

Kyowa Hakko Kirin Group Sustainability Report 2009 Highlights

This report introduces the social contribution and environmental activities of the Kyowa Hakko Kirin Group, which was launched in October 2008 following the merger of Kyowa Hakko Kogyo and Kirin Pharma.

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A report on this year's stakeholder meeting

■ Editorial Policy

In the first half of the Kyowa Hakko Kirin Group Sustainability Report 2009, we cover corporate governance, corporate ethics, community relations, employee relations, social contributions through business activities and other aspects of corporate social responsibility. In the second half, we focus primarily on environmental performance. In compiling this report, we referred to the Environmental Reporting Guideline of the Ministry of the Environment and the Responsible Care Code. Further, in July 2009 we held a stakeholder meeting at the Yamaguchi Production Center Ube, at which we obtained stakeholder opinions concerning ecosystem protection activities. We sought out third-party verification to improve the reliability of information contained in the report. We also included in this report the opinion of an expert in the field about its overall concept.

■ Scope of the Report

The information contained in this report covers production, sales and R&D sites in Japan as well as production and development sites in other countries (See Page 8).

Environmental load and social performance data were gathered from Kyowa Hakko Kirin Group production and R&D sites in Japan, production sites overseas (Biokyowa, Shanghai Kyowa Amino Acid) and Kirin Kyowa Foods, which became an equity-method affiliate, and its subsidiaries (Kyowa F. D. Foods, Ohland Foods, Wuxi Xiehe Food, Kyowa Foods (Jiangyin)). Green Office Plan data for sales sites in Japan have been integrated. In consideration of its specialized business, we have recorded separately the environmental activities of Daiichi Fine Chemical.

■ Period Reported

The periods covered by the report are fiscal 2008 (April 1, 2008 to March 31, 2009) for operations in Japan and calendar 2008 (January to December) for overseas operations. Data for fiscal 2009 are included in some results.

Linkage with the Corporate Website

<http://www.kyowa-kirin.co.jp/english>

This report can be viewed on the Kyowa Hakko Kirin website.

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A year has passed since the establishment of the Kyowa Hakko Kirin Group. We are vigorously advancing toward the achievement of our vision of creating a “Japan-based, leading world-class Japanese research and development-centered life sciences company focusing on pharmaceuticals with a firm foundation in biotechnology.”

Seeking Breakthroughs as a Group

In the pharmaceuticals business, synergy from the merger of Kirin Pharma and Kyowa Hakko has been demonstrated not only in the increased sales of existing mainstay products by our combined sales force of 1,400 medical representatives, but also in research and development, which is focused on high-priority areas. Also, in the past year, Kyowa Hakko Bio has further reinforced its pharmaceutical raw materials and intermediates business as well as pharmaceutical-related businesses, such as amino acids for infusions and medical foods. Kyowa Hakko Chemical, operating in an extremely adverse business environment, is vigorously implementing a transformation to a business structure that is less susceptible to economic slowdowns by making the most of its strength to deliver environment-friendly and other high-value-added products to a broad spectrum of customers in Japan and overseas.

Global economic conditions have changed faster than anyone could have imagined, and in all of our businesses we must not only apply regional perspectives focused on Europe, North America or Asia, but also view and consider issues from a global perspective. Even if the current adverse economic climate persists, the Kyowa Hakko Kirin Group will hold to our business plan. We believe that, as a highly specialized company possessing competitive technologies protected by strong patents, we can create the high-value-added products that support reliable, sustained growth.

Contributing to Society as a Team

A company cannot grow by organizations or systems alone. I believe that it is people, and the organizational climate they create, that focuses the power of an organization to maximum effect. In the pharmaceuticals industry for instance, teamwork assumes maximum importance, ranking much higher than the power of individuals. Astonishing sums of money and a staggeringly long period of time must be expended to take a potential new drug from discovery to market. If any single process, from research and development to production, marketing and distribution, is inadequate, the goal cannot be reached. Also, for each and every research project, collaboration among a variety of departments is required in exploration, pharmacology, safety, metabolism, drug formulation and R&D. Furthermore, many unsung heroes labor behind the scenes, such as employees who dedicated themselves to assistant work in the laboratory.

