased 178.5% to ¥3.6 billion due to a robust market supported by an increase in overseas demand for amino acids, primarily for the amino acids for pharmaceutical use raw materials and intravenous liquids of the overseas subsidiaries of the Bio-Chemicals business, and the effects of consolidating nine overseas subsidiaries of Kirin Pharma.

2. Summary of consolidated financial position

Total assets as of September 30, 2008 were ¥748.4 billion, an increase of ¥354.3 billion compared to the end of the last fiscal year, largely due to the share exchange with Kirin Pharma on April 1, 2008. Since the business integration with Kirin Pharma was deemed a reverse acquisition upon exchange of shares, this reflects changes during the interim period including ¥96.8 billion in consolidated total assets of Kirin Pharma as of the beginning of the interim period of fiscal 2008 and Kyowa Hakko's consolidated total assets at market value.

Current assets increased ¥61.0 billion to ¥293.7 billion due to an increase in accounts and notes receivable, cash and time deposits and others. Fixed assets increased ¥293.2 billion to ¥454.6 billion. As a result of the reverse acquisition, goodwill of ¥191.9 billion was recorded, of which ¥4.7 billion was amortized during the interim period of the current fiscal year. Additionally, the reverse acquisition resulted in ¥67.4 billion recorded as changes in the market value of land and investments in marketable securities.

Liabilities increased ¥59.3 billion to ¥196.6 billion. As a result of the reverse acquisition, market valuation of land and other items resulted in an increase in deferred tax liabilities. Additionally, accounts and notes payable, accrued expenses and other items increased.

Net assets increased ¥295.0 billion to ¥551.8 billion. This reflects changes during the interim period including ¥64.6 billion in consolidated net assets of Kirin Pharma as of the beginning of the period and the market value of consolidated net assets of Kyowa Hakko (acquisition cost of Kyowa Hakko as the acquired company) as of the start of the interim period of fiscal 2008. As a result of the above factors, the shareholders' equity ratio at the end of the interim period was 73.1%, an increase of 8.5 percentage points from the end of the previous fiscal year.

Cash flow summary

The balance of cash and cash equivalents at the end of the period was ¥54.3 billion. As accounting regulations deem the share exchange that occurred on April 1, 2008 between Kyowa Hakko and Kirin Pharma a reverse acquisition, the balance of cash and cash equivalents at the beginning of the period includes ¥10.4 billion representing Kirin Pharma's consolidated balance at the beginning of the period and an increase of ¥43.7 billion in cash and cash equivalents from new consolidation (this includes Kyowa Hakko's cash and cash equivalents of an equivalent of ¥44.1 billion as of the end of the previous fiscal year) and reflects changes during the interim period. As a result, changes to cash and cash equivalents during the period were an increase of ¥0.1 billion. (Note: Compared to the ¥44.1 balance of cash and cash equivalents at the end of the previous fiscal year, cash and cash equivalents increased ¥10.2 billion.)

The primary factors contributing to changes in cash flows are as follows:

Cash flow from operating activities was ¥23.7 billion. The main positive contributing factors included ¥25.5 billion in income before income taxes, depreciation and amortization of ¥9.6 billion, a ¥6.5 billion increase in trade payables and amortization of goodwill of ¥4.9 billion. The main negative contributing factors included a payment of ¥12.5 billion in corporate, etc. taxes and a ¥3.6 billion increase in inventories.

Cash flow used in investing activities was ¥11.6 billion. The main contributing factor was the ¥8.4 billion in payments for acquisition of tangible fixed assets and ¥3.8 billion of payments into fixed-term deposits.

Cash flow used in financing activities was ¥12.4 billion. The main contributing factors were ¥10.1 billion for repayment of long-term debt and ¥1.9 billion for payment of dividends.

3. Forecasts for the fiscal year ending March 31, 2009

There are no changes to the forecasts for fiscal 2008 that were previously announced on October 21, 2008.

