

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary

First Quarter of the Fiscal Year to December 2010

(January 1, 2010 – March 31, 2010)

This document is an English translation of parts of the Japanese-language original. All financial information has been prepared in accordance with generally accepted accounting principles in Japan. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including fluctuations in exchange rates, changing economic conditions, legislative and regulatory developments, delays in new product launches, and pricing and product initiatives of competitors.

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2010

Kyowa Hakko Kirin Co., Ltd.

April 28, 2010

Stock Code: 4151	Listed exchanges: Tokyo, 1 st section
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President Yuzuru Matsuda	Corporate Communications Department
Scheduled date of submission of Financial Report: May 14, 2010	Telephone: 81-3-3282-0009
Scheduled start date of dividend payment: --	

1. Results for the three months ended March 31, 2010

(1) Consolidated business performance

(Millions of yen rounded down)

	Three months to March 31, 2010	Change (%)	Three months to June 30, 2009	Change (%)
Net sales	99,256	--	96,816	(22.8)
Operating income	11,527	--	11,041	(35.3)
Recurring income	11,940	--	12,546	(33.2)
Net income	6,053	--	5,699	(40.6)
Net income per share (¥)	10.63		9.94	
Fully diluted net income per share (¥)	10.62		9.94	

Notes: 1. Percentages for net sales, operating income, etc, show changes compared to the same period of the previous fiscal period.

2. Kyowa Hakko Kirin has changed its fiscal year-end from March 31 to December 31 and as a result, the months used in comparisons of the first quarter of the current fiscal year (January 1 to March 31) and the first quarter of the previous fiscal period (April 1 to June 30) differ and therefore comparisons with the same period of the previous period are not provided.

(2) Consolidated financial position

(Millions of yen rounded down)

	As of March 31, 2010	As of December 31, 2009
Total assets	684,773	695,268
Net assets	542,837	540,343
Shareholders' equity ratio (%)	78.7	77.1
Net assets per share (¥)	946.72	940.79

Note: Total shareholders' equity: March 31, 2010: ¥539,247 million; December 31, 2009: ¥535,826 million

2. Dividends

Dividends per share	Fiscal year ending December 31, 2010 (forecast)	Fiscal period ended December 31, 2009*
Interim dividend per share (¥)	10.00	10.00
Period-end dividend per share (¥)	10.00	5.00
Total dividend per share (¥)	20.00	15.00

Note: Changes to the dividend forecast during the term: None. (Dividends for the period ended December 31, 2009 are in respect of the nine-month period April 1, 2009 to December 31, 2009).

3. Consolidated results forecasts for the fiscal year ending December 31, 2010

(Millions of yen)

	January 1, 2010 to June 30, 2010	Change (%)	January 1, 2010 to December 31, 2010	Change (%)
Net sales	200,000	--	400,000	--
Operating income	18,500	--	36,000	--
Recurring income	19,000	--	37,500	--
Net income	9,500	--	20,000	--
Net income per share	¥16.68		¥35.12	

Notes: 1. Changes to the consolidated results forecast during the term: None
 2. The fiscal period ended December 31, 2009 was an irregular 9-month period resulting from the change in fiscal year end and therefore comparisons with the previous period are not provided.

4. Other

1) **Transfer of important subsidiaries during the period** (transfers of specific subsidiaries resulting in changes in the scope of consolidation): None

2) **Use of simplified accounting methods or special accounting procedures:** Yes

Note: See page 6, Consolidated Operating Results, Section 4: Other for more detail.

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

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

4) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):
 - March 31, 2010: 576,483,555 shares
 - December 31, 2009: 576,483,555 shares
2. Number of treasury shares
 - March 31, 2010: 6,885,251 shares
 - December 31, 2009: 6,935,900 shares
3. Average number of shares during the period:
 - Quarter ended March 31, 2010: 569,547,362 shares
 - Quarter ended June 30, 2009: 573,303,195 shares

Notice regarding the appropriate use of the financial forecasts

The above forecasts are based on the information available and assumptions made at the time of release of this document about a number of uncertain factors that may affect results in the future. Actual results can differ materially from these projections for a wide variety of reasons.

Operating Results and Financial Statements

1. Summary of business performance

In Japan's economy severe employment conditions continued during the first quarter (the three-month period from January 1 to March 31, 2010) and the capacity for a self-sustaining recovery of domestic demand remained weak. Despite this, exports and production increased due to an improvement in overseas economies and other factors, and corporate profits showed a recovering trend.

