

CONSOLIDATED BALANCE SHEETS

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

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2009/12
ASSETS			
Current Assets:			
Cash and bank deposits	¥ 30,160	¥ 32,979	\$ 327,467
Accounts and notes receivable:			
Trade (Note 6)	114,578	105,022	1,244,062
Unconsolidated subsidiaries and affiliates	7,297	4,962	79,224
Other	3,108	5,141	33,747
	124,983	115,125	1,357,033
Inventories	63,805	67,629	692,780
Deferred tax assets (Note 11)	9,250	11,633	100,437
Short-term loans receivable:			
Parent company	40,178	42,042	436,238
Other	165	5,225	1,793
	40,343	47,267	438,031
Other current assets	8,200	4,995	89,039
Less: Allowance for doubtful accounts	(153)	(152)	(1,664)
Total Current Assets	276,588	279,476	3,003,123
Property, Plant and Equipment, at Cost (Note 16):			
Land	71,993	74,180	781,687
Buildings and structures	146,097	147,417	1,586,284
Machinery and equipment	204,829	200,985	2,223,981
Other	51,413	51,003	558,233
Construction in progress	17,589	6,424	190,973
	491,921	480,009	5,341,158
Less: Accumulated depreciation	(329,361)	(319,611)	(3,576,122)
Total Property, Plant and Equipment, Net	162,560	160,398	1,765,036
Investments and Other Assets:			
Investments in securities (Notes 8 and 17)	48,315	42,944	524,606
Investments in unconsolidated subsidiaries and affiliates	18,167	19,636	197,248
Goodwill	170,055	177,275	1,846,416
Deferred tax assets (Note 11)	4,263	3,015	46,287
Other assets	16,771	17,244	182,095
Less: Allowance for doubtful accounts	(1,451)	(947)	(15,755)
Total Investments and Other Assets	256,120	259,167	2,780,897
Total Assets	¥ 695,268	¥ 699,041	\$ 7,549,056

The accompanying notes are an integral part of the statements.

LIABILITIES AND NET ASSETS

Current Liabilities:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2009/12
Short-term borrowings (Note 9)	¥ 12,691	¥ 12,750	\$ 137,791
Current portion of long-term debt (Note 9).....	243	231	2,637
Accounts and notes payable:			
Trade (Notes 6 and 17).....	43,615	39,483	473,557
Unconsolidated subsidiaries and affiliates.....	5,568	2,798	60,452
Construction and acquisition of properties.....	10,572	6,403	114,793
Other.....	21,596	18,217	234,486
	81,351	66,901	883,288
Income taxes payable.....	7,313	13,557	79,399
Accrued bonuses	1,225	4,116	13,305
Other current liabilities	7,258	10,967	78,813
Total Current Liabilities	110,081	108,522	1,195,233

Long-Term Liabilities:

Long-term debt (Note 9)	295	559	3,201
Deferred tax liabilities (Note 11).....	14,647	17,144	159,031
Reserve for retirement benefits:			
Employees (Note 13)	27,268	26,684	296,070
Directors and corporate auditors	107	188	1,166
Other long-term liabilities	2,526	2,874	27,430
Total Long-Term Liabilities	44,843	47,449	486,898
Total Liabilities	154,924	155,971	1,682,131

Commitments and Contingent Liabilities (Note 18)

Net Assets:

Shareholders' Equity (Note 19)			
Common stock:			
Authorized: 987,900,000 shares at December 31, 2009 and March 31, 2009			
Issued: 576,483,555 shares at December 31, 2009 and March 31, 2009 ...	26,745	26,745	290,391
Additional paid-in capital	512,398	512,418	5,563,499
Retained earnings.....	7,093	10,432	77,020
Treasury stock, at cost:			
6,935,900 shares at December 31, 2009 and			
2,589,766 shares at March 31, 2009	(6,932)	(2,392)	(75,270)
Total Shareholders' Equity	539,304	547,203	5,855,640
Valuation, Translation Adjustments and Others:			
Net unrealized holding gain (loss) on other securities (Note 8)	475	(4,733)	5,158
Net deferred gain on hedges.....	4	5	38
Translation adjustments	(3,957)	(3,920)	(42,962)
Total Valuation, Translation Adjustments and Others	(3,478)	(8,648)	(37,766)
Share Subscription Rights.....	197	189	2,134
Minority Interests.....	4,321	4,326	46,917
Total Net Assets	540,344	543,070	5,866,925
Total Liabilities and Net Assets	¥695,268	¥699,041	\$7,549,056

CONSOLIDATED STATEMENTS OF INCOME

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

For the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2008/3	2009/12
Net Sales	¥309,112	¥460,184	¥392,120	\$3,356,261
Cost of Sales (Note 13)	169,372	259,886	247,202	1,838,998
Gross Profit	139,740	200,298	144,918	1,517,263
Selling, General and Administrative				
Expenses (Notes 13 and 15)	111,496	154,911	105,528	1,210,598
Operating Income	28,244	45,387	39,390	306,665
Other Revenue (Expenses):				
Interest and dividend income	1,358	3,083	1,803	14,742
Interest expense	(245)	(523)	(328)	(2,656)
Foreign exchange gain (loss)	(112)	136	(1,035)	(1,218)
Equity in earnings of affiliates	1,559	1,212	1,125	16,927
Gain (loss) on sale and disposal of fixed assets	(289)	(1,000)	6,916	(3,138)
Loss on impairment of fixed assets (Note 16)	(2,671)	(5,725)	(2,265)	(29,004)
Loss on revaluation of investments in securities	(537)	(6,634)	—	(5,834)
Extraordinary depreciation of fixed assets	(3,300)	—	—	(35,826)
Loss on dilution of equity interest in subsidiary	(1,380)	—	—	(14,979)
Loss on sale of investments in securities	(991)	—	—	(10,761)
Gain on sale of investments in subsidiaries and affiliates	—	5,835	—	—
Expenses related to business integration under the Strategic				
Alliance with the Kirin Group	—	(5,514)	(2,832)	—
Compensation for damages	—	(1,937)	—	—
Loss on revaluation of investments in affiliates	—	—	(1,373)	—
Other, net	(1,007)	(3,382)	(2,585)	(10,938)
	(7,615)	(14,449)	(574)	(82,685)
Income before Income Taxes and Minority Interests	20,629	30,938	38,816	223,980
Income Taxes (Note 11):				
Current	(16,451)	(20,799)	(15,229)	(178,617)
Deferred	4,819	1,865	35	52,324
	(11,632)	(18,934)	(15,194)	(126,293)
Income before Minority Interests	8,997	12,004	23,622	97,687
Minority Interests	(200)	(277)	(145)	(2,167)
Net Income	¥ 8,797	¥ 11,727	¥ 23,477	\$ 95,520