4. Other

(1) Changes to subsidiaries during the period (Changes to the scope of consolidation following changes to specific subsidiaries):

On April 1, 2008, Kyowa Hakko, implemented a share exchange making Kirin Pharma Company, Limited, a wholly-owned subsidiary (special subsidiary). As a result, Kirin Pharma Company, Limited has been included within the scope of consolidation as of the first quarter of the current fiscal year.

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

No applicable items.

(3) Changes in accounting methods, procedures and presentation in the making of these financial statements:

① As of the first quarter of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Application Guideline 14) have been applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting a quarterly consolidated financial report has been prepared.

② Changes to the valuation standards and methods for significant assets

Inventory assets

Previously, assets held in inventory for ordinary sale were calculated based on the overall average cost method, however as of the first quarter of the current fiscal year, and following the application of Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006), assets held in inventory have been calculated primarily using the overall average cost method (using the reduced book value method for balance sheet amounts based on profitability declines). As a result, operating income, recurring income and income before income tax each decreased by ¥43.6 million yen for the period under review.

③ Application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements.

The “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for consolidated Financial Statements” (Practical Issues Task Force No. 18, May 17, 2006) has been applied from the first quarter of the current consolidated fiscal year.

There is no effect on profits and losses during the period under review as a result of this change.

④ Application of Accounting Standards for Lease Transactions

Previously, the accounting treatment for finance lease transactions, other than those involving ownership transfer, was based on accounting methods for operating lease transactions. However, we are now able to apply the Accounting Standards Related to Lease Transactions (Accounting Standards Board of Japan, Article 13, June 17, 1993, (First Committee of the Business Accounting Council)), revised March 30, 2007, and the Application Guidelines for Accounting Standards Related to Lease Transactions (Accounting Standards Board of Japan, Application Guideline 16, January 18, 1994) (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems)), revised March 30, 2007, to the consolidated financial reports for the consolidated accounting year beginning April 1, 2008. As a result, from first quarter of the current fiscal year these accounting standards will be the usual method used to account for such transactions. Further, as regards the depreciation method for leased assets related to finance lease transactions other than those involving ownership transfer, the straight-line method will be applied to the residual value over the useful life of the asset until it reaches zero. For finance lease transactions, other than those involving ownership transfer for lease transactions, with a start date prior to the application of accounting standards at the beginning of the fiscal year the standard accounting treatment for leases will continue to be applied. The effect on profits and losses during the period under review as a result of this change is immaterial.

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5. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen

	As of September 30, 2008	As of March 31, 2008
ASSETS		
Current assets:		
Cash and time deposits	39,567	18,481
Accounts and notes receivable	135,237	110,447
Marketable securities	14,664	26,667
Products and merchandise	52,910	42,556
Work in progress	8,458	9,121
Raw materials and inventory goods	11,823	10,738
Deferred tax assets	11,494	6,829
Short-term loans	5,863	20
Other current assets	13,909	7,888
(Less) Allowance for doubtful accounts	(172)	(89)
Total current assets	293,755	232,661
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	157,394	124,832
Depreciation	(108,698)	(87,545)
Buildings and structures (net)	48,695	37,286
Machinery and equipment	215,126	198,703
Depreciation	(185,442)	(171,672)
Machinery and equipment (net)	29,684	27,031
Land	81,626	21,253
Construction in progress	5,447	4,355
Other	53,349	35,904
Depreciation	(44,110)	(30,697)
Other (net)	9,238	5,207
Total tangible fixed assets	174,692	95,134
Intangible fixed assets:		
Goodwill	187,769	180
Other	3,561	376
Total intangible fixed assets	191,331	556
Investments and other assets:		
Investment securities	71,620	53,196
Long-term loans	520	522
Deferred tax assets	5,305	1,080
Other	12,786	12,449
Allowance for doubtful accounts	(1,557)	(1,520)
Total investments and other assets	88,674	65,728
Total fixed assets	454,698	161,420
Total assets	748,454	394,081

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Consolidated balance sheets (continued)