In the Group's operating environment, conditions in the Pharmaceuticals business remained challenging due to policy measures in the domestic market to promote generic pharmaceuticals, increased competition from European and American drug manufacturers and major domestic pharmaceutical companies, and intensifying international competition in new drug development. The Bio-Chemicals business was affected by lower prices due to the rise of Chinese and other manufacturers. Although some recovery in demand has been seen in the Chemicals business, due to trends in raw materials prices and exchange rates, circumstances remain hard to predict.

Against this background, the Kyowa Hakko Kirin Group pursued growth worldwide by providing new value to meet a diverse range of needs in order to realize our vision of becoming a world-class, R&D based life sciences company, founded on biotechnology with the pharmaceutical business at its core.

Note: Comparisons with the previous comparable fiscal period shown below are with figures for the three-month period January 1 to March 31, 2009. Due to a change in the fiscal year end in fiscal 2009 these figures were obtained by subtracting figures for the first nine months of the fiscal year ended March 2009 from figures for the twelve-month period ended March 31, 2009.

In the first quarter, despite the effects of the exclusion from consolidation of the Food business, a recovery in the Chemicals business and other factors led to consolidated net sales of ¥99.2 billion, up by 1.4% compared to the first quarter of the previous year (January 1 to March 31, 2009). Profits benefited from an improvement in profits in the Chemicals business and lower SG&A expenses compared to the first quarter of the previous year. As a result, first quarter operating income was ¥11.5 billion (up 328.4%), and recurring income was ¥11.9 billion (up 279.5%). Net income was ¥6.0 billion (up 386.9%) showing a large increase compared to the first quarter of the previous year, which was affected by extraordinary losses including impairment losses.

Segmental performance

Note: Segmental results shown below exclude figures for the Food business that was consolidated in the comparable period of the previous year.

Pharmaceuticals

In the Pharmaceuticals business, consolidated net sales were ¥49.6 billion (up by 1.1% compared to the same period of the previous year period), while operating income was ¥9.6 billion (up 87.2%) due to lower R&D expenses and other factors. Domestic sales of core products including the anemia treatments Nesp and Espo,

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and Regpara, a treatment for secondary hyperparathyroidism during dialysis therapy, continued to grow. However, sales of Allelock, an antiallergic agent, and Patanol antiallergic eyedrops, were lower than in the comparable period due to lower amounts of airborne pollen in Japan and other factors. In the licensing-out of technologies and export of pharmaceutical products, revenues increased significantly due to increased income from technology licensing, in particular anti-allergic olopatadine hydrochloride, along with a strong performance from exports to Asia.

In new drug development in Japan, new drug applications were filed for KW-2246, an analgesic for cancer pain in February, and for AMG 531, a treatment for idiopathic thrombocytopenic purpura in March. Overseas, approval was received in March in South Korea and Taiwan for Regpara, a treatment for secondary hyperparathyroidism during dialysis therapy.

Bio-Chemicals

In the Bio-Chemicals business, consolidated net sales were ¥22.2 billion (up by 6.2% compared to the same period of the previous year), while operating income was ¥1.0 billion (up 10.2%). Sales of pharmaceutical and industrial use raw materials, primarily amino acids, nucleic acids and related compounds, increased due to strong sales volume growth to Asia of amino acids for pharmaceuticals and intravenous liquids. Sales at Daiichi Fine Chemical declined slightly due to sluggish sales of bulk pharmaceuticals and intermediate products.

In healthcare products, there was a strong increase in customer numbers for mail-order *Remake* series and sales of health food materials also increased.

Chemicals

In the Chemicals business, consolidated net sales were ¥30.2 billion (up by 154.9% compared to the same period of the previous year), and operating income was ¥0.6 billion (compared to an operating loss of ¥3.5 billion in the comparable period of the previous year) partly due to the inclusion in the Chemicals segment of consolidated subsidiaries Miyako Kagaku and Kashiwagi Corporation, which were previously included in the Other segment.

Compared to the large fall in demand due to the effects of the global economic recession experienced in the same quarter of last year, demand recovered in Japan and overseas, and sales volumes were significantly higher. In particular overseas markets were strong, supported by buoyant demand in China.