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 nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

	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 gain (loss) 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, 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 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
Net income for the nine months ended December 31, 2009				8,797		8,797							8,797
Cash dividends				(11,435)		(11,435)							(11,435)
Purchases of treasury stock					(4,638)	(4,638)							(4,638)
Disposal of treasury stock				(20)	98	78							78
Decrease due to initial consolidation of subsidiaries				(878)		(878)							(878)
Increase due to exclusion of consolidated subsidiaries				68		68							68
Increase due to merger				109		109							109
Net changes during the nine-month period							5,208	(1)	(37)	5,170	8	(5)	5,173
Balance at December 31, 2009	576,483,555	¥ 26,745	¥ 512,398	¥ 7,093	¥ (6,932)	¥ 539,304	¥ 475	¥ 4	¥ (3,957)	¥ (3,478)	¥ 197	¥ 4,321	¥ 540,344

	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 gain (loss) 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, 2009	\$290,391	\$5,563,714	\$ 113,276	\$(25,976)	\$5,941,405	\$(51,390)	\$ 51	\$(42,564)	\$(93,903)	\$2,050	\$46,975	\$5,896,527
Net income for the nine months ended December 31, 2009			95,520		95,520							95,520
Cash dividends			(124,155)		(124,155)							(124,155)
Purchases of treasury stock				(50,357)	(50,357)							(50,357)
Disposal of treasury stock			(215)	1,063	848							848
Decrease due to initial consolidation of subsidiaries			(9,544)		(9,544)							(9,544)
Increase due to exclusion of consolidated subsidiaries			737		737							737
Increase due to merger			1,186		1,186							1,186
Net changes during the nine-month period						56,548	(13)	(398)	56,137	84	(58)	56,163
Balance at December 31, 2009	\$290,391	\$5,563,499	\$ 77,020	\$(75,270)	\$5,855,640	\$ 5,158	\$ 38	\$(42,962)	\$(37,766)	\$2,134	\$46,917	\$5,866,925

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 nine months ended December 31, 2009 and years ended March 31, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2009/12	2009/3	2008/3	2009/12
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 20,629	¥ 30,938	¥ 38,816	\$ 223,980
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	17,003	18,780	14,347	184,617
Loss on impairment of fixed assets	2,671	5,725	2,265	29,004
Amortization of goodwill	7,182	9,860	251	77,976
Increase (decrease) in reserve for retirement benefits	576	214	(1,037)	6,258
(Increase) decrease in prepaid pension expenses	824	(3,670)	(3,337)	8,946
Increase (decrease) in accrued bonuses	(2,891)	(114)	365	(31,392)
(Reversal of) provision for allowance for doubtful accounts	501	(549)	424	5,443
Interest and dividend income	(1,358)	(3,083)	(1,803)	(14,742)
Interest expense	245	523	328	2,656
Equity in earnings of affiliates	(1,559)	(1,212)	(1,125)	(16,927)
(Gain) loss on sale and disposal of property, plant and equipment	278	1,000	(6,916)	3,016
Gain on sale of investments in subsidiaries and affiliates	—	(5,835)	—	—
Loss on revaluation of investments in securities	537	6,634	—	5,834
Increase (decrease) in accounts and notes receivable	(9,814)	14,457	1,770	(106,558)
(Increase) decrease in inventories	4,588	(5,148)	(2,146)	49,817
Increase (decrease) in accounts and notes payable	6,187	(10,856)	(5,681)	67,181
Other	(987)	(112)	4,191	(10,720)
	44,612	57,552	40,712	484,389
Interest and dividends received	1,535	4,051	2,593	16,670
Interest paid	(259)	(496)	(306)	(2,807)
Income taxes paid	(21,684)	(20,038)	(12,285)	(235,454)
Net Cash Provided by Operating Activities	24,204	41,069	30,714	262,798
Cash Flows from Investing Activities:				
Acquisition of property, plant and equipment	(19,778)	(18,231)	(14,402)	(214,742)
Proceeds from sale of property, plant and equipment	2,283	338	7,297	24,791
Acquisition of investments in securities	(2,159)	(150)	(1,189)	(23,437)
Proceeds from sale and redemption of investments in securities	4,024	87	145	43,688
Acquisition of investments in consolidated subsidiaries resulting in change in scope of consolidation	(59)	—	(2,264)	(642)
Proceeds from sale of investments in consolidated subsidiaries resulting in change in scope of consolidation	—	16,908	—	—
Payments into time deposits	(4,135)	(7,040)	(461)	(44,897)
Proceeds from withdrawal of time deposits	3,213	3,078	411	34,882
Other	3,364	1,029	971	36,525
Net Cash Used in Investing Activities	(13,247)	(3,981)	(9,492)	(143,832)
Cash Flows from Financing Activities:				
Decrease in short-term borrowings	(384)	(7)	(8,309)	(4,164)
Proceeds from long-term debt	—	492	—	—
Repayment of long-term debt	(202)	(12,573)	(665)	(2,195)
Acquisition of treasury stock	(4,638)	(1,001)	(567)	(50,357)
Dividends paid	(11,373)	(7,687)	(3,979)	(123,485)
Dividends paid to minority interests	(205)	(190)	(18)	(2,222)
Other	(104)	(12)	38	(1,142)
Net Cash Used in Financing Activities	(16,906)	(20,978)	(13,500)	(183,565)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(40)	(1,028)	(45)	(433)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,989)	15,082	7,677	(65,032)
Cash and Cash Equivalents at the Beginning of the Year	69,287	44,119	36,614	752,297
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	393	43,742	—	4,276
Decrease in Cash and Cash Equivalents of Deconsolidated Subsidiaries	(215)	—	(172)	(2,333)
Increase in Cash and Cash Equivalents Resulting from Merger	269	23	—	2,921
Cash and Cash Equivalents at the End of the Year	¥ 63,745	¥ 69,287	¥ 44,119	\$ 692,129
Reconciliation between cash and cash equivalents at year-end and the accounts booked in the balance sheets				
Cash and bank deposits	¥ 30,160	¥ 32,979	¥ 18,481	\$ 327,467
Time deposits whose maturity periods exceed 3 months	(6,593)	(5,734)	(331)	(71,576)
Marketable securities with original maturities of 3 months or less	—	—	25,969	—
Short-term loans receivable from parent company	40,178	42,042	—	436,238
Cash and Cash Equivalents	¥ 63,745	¥ 69,287	¥ 44,119	\$ 692,129