Millions of yen

	As of September 30, 2008	As of March 31, 2008
LIABILITIES		
Current liabilities:		
Accounts and notes payable	63,508	49,358
Short-term bank loans	13,402	12,533
Accrued expenses	22,873	21,490
Income taxes payable	10,088	10,603
Reserve for sales rebates	309	341
Reserve for sales returns	--	58
Reserve for sales promotion expenses	--	668
Reserve for periodic repairs	533	1,477
Reserve for bonuses	5,396	3,775
Other	14,814	11,371
Total current liabilities	130,927	111,679
Long-term liabilities:		
Corporate bonds	75	--
Long-term debt	2,921	256
Deferred tax liabilities	31,836	2,398
Retirement benefit allowance	28,003	20,948
Directors' retirement benefit allowance	187	218
Reserve for provision for loss on guarantees	--	700
Other	2,685	1,120
Total long-term liabilities	65,709	25,643
Total liabilities	196,637	137,322
NET ASSETS		
Shareholders' equity:		
Common stock	26,745	26,745
Capital surplus	512,438	43,180
Retained earnings	12,730	170,947
Treasury stock	(2,353)	(1,544)
Total shareholders' equity	549,560	239,328
Valuation and differences due to foreign exchange:		
Valuation difference on other marketable securities	(2,685)	15,348
Gain (loss) on deferred hedge accounting	5	(9)
Foreign exchange adjustment account	(40)	(378)
Total valuation and differences due to foreign exchange	(2,721)	14,960
Share subscription rights	169	156
Minority interests	4,808	2,312
Total net assets	551,817	256,758
Total liabilities and net assets	748,454	394,081

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(2) Consolidated statements of income

	Millions of yen
	April 1, 2008 to September 30, 2008
Net sales	247,769
Cost of sales	138,424
Gross profit	109,345
Selling, general and administrative expenses:	
Research and development	25,845
Amortization of goodwill	4,836
Other	49,498
Total selling, general and administrative expenses	80,180
Operating income	29,164
Other income:	
Interest income	351
Dividend income	668
Currency exchange gain	442
Income from equity method investments	694
Others	936
Total other income	3,093
Other expenses:	
Interest expense	300
Loss on disposal of fixed assets	856
Others	742
Total other expenses	1,899
Recurring income	30,357
Extraordinary losses:	
Asset impairment losses	1,931
Integration-related expenses	1,895
Extraordinary depreciation of fixed assets	762
Loss from revaluation of investment securities	180
Total extraordinary losses	4,769
Income before income taxes	25,588
Corporate, local, and enterprise taxes	10,150
Corporate tax adjustment	6,798
Total corporate and other taxes	16,948
Income from minority interests	353
Net income	8,285

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(3) Consolidated Statements of Cash Flows

	Millions of Yen
	April 1, 2008 to September 30, 2008
Cash flows from operating activities:	
Income before income taxes	25,588
Depreciation and amortization	9,640
Asset impairment losses	1,931
Amortization of goodwill	4,929
Decrease in retirement benefit allowance	(384)
Increase in prepaid pension expenses	(1,399)
Increase in reserve for bonus payments	955
Increase in allowance for bad debts	26
Interest and dividend income	(1,020)
Interest expenses	300
Income from equity method investments	(694)
Loss on sales of tangible fixed assets	458
Increase in trade receivables	(1,081)
Increase in inventories	(3,601)
Increase in trade payables	6,599
Others	(6,978)
Sub total	35,268
Interest and dividends received	1,329
Interest payments	(257)
Corporate etc. tax payments	(12,544)
Net cash from operating activities	23,796
Cash flows from investing activities:	
Payments for purchase of property, plant & equipment	(8,404)
Proceeds from sale of property, plant, and equipment	39
Payments for purchase of investment securities	(26)
Proceeds from sale of investment securities	16
Payments to fixed-term deposits	(3,878)
Withdrawals from fixed-term deposits	873
Others	(318)
Net cash from investing activities	(11,698)
Cash flows from financing activities:	
Net increase in short-term debt	608
Proceeds from long-term borrowing	100
Repayment of long-term debt	(10,140)
Payments for purchase of treasury stock	(869)
Dividends paid	(1,990)
Dividends paid to minority interests	(171)
Other	(16)
Net cash from financing activities	(12,478)
Cash and cash equivalents translation differences	553
Increase in cash and cash equivalents	172
Cash and cash equivalents at the beginning of the period	10,440
Increase in cash and cash equivalents due to new consolidation	43,740
Cash and cash equivalents at the end of the period	54,353

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From the first quarter of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 14) have been applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting a quarterly consolidated financial report has been prepared.

