

KYOWA KIRIN

Kyowa Hakko Kirin Co, Ltd

Consolidated Financial Summary

Third quarter of Fiscal 2008

(April 1, 2008 – December 31, 2008)

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 (Consolidated)

For the Third Quarter of the Fiscal Year Ended March 31, 2009

January 30, 2009

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Scheduled date of submission of financial report: February 10, 2009

1. Results for the nine months ended December 31, 2008

(1) Consolidated business performance

Millions of yen, rounded down

	April 1, 2008 to December 31, 2008	Change (%)	April 1, 2007 to December 31, 2007	Change (%)
Net sales	362,278	--	297,681	11.0
Operating income	42,696	--	32,405	20.6
Recurring income	43,265	--	32,750	18.7
Net income	10,483	--	24,084	106.3
Net income per share (¥)	18.26		60.55	
Fully diluted net income per share (¥)	18.25		60.51	

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

(2) Consolidated financial position

	As of December 31, 2008	As of March 31, 2008
Total assets (millions of yen)	725,893	394,081
Net assets (millions of yen)	544,037	256,758
Shareholders' equity ratio (%)	74.3%	64.5%
Net assets per share (¥)	¥939.72	¥639.69

Note: Total shareholders' equity: December 31, 2008: ¥539,330 million; March 31, 2008: ¥254,289 million

2. Dividends

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

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

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

Millions of yen, rounded down

	April 1, 2008 to March 31, 2009	Change
Net sales	457,000	+16.5%
Operating income	46,500	+18.0%
Recurring income	47,000	+23.7%
Net income	13,000	-44.6%
Net income per share	¥22.64	-61.6%

Notes: 1. Percentage change show changes compared to the previous fiscal year

2. Changes to the consolidated results forecast during the term: Yes

4. Other

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

Companies newly consolidated: (Two companies) Kirin Pharma Company, Limited; Kyowa Hakko Bio Co., Ltd.

Companies removed from scope of consolidation: (One company) Kirin Pharma Company, Limited

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

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

1. Changes following revisions to accounting standards: Yes

2. Other changes: None

4) Number of shares outstanding (ordinary shares)

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

December 31, 2008: 576,483,555; March 31, 2008: 399,243,555

2. Number of treasury shares

December 31, 2008: 2,553,935; March 31, 2008: 1,723,184

3. Average number of shares during the nine-month period April 1, 2008 to December 31, 2008:

Nine months to December 31, 2008: 574,139,271 shares

Nine months to December 31, 2007: 397,775,758 shares

Notice regarding the appropriate use of results 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.
- As of the first quarter of the current consolidated fiscal year, Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 12) and Application Guidelines related to Accounting Standards for Quarterly Reporting (Accounting Standards Board of Japan Article 14) will be applied. Further, in accordance with the Regulations for Consolidated Quarterly Reporting a quarterly consolidated financial report will be prepared.
- On April 1, 2008, Kyowa Hakko, acting as the parent company of Kirin Pharma Company, Limited, implemented a share exchange making Kirin Pharma, a wholly owned subsidiary. Following this, as Kyowa Hakko Kirin became a subsidiary of Kirin Holdings, accounting regulations for business integration deem the share exchange a reverse acquisition, and the quarterly financial statements for the interim period of the consolidated fiscal year ending March 31, 2009 have been prepared assuming that Kyowa Hakko has been acquired by Kirin Pharma. As a result, the balances at the end of the previous consolidated fiscal year in the consolidated financial statements for the previous fiscal year and the balances at the beginning of the interim period of the current consolidated fiscal year in the quarterly consolidated financial statements for the current fiscal year differ, and therefore, comparisons with previous periods cannot be made.
- On October 1, 2008 Kyowa Hakko Kogyo Co., Ltd. merged with Kirin Pharma Company, Limited (Kyowa Hakko is the continuing company) and changed its name to Kyowa Hakko Kirin Co., Ltd.

Operating Results and Financial Statements

1. Summary of business performance

During the nine-month period under review the deepening financial crisis that was initiated by the sub-prime loan problem in the U.S led to a downturn in the global economy which spread to the Japanese economy. In Japan, a strong yen and low stock prices squeezed corporate revenues leading to a deteriorating employment environment, and a rapidly worsening economic environment.