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 collectively referred to 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 (hereinafter "PITF No. 18"), issued by the Accounting Standards Board of Japan (hereinafter "ASBJ"). In accordance with the new accounting standard, the accompanying consolidated financial statements for the nine months ended December 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 December 31, 2009, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 29 and 9 respectively (29 and 9 as of March 31, 2009). 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 as either 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, included directly in net assets. Non-marketable securities classified as other securities are carried at cost.

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

(4) Inventories

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

(5) Property, Plant and Equipment (Except for leased assets)

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 (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 income as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(7) Intangible Assets (Except for leased assets)

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 under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero, except for the leases commencing on or before March 31, 2008, which 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 specific amounts individually measured for receivables that are not expected to be collectible due to financial difficulties of the customer 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 rules.

(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 foreign 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 expense 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 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's 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 amounts as of and for the fiscal years ended March 31, 2009 and 2008 have been reclassified to conform to the current period presentation.

(19) Accounting Changes

Effective April 1, 2009, the Company and its domestic consolidated subsidiaries have adopted ASBJ Statement No. 19, "Accounting Standard for Retirement Benefits (Part 3)." 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. 9, "Accounting Standard for Measurement of Inventories." As a result, operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2009, declined ¥1,323 million respectively, compared to the amounts which would have been recorded under the previous method.

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." In accordance with the adoption of this standard, finance lease transactions for which ownership of the leased assets 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.

For the reversal of the loss on revaluation of investments in securities at the end of the quarter, the Companies had conventionally adopted the quarterly cost or market method, which involved recalculating the book value at the end of the quarter after performing impairment accounting using the market value and thereby adjusting the acquisition cost of the securities. For the purpose of standardizing the accounting procedures between the parent company and its subsidiaries, the Company and the Companies changed their accounting procedures

to comply with those adopted by their parent company, Kirin Holdings Company, Limited (hereinafter "Kirin Holdings") in the first quarter of the period under review, switching to the quarterly method of adding back the credited reserve amount in full to income in the following period. This method involves reversing the amount of the loss on valuation based on impairment accounting as at the end of the quarter to the beginning of the next quarter, and determining the need for impairment accounting by comparing the book value after the reversal and the market value as at the end of the quarter. As a result of this change, income before income taxes and minority interests increased ¥41 million (\$441 thousand) in the period under review compared to the amounts which would have been recorded under the previous method.

(20) Additional Information

Effective April 1, 2008, in line with the revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed the estimates for the useful lives of machinery. This change resulted in increases of operating income ¥115 million and ordinary income and income before income taxes and minority interests ¥113 million for the year ended March 31, 2009 compared to the amounts which would have been recorded under the previous method.

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 20.

Following its decision to reorganize plants, etc., the Company revised the useful lives of property, plant and equipment and declared the difference between the book value before the change and after the change amounting to ¥3,300 million (\$35,826 thousand) as an extraordinary loss in the form of extraordinary depreciation of fixed assets for the nine months ended December 31, 2009. As a result, income before income taxes and minority interests declined by the same amount.

NOTE 3

U.S. Dollar Amounts

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis

of ¥92.10=U.S.\$1, the approximate exchange rate at December 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 ¥92.10=U.S.\$1 or at any other rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NOTE 4

Change in End of Fiscal Year

The Company changed its closing date of accounts on a consolidated basis (the Company's fiscal year end) from March 31 to December 31 of each year pursuant to the resolution of the ordinary General Shareholders' Meeting convened on June 25, 2009.

This was done to bring its fiscal year into line with that of its parent, Kirin Holdings, considering that Kirin Holdings' fiscal year ends on December 31 each year, to disclose its business performance and other such management information more appropriately and execute operations in an efficient manner.

Due to the said change, the fiscal period under review served as a transitional period before the new full fiscal year and was therefore only 9 months long, starting on April 1, 2009 and ending on December 31, 2009.

In conjunction with the change in the fiscal year end, all consolidated subsidiaries whose fiscal year ended on March 31 were also brought into line with the Company to close their accounts on December 31.

For the following 11 consolidated subsidiaries, whose financial statements as at their respective closing dates had been used

due to their accounts conventionally being closed on December 31 that was within 3 months before March 31. Effective April 1, 2009, the financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 have been used in preparing the consolidated financial statements for the nine months period under review.

The 11 subsidiaries 12-month accounting period are as follows: BioWa, Inc., Kyowa HAKKO Kirin America, Inc., Kyowa HAKKO Kirin Pharma, Inc., Kyowa HAKKO Bio U.S. Holdings, Inc., Bio-Kyowa Inc., Kyowa HAKKO Europe GmbH, Kyowa Italiana Farmaceutici S.r.l., Shanghai Kyowa Amino Acid Co., Ltd., Kyowa HAKKO U.S.A., Inc., Kyowa HAKKO (H.K.) Co., Ltd., Kashiwagi Corporation.

As a result, net sales increased ¥11,986 million (\$130,140 thousand), operating income ¥158 million (\$1,713 thousand), ordinary income ¥147 million (\$1,598 thousand) and income before income taxes and minority interests ¥23 million (\$248 thousand).

NOTE 5

Business Combinations

(1) Share Exchange

The Company entered into a "Share Exchange Agreement" making it 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, 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 a 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,") 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 on March 31, 2009.

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.

Kyowa Hakko Foods and Kirin Food-Tech subsequently merged on April 1, 2009. The new company's trade name was changed to Kirin Kyowa Foods Company, Limited.

As a result of the merger, the Company recorded a ¥1,380 million (\$14,979 thousand) loss on dilution of equity interest in a subsidiary.