In implementation of the merger, we held exhaustive internal discussions of the matters we thought should be emphasized and developed them into “Sharing Values, Aims, and Ideals—Team Kyowa Hakko Kirin.” This document, which sets forth the purpose of the company, includes the words, “Let us aim to become the ultimate team. No matter how talented an individual may be, alone he or she is hardly perfect. Let us take our energy, enthusiasm and pioneering spirit to join as one. Through our combined strength, we can

Kyowa Hakko Kirin Group Management Philosophy

The Kyowa Hakko Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies.

Kyowa Hakko Kirin Group Vision

To create a Japan-based, leading world-class Japanese research and development-centered life sciences company focusing on pharmaceuticals with a firm foundation in biotechnology.

Kyowa Hakko Kirin Group Action Guidelines

- We will work together in a sincere and mutually respectful manner.
- We will take a forward-looking, energetic approach to change.
- We will do our utmost to add value and contribute to a brighter future around the world.
- We will always act with integrity in everything that we do.

yield unimaginable solutions. This is what we want to show the world.”

We engage in business activities supported by vast numbers of people with the mission of providing society with as many beneficial new drugs as possible, and as quickly as possible.

Coexisting with the Earth as a Company that Bears Responsibility for the Future

The 21st century has been called the age of the global environment. This is because people have come to recognize that nature is not limitlessly renewable. Human activities emit more carbon dioxide (CO₂) than the Earth can absorb. That is to say, as we enjoy the benefits of affluent living, we are accumulating CO₂ in the atmosphere. For the past decade or so, the cornerstones of our environmental activities have been greenhouse-gas emission reduction and zero emissions, principally at our production plants. Furthermore, since last year, we have participated in watershed forest conservation activities as a member of the Kirin Group. This activity enables us to experience together with our families the wondrous things that water creates within ecosystems and encourages us to be deliberate in our use of water, nature’s most precious natural resource.

The field of biotechnology has developed through the harnessing of the life force and blessings of nature, such as microorganisms and sugars. I think that the Kyowa Hakko

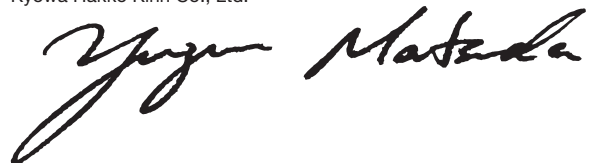
Kirin corporate spirit of pursuing advances while respecting and appreciating the power of nature is appropriately symbolized by the stone monument erected at the Yamaguchi Production Center Hofu to express appreciation for small forms of life (microorganisms) that confer many benefits on humankind.

I would like to conclude with some remarks about corporate social responsibility. For a company to discharge its social responsibility, its corporate activities must be incorporated within the social framework and must benefit society. In other words, a company has worth only within the framework of society. The Kyowa Hakko Kirin Group will carry on with activities to create high-value-added products that benefit society, as well as efforts to be a low-carbon corporate group that does its part to protect the global environment. I request your continued guidance and encouragement.

October 2009

Dr. Yuzuru Matsuda

President & Chief Executive Officer
Kyowa Hakko Kirin Co., Ltd.



The Shared Goals of the People of Kyowa Hakko Kirin

To Promote the Health and Well-being of People Everywhere

The shared aspiration of everyone at Kyowa Hakko Kirin is the desire to benefit patients by more rapidly delivering good medicine. That aspiration is a powerful driving force behind the effort to create pharmaceuticals that contribute to people's health. Our aim is to bring smiles to the faces of as many patients as possible, never forgetting the responsibility, enthusiasm and spirit of inquiry required of those who perform work that saves lives.

"We control the protection and utilization of intellectual property."

"We vigorously engage in research activities to create a better tomorrow."