Other

Due to changes in segment classifications, sales in the Other segment were ¥2.4 billion (down by 82.5% compared to the same period of the previous year), while operating income was ¥0.0 billion (up 142.5% compared to the same period of the previous year).

Results by Region

Japan

Net sales in Japan were ¥95.5 billion (up 1.5%) due to the strong recovery in the Chemicals business and other factors and despite the effects of the exclusion of the Food segment. Operating income was ¥10.3 billion yen, a major increase of ¥9.7 billion compared to the same period of the previous year due to lower SG&A expenses, such as those in R&D, and the return to profitability of the Chemicals business.

Other regions

The sales performance of overseas subsidiaries in the Pharmaceuticals and Bio-Chemicals was in general good and net sales in other regions were ¥12.4 billion (up 19.7%). However, lower technology licensing income at overseas subsidiaries led to operating income of ¥1.1 billion (down 43.6%).

2. Summary of financial position

Total assets at the end of the first quarter were ¥684.7 billion, a decline of ¥10.4 billion compared to the end of the previous fiscal period. The main reasons for the reduction were declines in short-term loans, and accounts and notes receivable. Liabilities were ¥ 141.9 billion, ¥12.9 billion lower than at the end of the previous fiscal period due to declines in accounts and notes payable and income taxes payable, as well as a reduction in accrued expenses following payments resulting from the completion of large facilities. Net assets at the end of the first quarter were ¥542.8 billion, up by ¥2.4 billion due to the recording of net income for the period and despite the effects of dividend payments and other factors. As a result our equity ratio at the end of the first quarter was 78.7%, 1.6 percentage points higher than at the end of the previous fiscal period.

Cash flow summary

Cash and cash equivalents at the end of the first quarter were ¥58.0 billion, a decline of ¥5.7 billion compared to the end of the previous fiscal period. The main cash flows and factors affecting them during the first quarter were as follows:

Net cash provided by operating activities was ¥7.0 billion. The primary contributory factors were net income before income taxes of ¥11.3 billion, a decline in trade receivables of ¥4.7 billion, and depreciation expenses of ¥4.2 billion. The main cash outflows were corporate tax payments of ¥6.9 billion and a decline in trade payables of ¥5.9 billion.

Net cash used in investing activities was ¥9.1 billion. The main outflows were expenditures such as the expenditure of ¥9.5 billion for the acquisition of fixed assets.

Net cash used in financing activities was ¥3.5 billion. The main outflow was dividend payments of ¥2.7 billion.

3. Consolidated results forecasts

No revisions have been made to the consolidated results forecasts that were announced on January 29, 2010.

4. Other

- (1) Changes to subsidiaries during the period (Changes to the scope of consolidation following changes to specific subsidiaries): None
- (2) Use of simplified accounting methods or special accounting procedures:
Calculations for tax expenses use an estimated effective tax rate for net income before taxes based on reasonable assumptions of an effective tax rate after the application of tax effect accounting for net income before income taxes for the consolidated fiscal year, including net income before income taxes of the three-month period under review. Corporate tax adjustment has been included in corporate and other taxes.
- (3) Changes in accounting methods, procedures and presentation used in the preparation of these financial statements: None

5. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2010	As of December 31, 2009
ASSETS		
Current assets:		
Cash and time deposits.....	29,800	30,159
Accounts and notes receivable	116,043	120,869
Merchandise and products	45,883	43,863
Work in progress	9,933	8,970
Raw materials and supplies	10,197	10,971
Deferred tax assets	9,322	9,250
Short-term loans	34,209	40,342
Other current assets	11,801	12,313
(Less) Allowance for doubtful accounts	(151)	(153)
Total current assets	267,040	276,587
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	148,636	146,096
Accumulated depreciation and accumulated impairment loss	(108,025)	(107,203)
Buildings and structures (net).....	40,611	38,893
Machinery and equipment	205,977	204,828
Accumulated depreciation and accumulated impairment loss.....	(180,645)	(178,836)
Machinery and equipment (net).....	25,332	25,992
Land	71,987	71,993
Construction in progress.....	18,172	17,588
Other	51,020	51,413
Accumulated depreciation and accumulated impairment loss	(43,062)	(43,321)
Other (net)	7,958	8,091
Total tangible fixed assets.....	164,061	162,559
Intangible fixed assets:		
Goodwill	167,682	170,054
Other.....	3,881	4,067
Total intangible fixed assets	171,564	174,122
Investments and other assets:		
Investment securities.....	66,357	66,422
Long-term loans.....	503	496
Deferred tax assets.....	3,991	4,263
Other investments and other assets.....	12,652	12,267
Allowance for doubtful accounts.....	(1,397)	(1,451)
Total investments and other assets.....	82,107	81,998
Total fixed assets	417,733	418,680
Total assets	684,773	695,268