(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 6

Impact of Fiscal Year End Falling on a Non-Business Day

The fiscal period of December 31, 2009 fell on a non-business day for financial institutions. As a result, notes receivable and payable were not accounted for as settled until the date of exchange. Therefore, the following items were included in the accompanying consolidated balance sheets as of December 31, 2009 and remained unsettled.

	Millions of Yen	Thousands of U.S. Dollars
Notes receivable	¥1,470	\$15,958
Notes payable.....	2,060	22,364
Notes payable for construction included in "Other current liabilities"	17	186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In addition, the following receivable and payable balances, which originally fell due at the fiscal year end, are included in the accompanying consolidated balance sheets as of December 31, 2009, because those balances are settled in the same way as for notes receivable and payable.

	Millions of Yen	Thousands of U.S. Dollars
Accounts receivable-trade	¥4,100	\$44,520
Accounts payable-trade	4,162	45,195
Accounts payable-other	1,645	17,857

NOTE 7 Inventories

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

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Merchandise and finished goods.....	¥43,864	¥46,499	\$476,261
Work in process	8,970	9,284	97,395
Raw materials and supplies	10,971	11,846	119,124
	¥63,805	¥67,629	\$692,780

NOTE 8 Securities

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

	2009/12		
	Millions of Yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥18,309	¥23,176	¥ 4,867
Securities whose acquisition cost exceeds their carrying value:			
Stocks	16,308	12,220	(4,088)
	2009/12		
	Thousands of U.S. Dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	\$198,790	\$251,641	\$ 52,851
Securities whose acquisition cost exceeds their carrying value:			
Stocks	177,068	132,686	(44,382)
	2009/3		
	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)

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

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Unlisted stocks	¥12,746	¥15,919	\$138,391
Other	174	425	1,887

(3) The maturity schedule of held-to-maturity debt securities with scheduled maturities as at December 31, 2009 is not applicable.

NOTE 9

Short-Term Borrowings and Long-Term Debt

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

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Unsecured loans, principally from banks, with weighted average interest rate of 1.3% and 1.5% at December 31, 2009 and March 31, 2009, respectively	¥12,691	¥12,750	\$137,791

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

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Secured loans, principally from banks and other financial institutions, due 2010 to 2012 at December 31, 2009 and due 2009 to 2012 at March 31, 2009 with interest ranging from 1.9% to 6.2% per annum in 2010 and from 2.1% to 7.4% per annum in 2009	¥ 538	¥ 730	\$ 5,838
Unsecured bond payable in yen with interest of 1.1% due through 2011	—	60	—
Less: Current portion of long-term debt	(243)	(231)	(2,637)
	¥ 295	¥ 559	\$ 3,201

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

December 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥243	\$2,637
2011	187	2,030
2012	108	1,171
2013	—	—
2014	—	—
	¥538	\$5,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NOTE 10

Leases

(1) Finance Leases

The Companies hold certain machinery, equipment and other fixed assets under finance leases that do not transfer ownership of the leased assets to the lessee. Lease transactions entered into on or before 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 December 31, 2009 and March 31, 2009, would have been as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Machinery and equipment	Other	Total	Machinery and equipment	Other	Total
December 31, 2009						
Acquisition cost	¥28	¥991	¥1,019	\$309	\$10,762	\$11,071
Accumulated depreciation	25	702	727	274	7,626	7,900
Net book value	¥ 3	¥289	¥ 292	\$ 35	\$ 3,136	\$ 3,171

	Millions of Yen		
	Machinery and equipment	Other	Total
March 31, 2009			
Acquisition cost	¥40	¥1,091	¥1,131
Accumulated depreciation	32	640	672
Net book value	¥ 8	¥ 451	¥ 459

Lease payments relating to finance leases accounted for as operating leases amounted to ¥160 million (\$1,734 thousand), which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the nine months ended December 31, 2009.

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

	Millions of Yen
2010	¥160
Thereafter	132
	¥292

(2) Operating Leases

Future minimum lease payments subsequent to December 31, 2009, on non-cancelable operating leases are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 243	\$ 2,634
Thereafter	3,340	36,265
	¥3,583	\$38,899

NOTE 11

Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation taxes, local inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008. 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 nine months ended December 31, 2009 and years ended March 31, 2009 and 2008, differ from the statutory tax rate for the following reasons:

	2009/12	2009/3	2008/3
Statutory tax rate	40.7%	40.7%	40.7%
(Reconciliation)			
Future deductible temporary differences deemed not to be realized	15.3	(1.3)	1.4
Amortization of goodwill	13.8	12.6	0.4
Non-deductible expenses, such as entertainment expenses	6.2	6.8	3.0
Non-taxable income, such as dividend income	(2.8)	(1.1)	(0.9)
Equity in earnings of affiliates	(3.0)	(1.6)	(1.2)
Difference in statutory tax rate of subsidiaries	(2.0)	(1.9)	0.5
Special corporate tax credit	(13.4)	(11.5)	(4.5)
Loss on dilution of equity interest in a subsidiary	2.7	—	—
Undistributed profit of affiliates scheduled to be sold	—	19.9	—
Other	(1.1)	(1.4)	(0.3)
Effective tax rates	56.4%	61.2%	39.1%

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

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Deferred tax assets:			
Non-deductible portion of reserve for retirement benefits to employees	¥ 11,699	¥ 10,878	\$ 127,025
Non-deductible portion of depreciation of property, plant and equipment	11,323	7,951	122,938
Prepaid expenses for tax purposes	3,951	3,646	42,898
Investments in affiliates	2,572	3,260	27,931
Gain on sale of investments in affiliates	1,617	—	17,555
Tax loss carried forward	1,636	—	17,765
Deferred assets for tax purposes	—	1,768	—
Accrued bonuses	—	1,669	—
Other	11,360	11,365	123,341
Sub-total	44,158	40,537	479,453
Valuation allowance	(10,199)	(7,084)	(110,736)
Total deferred tax assets	¥ 33,959	¥ 33,453	\$ 368,717
Deferred tax liabilities:			
Valuation of assets and liabilities of the former Kyowa Hakko Group at the fair market value related to reverse acquisition	¥(23,265)	¥(25,023)	\$(252,605)
Unrealized gains on marketable other securities	(6,738)	(3,105)	(73,164)
Deferred gain, mainly related to expropriation of fixed assets	(2,154)	(2,027)	(23,382)
Prepaid pension expenses	(2,061)	(1,697)	(22,381)
Undistributed profit of affiliates scheduled to be sold	—	(2,831)	—
Other	(875)	(1,267)	(9,506)
Total deferred tax liabilities	(35,093)	(35,950)	(381,038)
Deferred tax liabilities, net	¥ (1,134)	¥ (2,497)	\$ (12,321)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NOTE 12