Michio Ichimura

Innovative Drug Research Laboratories,
Tokyo Research Park

We perform discovery research of pharmaceutical lead compounds from among the metabolic products of microorganisms in the discovery research section. Microorganisms survive by generating substances that suppress the growth of or kill surrounding organisms. Nature contains substances as yet unimagined by humans, some of which may well prove beneficial in the treatment of cancer, communicable diseases and other ailments. Ordinarily, more than ten years is required from lead compound discovery to (perhaps) the completion of a new drug. We are facing the challenges with hope that our current research will someday prove beneficial to society.

Yosuke Yamaura

Intellectual Property Department

The Intellectual Property Department is deeply involved in all business processes, from the research and development of pharmaceuticals to production and market introduction. Our mission is to protect intellectual property important to the company, such as compounds with original structures, manufacturing methods and so on. We constantly consider ways to contribute to the business using intellectual property at every stage of the drug discovery lifecycle, from lead compound discovery to bulk pharmaceutical production technologies and the formulation of drugs. Our work also includes registering and maintaining trademark rights of easy-to-remember names for new drugs.

“We work with the health of patients foremost in mind.”

“We produce and procure materials essential to MR activities.”

“We serve as the pipeline that links pharmaceuticals with the front lines of healthcare.”



Mayumi Nagata
Production Department, Fuji Plant

Since pharmaceuticals are products that directly bear on the health of patients, quality assurance down to the level of individual tablets and individual vials is a prerequisite. At our workplace, we perform visual inspection of injectable drugs. We persevere in our role as the last bastion of quality assurance, ever aware of the patients to whom the products are administered. In addition, the Fuji Plant implements JUMP activities (for business process quality improvement). In the event that an equipment defect occurs, we cooperate with production workers and construction contractors in the implementation of improvements and development of machines that are easy to use and resistant to human error.

