

3. Management Policies

(1) Basic Management Policies

The Kyowa Hakko Kirin Group's fundamental management policy is to contribute to the health and well being of people worldwide by creating new value through the pursuit of advancements in life sciences and technology. Based on this policy, the Group is developing business around the world as a creative and innovative R&D corporation.

Our businesses aim to provide products, services, and information that deliver superior quality and performance in line with our focus on customer satisfaction. In addition, we are working to build a highly transparent and healthy corporate management that discloses accurate information in a timely and fair manner. At the same time, by fully accepting our corporate social responsibility such as through compliance and quality assurance we are striving to be a life-sciences company that earns the broad trust of society.

(2) Management Targets

Following the change of fiscal year-end from March 31 to December 31, the Kyowa Hakko Kirin Group has formulated the Group's three year 2010 to 2012 Medium-term Business Plan. The current fiscal year, fiscal 2010, is the first year of the plan. In 2012, the final year of the plan, we are targeting net sales of ¥454.0 billion and operating income ¥51.7 billion.

	<i>Billions of yen</i>		
	January 1, 2009 to December 31, 2009 (Results*)	January 1, 2010 to December 31, 2010 (Forecasts)	January 1, 2012 to December 31, 2012 (Targets)
Net Sales	407.0	400.0	454.0
Operating income	30.9	36.0	51.7
Operating income (Prior to amortization of goodwill)	40.3	45.3	61.0

The change to the consolidated fiscal year-end during fiscal 2009 resulted in a nine-month fiscal period, and therefore the figures provided in the column January 1, 2009 to December 31, 2009 (Results*) are the 12-month period from January 1, 2009 to December 31, 2009 and consist of the sum of the consolidated fourth quarter results of fiscal 2008 (the 3-month period from January 1, 2009 to March 31, 2009) and the consolidated results of fiscal period 2009 (the 9-month period from April 1, 2009 to December 31, 2009).

(3) Medium- and long-term management policies and issues

Kyowa Hakko Kirin Group aims to be a world-class R&D-focused life sciences company, based on biotechnology and with the pharmaceutical business at its core. In pursuit of this vision we are aiming for global growth by providing new value that addresses a diversity of needs.

As regards the Pharmaceuticals business, domestically we are facing the promotion of generic pharmaceuticals as a part of the National Health Reimbursement Policy, and internationally we are facing increased competition from the development of new drugs and intensification of competition from European and American drug manufacturers and major domestic pharmaceutical companies. Our forecast includes the anticipated effect of start of a new pricing system in April 2010 which will include promoting the generation of new drugs and additional price reductions for existing registered drugs. In response to this, the Group will endeavor to further strengthen its domestic sales capabilities, expand sales of core products and strive to quickly penetrate markets with new products. Further, we will actively promote global development focusing on strengthening internal marketing systems in Asia and reinforcing marketing systems for sales of new drugs in Europe and the USA. Regarding research and development, we will endeavor to generate further groundbreaking new drugs by focusing primarily on

the areas of cancer, kidney, and immunological diseases and by leveraging cutting edge biotechnology, primarily antibody technologies. In production, we will ensure high levels of quality assurance and strengthen cost competitiveness by improving productivity through the construction of new facilities that promote automation and resolve the deterioration of facilities and local issues through reorganization of production facilities.

In the Bio-Chemicals business, through the integration of fermentation and synthetic technology we are aiming for growth in the medical treatment and healthcare areas as a biotech company. We are aiming to expand sales in the amino acid market, primarily of those for pharmaceutical use in high-value added areas, but will be impacted by price declines resulting from market entry of Chinese manufacturers in the health food and other markets. In healthcare, we will implement initiatives aimed at expanding market scale and providing materials that can be used safely while promoting the development of markets for unique materials. The domestic sales business for the livestock and fisheries industry is scheduled to be assigned to ASKA Pharmaceutical Co., Ltd, in April 2010, and the alcohol business scheduled to be transferred to the joint venture with Mercian Corporation, Daiichi Alcohol Co., Ltd. in July 2010.

In the Chemicals business, we face a difficult operating environment that includes reduced demand from the effects of the global economic downturn and uncertain trends in crude oil and naphtha trends. However, we are actively growing sales of core products in growth markets, primarily China, as well as implementing thorough cost controls and operating efficiencies in order to support revenues and profits. Furthermore, we intend to focus on creating new products in important functional product areas such as environmentally friendly products that utilize our Group strengths, and as a result build a business that is resilient to the effects of economic cycles.