Stock Option Plans

(1) The following table summarizes the information on stock options as of December 31, 2009:

	2009/12 Plan	2009/3 Plan	2008/3 Plan	2007/3 Plan	2006/3 Plan
Grantees' position	Directors and executive officers	Directors and executive officers	Directors and executive officers	Directors and executive officers	Directors and executive officers
Number of grantees	14	20	18	18	19
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock
Date of grant	June 26, 2009	June 25, 2008	June 21, 2007	June 29, 2006	June 28, 2005
Vesting condition	No provisions	No provisions	No provisions	No provisions	No provisions
Applicable period of service	No provisions	No provisions	No provisions	No provisions	No provisions
Exercisable period	June 27, 2009 - June 25, 2029	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 the movement of stock options as of December 31, 2009:

	2009/12 Plan	2009/3 Plan	2008/3 Plan	2007/3 Plan	2006/3 Plan
Non-vested (number of shares):					
Stock options outstanding at March 31, 2009.....	—	—	—	—	—
Granted during the period	93,000	—	—	—	—
Forfeited during the period	—	—	—	—	—
Vested during the period.....	93,000	—	—	—	—
Stock options outstanding at December 31, 2009.....	—	—	—	—	—
Vested (number of shares):					
Stock options outstanding at March 31, 2009.....	—	82,000	61,000	58,000	61,000
Vested during the period.....	93,000	—	—	—	—
Exercised during the period	—	29,000	24,000	19,000	21,000
Forfeited during the period	—	—	—	—	—
Stock options outstanding at December 31, 2009.....	93,000	53,000	37,000	39,000	40,000

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

	2009/12 Plan	2009/3 Plan	2008/3 Plan	2007/3 Plan	2006/03 Plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average market price per stock at the time of exercise.....	—	982	1,011	988	984
Fair value per stock at the date of grant	1,014	1,038	1,140	705	—

(4) Method of estimating the fair value of stock options

1. Valuation method used: Black-Scholes model

2. The following table summarizes the principal basic numeric values and estimation methods

	2009/12 Plan	2009/3 Plan	2008/3 Plan
Share price volatility*1	8.8%	5.8%	5.6%
Expected remaining period*2	3 years	2 years	3 years
Expected dividends*3	¥20/per share	¥20/per share	¥10/per share
Risk-free interest rate*4	0.52%	0.42%	0.27%

*1. Calculated based on share price results over 3 years (from June 2006 to May 2009).

*2. Calculated by subtracting 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 the nine months period 2009/12 (¥15/per share), commuted 12-months.

*4. The rate of return on government bonds over the expected remaining period.

(5) Method of estimating the number of stock options vested

In principle, a method reflecting actual expirations is adopted, because it is not possible to estimate reasonably the number of shares forfeited in the future.

NOTE 13

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 balance pension 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) Detail on the reserve for retirement benefits as of December 31, 2009 and March 31, 2009 are analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Retirement benefit obligations*	¥(78,009)	¥(78,214)	\$(847,005)
Plan assets at fair value	46,091	42,098	500,442
Unfunded retirement benefit obligations	(31,918)	(36,116)	(346,563)
Unrecognized actuarial differences	8,030	13,638	87,199
Unrecognized prior service costs	(27)	(29)	(297)
Prepaid pension expenses	(3,353)	(4,177)	(36,409)
Reserve for retirement benefits to employees	¥(27,268)	¥(26,684)	\$(296,070)

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

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

	Millions of Yen			Thousands of U.S. Dollars
	2009/12	2009/3	2008/3	2009/12
Service cost*	¥2,669	¥ 3,552	¥ 2,517	\$28,977
Interest cost	1,437	1,976	1,599	15,599
Expected return on plan assets	(902)	(1,427)	(1,343)	(9,789)
Amortization of unrecognized actuarial differences	1,239	278	1,083	13,457
Amortization of unrecognized prior service costs	1	(2)	(1,075)	12
Special severance payment	22	3	103	241
Other	182	212	36	1,972
Retirement benefit expenses	¥4,648	¥ 4,592	¥ 2,920	\$50,469

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

	2009/12	2009/3	2008/3
Discount rate.....	2.5%	2.5%	2.5%
Expected rate of return on plan assets.....	3.0% (mainly)	3.0% (mainly)	3.0%
Amortization period for prior service costs.....	5 years (mainly) (Straight-line method)	5 years (mainly) (Straight-line method)	5 years (Straight-line method)
Amortization period for actuarial differences	10 years (mainly) (Straight-line method)	10 years (mainly) (Straight-line method)	10 years (Straight-line method)

NOTE 14

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 swaps, foreign exchange contracts 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 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 December 31, 2009 and March 31, 2009:

Type of transaction	Millions of Yen			Thousands of U.S. Dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Nine months ended December 31, 2009						
Foreign exchange forward contracts						
Selling U.S. dollar	¥3,273	¥3,337	¥ (64)	\$35,536	\$36,236	\$ (699)
Selling Euro.....	1,919	1,912	6	20,832	20,765	68
Currency swaps						
Receiving						
Japanese yen,						
Paying U.S. dollar	3,992	(151)	(151)	43,339	(1,640)	(1,640)
	¥9,184	¥5,098	¥(209)	\$99,707	\$55,361	\$(2,271)

Type of transaction	Millions of Yen		
	Contract amount	Fair value	Unrealized gain (loss)
Year ended March 31, 2009			
Foreign exchange forward contracts			
Selling U.S. dollar	¥2,331	¥2,487	¥(156)
Selling Euro.....	2,419	2,610	(191)
Currency swaps			
Receiving			
Japanese yen,			
Paying U.S. dollar	4,426	1	1
	¥9,176	¥5,098	¥(346)

* Fair value is determined based on the foreign currency forward exchange market rates.

* Derivative transactions that applied hedge accounting are not included in the above.