Aki Yoshikoshi
Purchasing Department

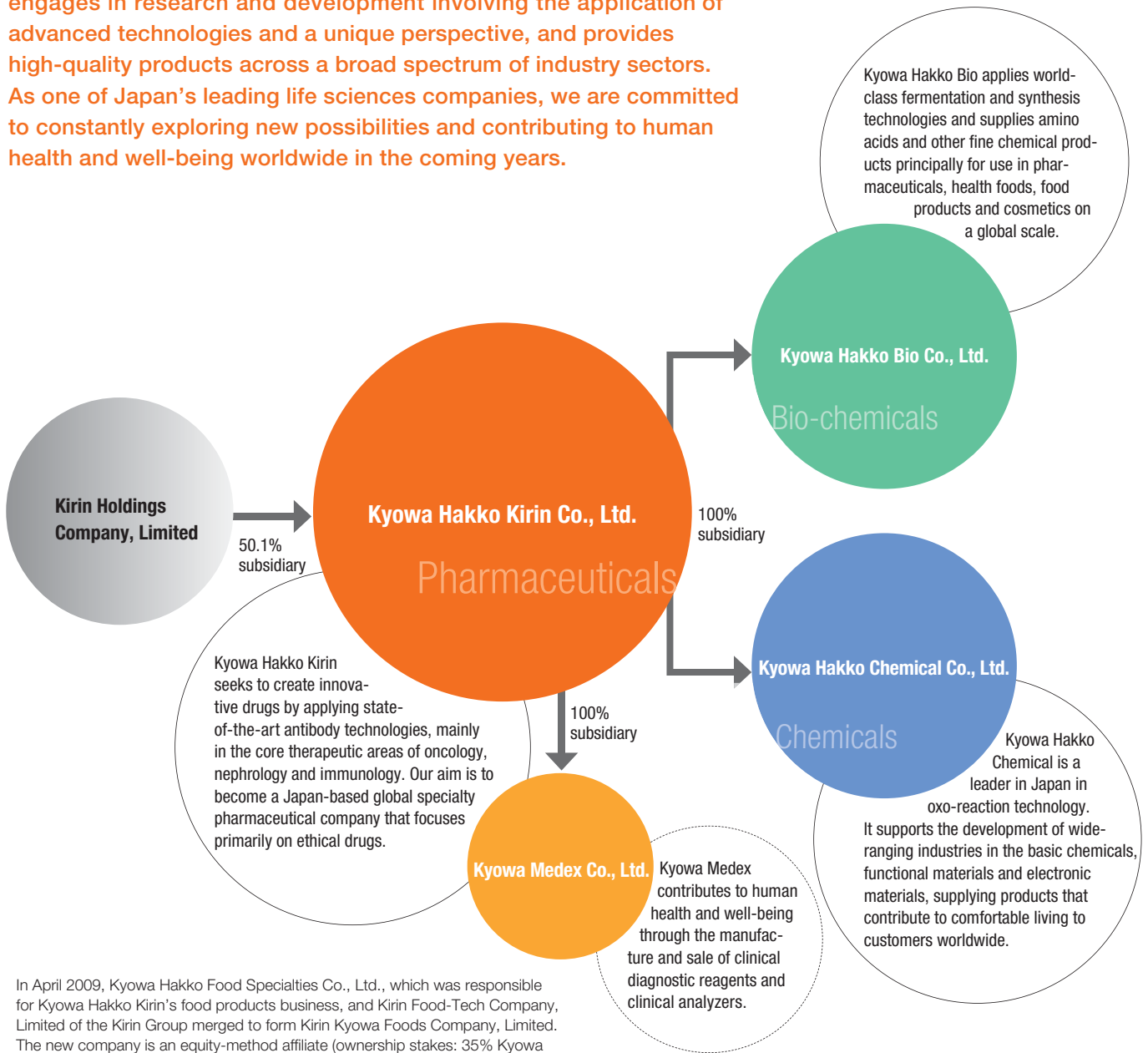
We are responsible for ordering from suppliers the materials necessary for MR activities, such as sales promotion and lecture materials. While scheduling deliveries is important, we must also consider designs that are visually pleasing and easy to understand for the healthcare professionals who use our products. Since these materials contain information concerning pharmaceuticals, they are subject to rigorous internal checks against standards such as ethical codes. The provision of excellent materials is work that requires the ability to respond to customer needs, ensure quality and secure favorable prices.

Nobumichi Takatsu
No. 1 Tokyo Sales Office, East-Tokyo Branch

Our job is to deliver information on the efficacy and side effects of pharmaceuticals to the healthcare professionals who prescribe Kyowa Hakko Kirin products. Since we handle many types of medications, including drugs to treat kidney disease, cancer, central nervous system disorders and allergies, and my territory includes highly specialized university hospitals, each day I study new information. I have opportunities to hear evaluations of our products in my day-to-day interaction with customers, which at times provides a deep sense of fulfillment and satisfaction.