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Consolidated balance sheets (continued)

(Millions of yen)

	As of March 31, 2010	As of December 31, 2009
LIABILITIES		
Current liabilities:		
Accounts and notes payable	42,953	48,965
Short-term bank loans	12,153	12,690
Accrued expenses	22,242	32,364
Income taxes payable.....	5,023	7,312
Reserve for sales rebates.....	241	283
Reserve for bonuses.....	3,244	1,225
Reserve for repairs	1,396	1,051
Other	8,303	5,944
Total current liabilities.....	95,558	109,838
Long-term liabilities:		
Corporate bonds.....	359	537
Deferred tax liabilities	14,963	14,646
Retirement benefit allowance	26,440	27,268
Directors' retirement benefit allowance	110	107
Other long-term liabilities.....	4,503	2,526
Total long-term liabilities.....	46,376	45,086
Total liabilities	141,935	154,924
NET ASSETS		
Shareholders' equity:		
Common stock	26,745	26,745
Capital surplus	512,391	512,398
Retained earnings.....	10,299	7,093
Treasury stock.....	(6,880)	(6,932)
Total shareholders' equity	542,555	539,304
Valuation and translation adjustments:		
Valuation difference on other marketable securities.....	697	475
Deferred gains (losses) on hedges.....	3	3
Foreign exchange adjustment account.....	(4,008)	(3,956)
Total valuation and translation adjustments.....	(3,307)	(3,478)
Subscription rights to shares.....	147	196
Minority interests	3,441	4,321
Total net assets	542,837	540,343
Total liabilities and net assets	684,773	695,268

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(2) Consolidated statements of income

(Millions of yen)

	January 1, 2010 to March 31, 2010	April 1, 2009 to June 30, 2009
Net sales	99,256	96,816
Cost of sales	55,155	52,298
Gross profit	44,100	44,517
Selling, general and administrative expenses:		
Research and development	9,057	9,332
Amortization of goodwill	2,325	2,346
Others	21,189	21,797
Total sales, general and administrative expenses:	32,572	33,476
Operating income	11,527	11,041
Other income:		
Interest income	97	158
Dividend income	49	1,042
Currency exchange gain	36	--
Income from equity method investments	337	743
Others	442	513
Total other income	963	2,457
Other expenses:		
Interest expense	69	83
Loss on foreign exchange	--	206
Loss on disposal of assets	243	296
Others	237	365
Total other expenses	550	952
Recurring income	11,940	12,546
Extraordinary losses:		
Loss on revision to retirement benefit system	577	--
Loss on change in equity holdings	--	1,379
Valuation loss on investment securities	--	354
Total extraordinary losses	577	1,734
Income before income taxes	11,363	10,812
Corporate taxes	5,366	4,983
Income (loss) in minority interests in consolidated subsidiaries	(57)	129
Net income	6,053	5,699

(3) Consolidated statements of cash flows

(Millions of yen)