NOTE 15

Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses for the nine months ended December 31, 2009 and years ended March 31, 2009 and 2008 totaled ¥34,980 million (\$379,800 thousand), ¥48,389 million and ¥34,110 million, respectively.

NOTE 16

Loss on Impairment of Fixed Assets

The Companies group fixed assets for impairment testing based on the management accounting unit. However, the Company classifies certain assets as an individual 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:

Nine months ended December 31, 2009		Thousands of U.S. Dollars		
Location	Description	Classification	Millions of Yen	Thousands of U.S. Dollars
Takasaki City, Gunma Prefecture	Idle assets	Buildings and Structures, other	¥2,559	\$27,789
Hofu City, Yamaguchi Prefecture	Idle assets	Equipment, other	112	1,215

Year ended March 31, 2009		Millions of Yen		
Location	Description	Classification	Millions of Yen	
Itabashi-ku, Tokyo	Idle assets	Land	¥3,506	
Maebashi City, Gunma Prefecture.....	Idle assets	Buildings and Structures, other	1,366	
Ube City, Yamaguchi Prefecture	Idle assets	Buildings and Equipment, other	386	
Takasaki City, Gunma Prefecture	Idle assets	Buildings and Equipment, other	288	
Hofu City, Yamaguchi Prefecture	Idle assets	Other	179	

Year ended March 31, 2008		Millions of Yen		
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	

NOTE 17

Pledged Assets

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

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Land	¥ 257	¥ 257	\$ 2,793
Investments in securities.....	1,104	918	11,986
Other	83	203	907
	¥1,444	¥1,378	\$15,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Such collateral secured the following obligations:

	Millions of Yen		Thousands of U.S. Dollars
	2009/12	2009/3	2009/12
Accounts and notes payable-trade.....	¥1,747	¥1,665	\$18,970
Other.....	133	167	1,447
	¥1,880	¥1,832	\$20,417

NOTE 18

Contingent Liabilities

(1) The Companies had contingent liabilities arising from notes discounted by banks in the amount of ¥40 million (\$433 thousand) at December 31, 2009.

(2) The Companies recognized transfer of notes receivable through securitization in the amount of ¥295 million (\$3,206 thousand) and transfer of accounts receivable through securitization in the amount of ¥1,220 million (\$13,247 thousand) as contingent liabilities at December 31, 2009.

NOTE 19

Supplementary Information for Consolidated Statements of Changes in Net Assets

(1) Type and Number of Outstanding Shares

Type of shares	Balance at beginning of period	Increase in shares during the period	Decrease in shares during the period	Nine months ended December 31, 2009
				Number of shares Balance at end of period
Issued stock:				
Common stock	576,483,555	—	—	576,483,555
Total.....	576,483,555	—	—	576,483,555
Treasury stock:				
Common stock* ^{1,2}	2,589,766	4,446,929	100,795	6,935,900
Total.....	2,589,766	4,446,929	100,795	6,935,900

*1. Treasury stock increased 4,446,929 shares due to the repurchase in response to the shareholders' request under paragraph 1, Article 797 of The Corporation Law of Japan, 4,333,000 shares and the repurchase of shares less than one unit 113,929 shares.

*2. Treasury stock decreased 100,795 shares due to the stock options exercised 93,000 shares, and the sale of shares less than one unit 7,795 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 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 1,039,017 shares due to the repurchase in response to the shareholders' request under paragraph 1, Article 797 of The Corporation Law of Japan, 721,000 shares and the repurchase of shares less than one unit 318,017 shares.

*3. Treasury stock decreased 172,435 shares due to the stock options exercised 85,000 shares, the sale of shares less than one unit 71,768 shares and the sale of shares by equity method affiliates 15,667 shares.

(2) Dividends

The Corporation Law of Japan provides that an amount equal to 10% of cash appropriations of retained earnings shall be set aside as additional paid-in capital or legal earnings reserve until the total of such reserve and additional paid-in capital equals 25% of the stated capital.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

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 25, 2009	Annual general meeting of shareholders	Common stock	¥5,739	\$ 62,312	¥10	\$ 0.109	March 31, 2009	June 26, 2009
October 29, 2009	Board of directors	Common stock	5,696	61,843	10	0.109	September 30, 2009	December 1, 2009

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

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
March 24, 2010	Annual general meeting of shareholders	Retained earnings	Common stock	¥2,848	\$ 30,920	¥5	\$ 0.054	December 31, 2009	March 25, 2010

NOTE 20

Related Party Transactions

Significant transactions and balances with related parties as of and for the nine months ended December 31, 2009 and year ended March 31, 2009 were as follows:

(1) Parent Company

Nine months ended December 31, 2009								
Name	Capital	Ratio of voting rights owned (owned)	Transactions	Amounts		Closing balances	Amounts	
	Millions of Yen			Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Kirin Holdings Company, Limited	¥102,045	directly (51.2%)	Loan of funds* ¹	¥48,252	\$523,904	Short-term loans receivable	¥40,178	\$436,238

Year ended March 31, 2009								
Name	Capital	Ratio of voting rights owned (owned)	Transactions	Amounts		Closing balances	Amounts	
	Millions of Yen			Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Kirin Holdings Company, Limited	¥102,045	directly (50.8%)	Loan of funds* ¹	¥11,287		Short-term loans receivable	¥42,042	
			Sales price of subsidiary's shares* ²	17,095		—	—	
			Gain on sales of subsidiary's shares* ²	4,721		—	—	

*1. Related to "Cash Management System" offered by Kirin Holdings, calculated the amount of transactions from average amount of every month.

*2. Related to sale of 526 from 1,000 shares of Kyowa Hakko Foods to Kirin Holdings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Fellow Subsidiaries

Nine months ended December 31, 2009								
Name	Capital	Ratio of voting rights owning (owned)	Transactions	Amounts		Closing balances	Amounts	
	Millions of Yen			Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Kirin Engineering Company, Limited	¥1,000	—	Purchase, construction and maintenance operation of equipment	¥7,346	\$79,766	Accounts and notes payable	¥2,644	\$28,709

Not applicable for the year ended March 31, 2009.

(3) Directors of the Companies

Not applicable for the nine months ended December 31, 2009.