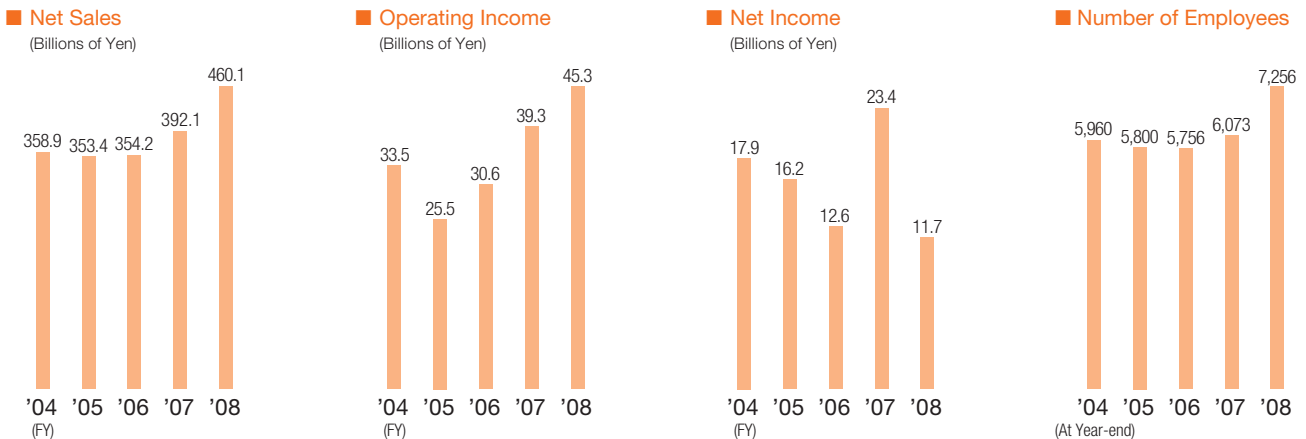
Overview of the Kyowa Hakko Kirin Group

Biotechnology is a field that still holds enormous latent potential. The Kyowa Hakko Kirin Group engages in three businesses that have biotechnology as their foundation: the core Pharmaceuticals and Bio-chemicals businesses and the Chemicals business. The Group engages in research and development involving the application of advanced technologies and a unique perspective, and provides high-quality products across a broad spectrum of industry sectors. As one of Japan's leading life sciences companies, we are committed to constantly exploring new possibilities and contributing to human health and well-being worldwide in the coming years.



In April 2009, Kyowa Hakko Food Specialties Co., Ltd., which was responsible for Kyowa Hakko Kirin's food products business, and Kirin Food-Tech Company, Limited of the Kirin Group merged to form Kirin Kyowa Foods Company, Limited. The new company is an equity-method affiliate (ownership stakes: 35% Kyowa Hakko Kirin, 65% Kirin Holdings). In January 2011, the company will become a wholly owned subsidiary of Kirin Holdings Company, Limited.

Consolidated Financial Data (Kyowa Hakko Kirin)



Corporate Data (As of October 1, 2009)

Corporate Name Kyowa Hakko Kirin Co., Ltd.
Established July 1, 1949 (Name changed from Kyowa Hakko Kogyo upon the merger with Kirin Pharma as of October 1, 2008.)
Paid-in Capital ¥26,745 million
Representative President and CEO Yuzuru Matsuda
Head Office 1-6-1, Ohtemachi, Chiyoda-ku, Tokyo 100-8185, Japan
 TEL: +81-3-3282-0007
Number of Employees
 7,256 (Consolidated), 4,206 (Non-consolidated)
 (As of March 31, 2009, Kyowa Hakko Kirin)

Principal Consolidated Subsidiaries
 Kyowa Hakko Bio Co., Ltd.,
 Kyowa Hakko Chemical Co., Ltd., Kyowa Medex Co., Ltd.

Industry Segment

- **Pharmaceuticals:** Manufacture and sale of pharmaceuticals and clinical diagnostic reagents
- **Bio-Chemicals:** Manufacture and sale of pharmaceutical and industrial-use raw materials, health care products, agrochemicals, products for livestock and fishery industries and alcohol
- **Chemicals:** Manufacture and sale of solvents, plasticizer raw materials and specialty chemicals
- **Other:** Wholesaling and transportation

Business Bases

Production Bases

<In Japan>

Kyowa Hakko Kirin Co., Ltd.

Fuji Plant, Takasaki Plant, Sakai Plant, Yokkaichi Plant, Ube Plant

Principal Consolidated Subsidiaries

Kyowa Hakko Bio Co., Ltd. Yamaguchi Production Center Hofu, Yamaguchi Production Center Ube, Healthcare Tsuchiura Plant

Kyowa Hakko Chemical Co., Ltd. Chiba Plant, Yokkaichi Plant

Kyowa Medex Co., Ltd. Fuji Plant

Other Consolidated Subsidiaries

Daiichi Fine Chemical Co., Ltd. Headquarters Plant (Takaoka, Toyama)

<Outside Japan>

Kyowa Hakko Kirin Co., Ltd.

Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. (Shanghai, China)

Kyowa Hakko Bio Co., Ltd.

Biokyowa Inc. (Missouri, U.S.A.)
 Shanghai Kyowa Amino Acid Co., Ltd. (Shanghai, China)

Principal Laboratories

<In Japan>

Kyowa Hakko Kirin Co., Ltd.

Fuji Research Park (Fuji Plant, Shizuoka), Tokyo Research Park (Machida, Tokyo), Frontier Laboratory (Takasaki, Gunma), Bio Process Research and Development Laboratories (Takasaki Plant, Gunma), Drug Formulation Research and Development Laboratories (Fuji Plant, Shizuoka), Chemical Process Research and Development Laboratories (Sakai Plant, Osaka)

Kyowa Hakko Bio Co., Ltd.

Technical Research Laboratories (Yamaguchi Production Center, Yamaguchi), Tsukuba Development Center (Tsukuba, Ibaraki)

Kyowa Hakko Chemical Co., Ltd.

Yokkaichi Research Laboratories (Yokkaichi Plant, Mie)

Kyowa Medex Co., Ltd.

Research Laboratories (Fuji Plant, Shizuoka)

<Outside Japan>

Kyowa Hakko Kirin Co., Ltd.

Kyowa Hakko Kirin Pharma, Inc. (New Jersey, U.S.A.)
 Kyowa Hakko Kirin California, Inc. (California, U.S.A.)
 Kyowa Hakko Kirin UK Ltd. (Berkshire, U.K.)
 Hematech, Inc. (South Dakota, U.S.A.)

Principal Sales Bases

<In Japan>

Kyowa Hakko Kirin Co., Ltd.

Headquarters, Sapporo, Tohoku, East-Tokyo, West-Tokyo, Chiba-Saitama, North Kanto, Koshinetsu, Yokohama, Nagoya, Tokai, Osaka, Keiji-Hokuriku, Kobe, Chugoku, Shikoku, Fukuoka and South-Kyushu branches

<Outside Japan>

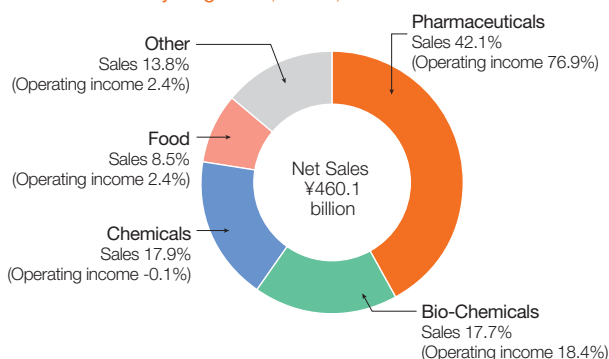
Kyowa Hakko Kirin Co., Ltd.

Kyowa Hakko Kirin (Hong Kong) Co., Ltd. (Hong Kong, China)
 Jeil-Kirin Pharm. Inc. (Seoul, Korea)
 Kyowa Hakko Kirin (Taiwan) Co., Ltd. (Taipei, Taiwan)

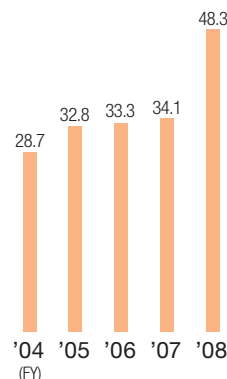
Kyowa Hakko Bio Co., Ltd.

Kyowa Hakko (Hong Kong) Co., Ltd. (Hong Kong, China)
 Kyowa Hakko U.S.A., Inc. (New York, U.S.A.)
 Kyowa Hakko Europe GmbH (Dusseldorf, Germany)
 Kyowa Italiana Farmaceutici S.R.L. (Milano, Italia)

■ Sales and Operating Income Composition by Industry Segment (FY2008)



■ R&D Expenses (Billions of Yen)



■ R&D Expenses to Net Sales Ratio (%)