(4) Items related to going concern

No applicable items

(5) Segment information

Fiscal 2008 interim period: Segment information by business type (April 1, 2008 – September 30, 2008)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net sales								
(1) Sales to external customers	108,441	40,159	50,224	18,823	30,121	247,769	--	247,769
(2) Inter-segment sales and transfers	277	5,551	6,979	1,980	6,451	21,241	(21,241)	--
Total sales	108,719	45,711	57,204	20,804	36,572	269,011	(21,241)	247,769
Operating income	19,699	5,216	2,960	565	687	29,128	35	29,164

Fiscal 2008 interim period: Segment information by location (April 1, 2008 to September 30, 2008)

Millions of yen

	Japan	Other regions	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	227,680	20,089	247,769	--	247,769
(2) Inter-segment sales and transfers	11,591	5,858	17,450	(17,450)	--
Total sales	239,272	25,947	265,220	(17,450)	247,769
Operating income	26,318	3,660	29,979	(815)	29,164

Fiscal 2008 interim period: Overseas Sales (April 1, 2008 – September 30, 2008)

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	23,635	12,792	22,290	314	59,032
(2) Consolidated sales					247,769
(3) Overseas sales as a percentage of consolidated sales	9.5%	5.2%	9.0%	0.1%	23.8%

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(6) Note on significant change in shareholders' equity

On April 1, 2008, a share exchange was implemented to make Kyowa Hakko the wholly owning parent company and Kirin Pharma the wholly owned subsidiary. As accounting regulations for business integration deem the share exchange a reverse acquisition the balance of shareholders' equity at the beginning of the interim period of the current consolidated fiscal year was that of Kirin Pharma, as of that date. As a result the balance of shareholders equity at the end of the previous consolidated fiscal year and the balance at the beginning of the interim period of the current consolidated fiscal year differ and therefore, comparisons cannot be made.

Main changes in shareholders' equity during the interim period:

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings[3]	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008[1]	3,000	56,813	4,445	--	64,258
Changes during the period:					
Increase from share exchange[2]	23,745	455,618		(1,544)	477,819
Net income			8,285		8,285
Acquisition of treasury stock				(869)	(869)
Disposal of treasury stock		5		60	66
Total changes during the period ended September 30, 2008	23,745	455,624	8,285	(2,353)	485,302
Balance as of September 30, 2008	26,745	512,438	12,730	(2,353)	549,560

Note 1. The balances mentioned above in 'Balance as of March 31, 2008' are the consolidated balance of Kirin Pharma Company, Limited as of April 1, 2008.

2. The increase (acquisition amount of the company being acquired) from share exchange is due to an increase resulting from the application of the purchase method, which assumes that Kirin Pharma is the acquiring company and that Kyowa Hakko is the company being acquired.

3. The negative amount of ¥1,987 million representing Kyowa Hakko's dividend payment from retained earnings with a record date of March 31, 2008 (effective date: June 25, 2008) is included in 'Increase from share exchange' under 'Capital surplus'.

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Reference: Consolidated financial statements for the previous interim period