Year ended March 31, 2009					
Name and position	Ratio of voting right owning (owned)	Transactions	Amounts		
			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 21

Segment Information

(1) Industry Segment Information

The Companies operate principally in the following 4 industry segments:

Industry segments	Major products
Pharmaceuticals Division	Ethical drugs and diagnostic reagents
Bio-Chemicals Division	Pharmaceutical- and industrial-use raw materials, healthcare products, agrochemicals, products for livestock and fisheries industries and alcohol
Chemicals Division	Solvents, raw materials of plasticizers and specialty chemicals
Other Division	Transportation and facilities

Nine months ended December 31, 2009	Millions of Yen						
	Industry segment					Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total		
I. Sales and Operating Income:							
Sales to outside customers	¥157,932	¥ 63,251	¥45,562	¥42,367	¥309,112	¥ —	¥309,112
Intersegment sales and transfers	342	6,501	6,764	7,133	20,740	(20,740)	—
Net sales	158,274	69,752	52,326	49,500	329,852	(20,740)	309,112
Operating expenses	131,616	66,703	54,311	49,100	301,730	(20,862)	280,868
Operating income (loss)	¥ 26,658	¥ 3,049	¥ (1,985)	¥ 400	¥ 28,122	¥ 122	¥ 28,244
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	¥381,819	¥140,916	¥80,464	¥42,394	¥645,593	¥ 49,675	¥695,268
Depreciation and amortization	9,212	4,322	3,358	113	17,005	(2)	17,003
Loss on impairment of fixed assets	2,559	112	—	—	2,671	—	2,671
Capital expenditures	16,508	5,000	3,583	45	25,136	(1)	25,135

Nine months ended December 31, 2009	Thousands of U.S. Dollars						
	Industry segment					Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total		
I. Sales and Operating Income:							
Sales to outside customers	\$1,714,787	\$ 686,761	\$494,704	\$460,009	\$3,356,261	\$ —	\$3,356,261
Intersegment sales and transfers	3,710	70,587	73,441	77,454	225,192	(225,192)	—
Net sales	1,718,497	757,348	568,145	537,463	3,581,453	(225,192)	3,356,261
Operating expenses	1,429,051	724,251	589,692	533,113	3,276,107	(226,511)	3,049,596
Operating income (loss)	\$ 289,446	\$ 33,097	\$ (21,547)	\$ 4,350	\$ 305,346	\$ 1,319	\$ 306,665
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	\$4,145,699	\$1,530,036	\$873,660	\$460,296	\$7,009,691	\$539,365	\$7,549,056
Depreciation and amortization	100,020	46,927	36,457	1,234	184,638	(21)	184,617
Loss on impairment of fixed assets	27,789	1,215	—	—	29,004	—	29,004
Capital expenditures	179,227	54,293	38,904	495	272,919	(8)	272,911

* The Food Division was excluded from segment information. This is due to the abolition of the Food Division in the period, following the sale of shares of a consolidated subsidiary on March 31, 2009 that operated the foods business in the previous fiscal period.

* In conjunction with the change in the closing date of accounts on a consolidated basis for this fiscal period, preparation of the consolidated financial statements for the nine-month period under review involved using financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 with respect to 11 consolidated subsidiaries whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 that was within 3 months before March 31.

As a result, net sales increased ¥357 million (\$3,872 thousand) in the Pharmaceuticals Division, ¥7,173 million (\$77,886 thousand) in the Bio-Chemicals Division and ¥4,458 million (\$48,404 thousand) in the Other Division, while operating income declined ¥60 million (\$649 thousand) in the Pharmaceuticals Division, and increased ¥196 million (\$2,131 thousand) in the Bio-Chemicals Division and ¥21 million (\$231 thousand) in the Other Division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Year ended March 31, 2009	Millions of Yen							Corporate, elimination and other	Consolidated total
	Industry segment								
	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	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. Total 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

* According to a change in an accounting policy of the measurement of inventories, operating income for the year ended March 31, 2009 of the Pharmaceuticals Division, Bio-Chemicals Division, Chemicals Division, Food Division and the Other Division decreased ¥23 million, ¥248 million, ¥946 million, ¥90 million and ¥16 million, 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 fiscal year, only the statements of income have been prepared on a consolidated basis for the fiscal year. The amount of “Total assets” of the Food Division for the fiscal year is stated in the amount of investments in such affiliates accounted for by the equity method, etc.

Year ended March 31, 2008	Millions of Yen							Corporate, elimination and other	Consolidated total
	Industry segment								
	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. Total 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 fiscal year of the Pharmaceuticals Division, Bio-Chemicals Division, Chemicals Division, Food Division and the Other Division increased ¥148 million, ¥112 million, ¥200 million, ¥44 million and ¥2 million, and operating income decreased by the same amounts, respectively.

(2) Geographic Segment Information

The classification of geographic segments is as follows:

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

	Millions of Yen				
	Geographic segment			Corporate, elimination and other	Consolidated total
	Japan	Other	Total		
Nine months ended December 31, 2009					
I. Sales and Operating Income:					
Sales to outside customers	¥275,917	¥33,195	¥309,112	¥ —	¥309,112
Intersegment sales and transfers	15,792	7,408	23,200	(23,200)	—
Net sales	291,709	40,603	332,312	(23,200)	309,112
Operating expenses	267,259	37,244	304,503	(23,635)	280,868
Operating income	¥ 24,450	¥ 3,359	¥ 27,809	¥ 435	¥ 28,244
II. Total assets	¥611,492	¥46,085	¥657,577	¥ 37,691	¥695,268

	Thousands of U.S. Dollars				
	Geographic segment			Corporate, elimination and other	Consolidated total
	Japan	Other	Total		
Nine months ended December 31, 2009					
I. Sales and Operating Income:					
Sales to outside customers	\$2,995,841	\$360,420	\$3,356,261	\$ —	\$3,356,261
Intersegment sales and transfers	171,467	80,442	251,909	(251,909)	—
Net sales	3,167,308	440,862	3,608,170	(251,909)	3,356,261
Operating expenses	2,901,839	404,386	3,306,225	(256,629)	3,049,596
Operating income	\$ 265,469	\$ 36,476	\$ 301,945	\$ 4,720	\$ 306,665
II. Total assets	\$6,639,432	\$500,383	\$7,139,815	\$ 409,241	\$7,549,056

* In conjunction with the change in the closing date of accounts on a consolidated basis, preparation of the consolidated financial statements for the nine-month period under review involved using financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 with respect to consolidated subsidiaries whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 or within 3 months of the consolidated closing date

As a result, net sales increased ¥4,458 million (\$48,404 thousand) in the Japan Segment and ¥7,528 million (\$81,735 thousand) in the Other Segment, while operating income increased ¥21 million (\$231 thousand) in the Japan Segment and ¥136 million (\$1,483 thousand) in the Other Segment.