	January 1, 2010 to March 31, 2010	April 1, 2009 to June 30, 2009
Cash flows from operating activities:		
Income before income taxes.....	11,363	10,812
Depreciation and amortization	4,297	4,032
Amortization of goodwill.....	2,372	2,393
(Decrease) increase in retirement benefit allowance	(825)	195
(Increase) decrease in prepaid pension expenses	(391)	156
Increase(decrease) in reserve for bonus payments.....	2,020	(2,632)
(Decrease) in allowance for bad debts	(53)	(5)
Interest and dividend income.....	(146)	(1,200)
Interest expenses	69	83
(Income) from equity method investments	(337)	(743)
Loss on sales of tangible fixed assets	67	53
Loss (gain) on sales of investment securities	0	(0)
Loss on revaluation of investment securities	20	354
Decrease(increase) in trade receivables	4,742	(258)
(Increase) decrease in inventories.....	(2,286)	3,487
(Decrease) in trade payables.....	(5,901)	(2,055)
Others.....	(1,859)	(780)
Sub-total.....	13,152	13,893
Interest and dividend income.....	903	1,210
Interest payments	(61)	(102)
Corporate etc. tax payments	(6,965)	(12,762)
Net cash provided by operating activities.....	7,029	2,238
Cash flows from investing activities:		
Payments for purchase of tangible fixed assets.....	(9,519)	(3,930)
Proceeds from sale of tangible fixed assets	19	13
Payments for purchase of investment securities.....	(291)	(2,016)
Proceeds from sale of investment securities	17	2,023
Transfer to fixed-term deposits	(1,526)	(1,069)
Proceeds from redemptions of fixed-term deposits.....	2,361	1,902
Net (increase) decrease in short-term lending.....	(0)	5,054
Others.....	(197)	(62)
Net cash (used in) provided by investing activities.....	(9,136)	1,915
Cash flows from financing activities:		
Net (decrease) in short-term debt.....	(548)	(25)
Net increase in commercial paper	--	15,000
Repayment of long-term debt	(179)	(39)
Payment for purchase of treasury stock	--	(3,835)
Dividends paid	(2,702)	(5,267)
Dividends paid to minority interests	(30)	(19)
Other.....	(45)	(71)
Net cash (used in) provided by financing activities.....	(3,506)	5,742
Cash and cash equivalents translation differences.....	(113)	337
(Decrease) increase in cash and cash equivalents.....	(5,725)	10,234
Cash and cash equivalents at beginning of the period	63,745	69,286
Change to cash and cash equivalents following consolidation	--	393
Change to cash and cash equivalents following merger ..	--	(214)
Cash and cash equivalents at end of the period.....	58,019	79,699

(4) Items related to going concern assumption

No applicable items

(5) Segment information

Fiscal 2010 Q1 segment information by business type (January 1, 2010 – March 31, 2010)

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Elimination/Corporate	Consolidated
Net sales							
(1) Sales to external customers	49,650	19,712	29,041	852	99,256	--	99,256
(3) Inter-segment sales and transfers	23	2,500	1,239	1,641	5,406	(5,406)	--
Total sales	49,674	22,213	30,281	2,493	104,662	(5,406)	99,256
Operating income	9,678	1,010	674	82	11,446	81	11,527

Fiscal 2009 Q1 segment information by business type (April 1, 2009 – June 30, 2009)

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Elimination/Corporate	Consolidated
Net sales							
(1) Sales to external customers	52,059	19,234	13,649	11,872	96,816	--	96,816
(2) Inter-segment sales and transfers	152	1,910	1,384	2,323	5,770	(5,770)	--
Total sales	52,211	21,145	15,034	14,195	102,586	(5,770)	96,816
Operating income	11,570	1,277	(2,073)	184	10,960	81	11,041

Fiscal 2010 Q1 segment information by location (January 1, 2010 – March 31, 2010)

(Millions of yen)

	Japan	Other regions	Total	Elimination/Corporate	Consolidated
Net sales					
(1) Sales to external customers	89,499	9,757	99,256	--	99,256
(2) Inter-segment sales and transfers	6,099	2,719	8,819	(8,819)	--
Total sales	95,599	12,476	108,075	(8,819)	99,256
Operating income	10,373	1,160	11,534	(7)	11,527

Fiscal 2009 Q1 segment information by location (April 1, 2009 to June 30, 2009)

(Millions of yen)

	Japan	Other regions	Total	Elimination/Corporate	Consolidated
Net sales					
(1) Sales to external customers	88,894	7,922	96,816	--	96,816
(2) Inter-segment sales and transfers	3,917	2,312	6,229	(6,229)	--
Total sales	92,811	10,234	103,045	(6,229)	96,816
Operating income	9,440	1,179	10,619	421	11,041

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Overseas Sales (January 1, 2010 – March 31, 2010)

(Millions of yen)

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	5,162	5,687	8,991	113	19,955
(2) Consolidated sales					99,256
(3) Overseas sales as a percentage of consolidated sales (%)	5.2	5.7	9.1	0.1	20.1

Overseas Sales (April 1, 2009 – June 30, 2009)

(Millions of yen)

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	4,738	5,996	7,627	82	18,444
(2) Consolidated sales					96,816
(3) Overseas sales as a percentage of consolidated sales (%)	4.9	6.2	7.9	0.1	19.1

(6) Note on significant change in shareholders' equity

No applicable items

6. Other

Please also see Appendix to the Consolidated Financial Statements First Quarter Results for Fiscal 2010