(1) Consolidated statements of income

Millions of yen

	April 1, 2007 to September 30, 2007	
	Amount	% of total
Net sales	192,639	100.0
Cost of sales	120,526	62.6
Gross profit	72,113	37.4
Reversal of reserve for sales returns	44	0.0
Addition to reserve for sales returns	40	0.0
Adjusted gross profit	72,116	37.4
Selling, general and administrative expenses:		
Transportation	2,186	
Sales promotion	4,193	
Addition to reserve for sales promotion expense	687	
Salaries	8,728	
Bonuses	1,951	
Addition to bonus reserve	1,901	
Addition to allowance for directors' retirement benefits	25	
Employee retirement benefit expense	758	
Depreciation	263	
Research and development	18,438	
Others	14,735	
Total selling, general and administrative expenses:	53,869	27.9
Operating income	18,246	9.5
Other income:		
Interest income	225	
Dividend income	743	
Dividend on insurance	277	
Income from equity method investments	502	
Others	772	
Total other income	2,521	1.3
Other expenses:		
Interest expense	171	
Loss on foreign exchange	307	
Expense on removal of fixed assets	256	
Loss on sale of fixed assets	228	
Loss on sale of inventories	369	
Expenses related to idle facilities	454	
Others	900	
Total other expenses	2,687	1.4
Recurring income	18,080	9.4
Extraordinary income:		
Gain on sale of fixed assets	328	0.1
Extraordinary losses:		
Addition to allowance for doubtful accounts	406	0.2
Net income before income taxes	18,002	9.3
Corporate, local, and enterprise taxes	7,125	
Corporate tax adjustment	(259)	
Total corporate taxes	6,866	3.6
Minority interests in consolidated subsidiaries	89	0.0
Net income	11,047	5.7

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(2) Consolidated Statements of Cash Flows

	Millions of yen
	April 1, 2007 to September 30, 2007
Cash flows from operating activities:	
Income before income taxes	18,002
Depreciation and amortization	6,722
Decrease in retirement benefit allowance	(488)
Increase in prepaid annuity expenses	(1,689)
Increase in reserve for bonus payments	229
Increase in allowance for bad debts	306
Interest and dividend income	(968)
Interest expenses	171
Income from equity method investments	(502)
Gain on sales of tangible fixed assets	(105)
Gain on sales of marketable securities	(0)
Increase in trade receivables	(1,445)
Increase in inventories	(1,115)
Increase in trade payables	4,290
Others	(1,516)
Sub-total	21,890
Interest and dividend income	1,187
Interest payments	(161)
Corporate etc. tax payments	(7,762)
Net cash from operating activities	**15,154**
Cash flows from investing activities:	
Payments for purchase of property, plant & equipment	(6,081)
Proceeds from sale of property, plant, and equipment	508
Payments for purchase of investment securities	(1,148)
Proceeds from sale of investment securities	5
Payments for the purchase of subsidiaries' shares	(2,263)
Net increase in short-term loans receivable	(10)
Increase in long-term loans receivable	24
Others	(1,465)
Net cash from investing activities	**(10,430)**
Cash flows from financing activities:	
Net decrease increase in short-term debt	(8,200)
Repayment of long-term debt	(663)
Payment for purchase of treasury stock	(241)
Proceeds from sale of treasury stock	9
Dividends paid	(1,987)
Dividends paid to minority interests	(18)
Net cash from financing activities	**(11,101)**
Cash and cash equivalents translation differences	**307**
Increase in cash and cash equivalents	**(6,069)**
Cash and cash equivalents at the beginning of the period	**36,613**
Decrease in cash and cash equivalents, due to eliminations from consolidation	**(172)**
Cash and cash equivalents at the end of the period	**30,371**

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(3) Segment information

a) **Fiscal 2007 Interim period: Segment information by business type (April 1, 2007 – September 30, 2007)**

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net sales								
(1) Sales to external customers	68,515	39,277	47,329	19,025	18,491	192,639	—	192,639
(2) Inter-segment sales and transfers	385	4,530	3,715	1,921	6,156	16,709	(16,709)	—
Total sales	68,900	43,808	51,045	20,947	24,647	209,349	(16,709)	192,639
Operating expenses	59,166	39,763	47,769	20,272	24,190	191,163	(16,770)	174,392
Operating income	9,733	4,045	3,275	674	456	18,185	61	18,246

b) Segment information by location (April 1, 2007 to September 30, 2007)

As Japan represents over 90% of the total sales of each segment, this information has been omitted.

c) Overseas sales (April 1, 2007– September 30, 2007)

Millions of yen

	America	Europe	Asia	Other regions	Total
(1) Overseas sales	15,154	10,417	13,780	251	39,604
(2) Consolidated sales					192,639
(3) Overseas sales as a percentage of consolidated sales	7.9%	5.4%	7.2%	0.1%	20.6%