	Millions of Yen				
	Geographic segment			Corporate, elimination and other	Consolidated total
	Japan	Other	Total		
Year ended March 31, 2009					
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

* In accordance with a change in an accounting policy of the measurement of inventories, operating income for the fiscal year in the Japan Segment decreased ¥1,323 million.

* Geographic segments are divided into categories based on their geographical proximity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(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

Nine months ended December 31, 2009	Millions of Yen				
	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	¥16,850	¥18,524	¥27,416	¥578	¥ 63,368
II. Consolidated net sales					309,112
III. Ratio of overseas sales to consolidated net sales	5.5%	6.0%	8.9%	0.2%	20.5%

Nine months ended December 31, 2009	Thousands of U.S. Dollars				
	Americas	Europe	Asia	Other areas	Total
I. Overseas sales	\$182,950	\$201,133	\$297,671	\$6,280	\$ 688,034
II. Consolidated net sales					3,356,261
III. Ratio of overseas sales to consolidated net sales	5.5%	6.0%	8.9%	0.2%	20.5%

* In conjunction with the change in the closing date of accounts on a consolidated basis, preparation of the consolidated financial statements for the nine-month period under review involved using financial statements for the 12-month accounting period from January 1, 2009 to December 31, 2009 with respect to 11 consolidated subsidiaries whose financial statements as at their respective closing dates had been used due to their accounts conventionally being closed on December 31 that was within 3 months before March 31.

As a result, net sales increased ¥1,812 million (\$19,672 thousand) in Americas, ¥3,124 million (\$33,920 thousand) in Europe and ¥1,279 million (\$13,884 thousand) in the Asia.

Year ended March 31, 2009	Millions of Yen				
	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%

Year ended March 31, 2008	Millions of Yen				
	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%

* 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 22 Per Share Data

	Yen			U.S. Dollars
	2009/12	2009/3	2008/3	2009/12
Net assets	¥940.8	¥938.4	¥639.7	\$10.215
Net income-basic	15.4	20.4	59.0	0.167
Net income-diluted	15.4	20.4	59.0	0.167

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 amount of common stock outstanding at the year-end.

NOTE 23

Subsequent Event

(1) Change in Classification of Industry Segments

In the fiscal year commencing on January 1, 2010, Miyako Kagaku Co., Ltd. and Kashiwagi Corporation, both of which are consolidated subsidiaries engaged in the wholesale of chemicals, etc., were brought under the control of Kyowa HAKKO Chemical Co., Ltd., which is the core company in the Chemicals Division, primarily for the purpose of optimizing the business management structure within the Kyowa HAKKO Kirin Group.

In line with this, the Company reviewed the segment classification of Miyako Kagaku Co., Ltd. and Kashiwagi Corporation, and consequently changed their business segment classification from "Other" to "Chemicals" in consideration of the management structure based on future policies, the current status of net sales and other such factors.

If the reclassification is reflected in this nine months period, it becomes as follows:

Nine months ended December 31, 2009	Millions of Yen						
	Industry segment					Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total		
I. Sales and Operating Income:							
Sales to outside customers	¥157,932	¥63,251	¥85,246	¥2,683	¥309,112	¥ —	¥309,112
Intersegment sales and transfers	342	6,501	3,434	5,114	15,391	(15,391)	—
Net sales	158,274	69,752	88,680	7,797	324,503	(15,391)	309,112
Operating expenses	131,616	66,703	90,515	7,548	296,382	(15,514)	280,868
Operating income (loss)	¥ 26,658	¥ 3,049	¥ (1,835)	¥ 249	¥ 28,121	¥ 123	¥ 28,244
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	¥381,819	¥140,916	¥103,448	¥17,043	¥643,226	¥ 52,042	¥695,268
Depreciation and amortization	9,212	4,322	3,413	58	17,005	(2)	17,003
Loss on impairment of fixed assets	2,559	112	—	—	2,671	—	2,671
Capital expenditures	16,508	5,000	3,609	19	25,136	(1)	25,135

Nine months ended December 31, 2009	Thousands of U.S. Dollars						
	Industry segment					Corporate, elimination and other	Consolidated total
	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total		
I. Sales and Operating Income:							
Sales to outside customers	\$1,714,787	\$686,761	\$925,582	\$29,131	\$3,356,261	\$ —	\$3,356,261
Intersegment sales and transfers	3,710	70,587	37,287	55,535	167,119	(167,119)	—
Net sales	1,718,497	757,348	962,869	84,666	3,523,380	(167,119)	3,356,261
Operating expenses	1,429,051	724,251	982,792	81,956	3,218,050	(168,454)	3,049,596
Operating income (loss)	\$ 289,446	\$ 33,097	\$ (19,923)	\$ 2,710	\$ 305,330	\$ 1,335	\$ 306,665
II. Total assets, Depreciation and Amortization, Loss on Impairment of Fixed Assets and Capital Expenditures:							
Total assets	\$4,145,699	\$1,530,036	\$1,123,210	\$185,054	\$6,983,999	\$ 565,057	\$7,549,056
Depreciation and amortization	100,020	46,927	37,052	639	184,638	(21)	184,617
Loss on impairment of fixed assets	27,789	1,215	—	—	29,004	—	29,004
Capital expenditures	179,227	54,293	39,182	217	272,919	(8)	272,911

REPORT OF INDEPENDENT AUDITORS



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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 December 31, 2009 and March 31, 2009 and the related consolidated statements of incomes, changes in net assets, and cash flows for the nine-month period ended December 31, 2009 and years ended March 31, 2009 and 2008, 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 December 31, 2009 and March 31, 2009 and the consolidated results of their operations and their cash flows for the nine-month period ended December 31, 2009 and years ended March 31, 2009 and 2008 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the nine months ended December 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.

Ernst & Young ShinNihon LLC

March 18, 2010