As regards the business environment in which the Kyowa Hakko Kirin Group operates, in the Pharmaceuticals business, the operating environment remained severe due to a strengthening of factors limiting medical treatment costs, such as the promotion of generic pharmaceuticals, while competition from foreign pharmaceutical companies and in new drug development intensified worldwide. The Bio-Chemicals business was affected by a rapidly appreciating yen and increased activity in bio-ethanol production, which led to a sharp rise in the price of raw materials. In the Chemicals business, prices for naphtha and crude oil were highly volatile, while demand rapidly worsened due to the global economic downturn and product markets softened considerably. In the Food business, further emphasis was placed on initiatives to ensure food safety and security, while a steep rise in the price of raw materials, sluggish consumer spending and other factors led to an increasingly severe profit environment.

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

Partly as a result of the new consolidation of Kirin Pharma from April 2008, Kyowa Hakko Kirin consolidated net sales for the nine-month period were ¥362.2 billion, 21.7% higher than in the same period of the previous fiscal year. Consolidated operating income was ¥42.6 billion (up 31.8%), recurring income was ¥43.2 billion (up 32.1%), and net income was ¥10.4 billion (down 56.5%). Net income was affected by the recording of extraordinary losses of ¥13.9 billion, including losses on revaluation of investments in securities and integration related expenses, as well as increased corporate tax adjustments.

Segmental Performance

In the Pharmaceuticals business, sales increased substantially to ¥161.3 billion (up 52.1%) and operating income increased to ¥29.6 billion (up 71.0%). Despite reductions in National Health reimbursement prices, sales of ethical pharmaceutical products in Japan were significantly higher due to the new consolidation of Kirin Pharma, and other factors.

As regards sales by product, sales of *Durotep*, an analgesic for persistent cancer pain declined, due to the

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ending of a joint sales contract, but strong sales were maintained by *Allelock*, an antiallergic agent, *Patanol*, an antiallergic ophthalmic solution and others, while sales of *Coversyl*, an ACE inhibitor for treatment of hypertension, that commenced in April, 2008, also performed well and contributed to growth in sales. We are actively supplying information to medical practitioners on NESP and ESPO, the core anemia products of Kirin Pharma, which merged with Kyowa Hakko in October 2008, which has been an effective approach enabling us to achieve a steady increase in the combined market share of these products.

In the licensing-out of pharmaceutical products, a large one-off contract payment for the outlicensing to Amgen of anti-CCR4 humanized monoclonal antibody KW-0761 was recorded. In addition we in-licensed an RNAi therapeutic product, and also acquired a license for collaborative research and development of an antibody pharmaceutical product and a license for the collaborative sales of an analgesic for persistent cancer pain.

In the Bio-Chemicals business, sales increased 2.1% to ¥67.5 billion, while operating income increased 11.7% to ¥7.4 billion. In pharmaceutical and industrial use raw materials, mainly amino acids, nucleic acids, and related compounds, there was strong demand, primarily in overseas markets for amino acids for intravenous liquids and pharmaceutical use raw materials, but sales growth was limited partly due to the rapid appreciation of the yen. In addition sales at Daiichi Fine Chemical declined, affected by a softening vitamin market. In healthcare products, sales were strong, driven by increasing mail-order sales of the *Remake* series.

In the Chemicals business net sales decreased 3.5%, to ¥77.3 billion and operating income declined by 42.0%, to ¥3.5 billion. Sales in the first half of the fiscal year were strong as a significant rise in market prices of naphtha and crude oil led to higher raw material prices and revisions of core product prices were implemented, while stable operations of production facilities continued.

However, since the beginning of Autumn 2008 the worldwide economic downturn has led to a rapid decline in demand in Japan and overseas, and sharp falls in the prices of crude oil and naphtha have led to a drastic worsening of product markets. As a result, segmental sales and sales volumes for the period under review were lower than in the first nine months of the previous fiscal year.

In the Food business, sales decreased 1.3%, to ¥32.8 billion, while operating income decreased 26.2%, to ¥0.9 billion. In seasonings, sales increased due to an increase in sales of *Umami* seasonings despite ongoing difficult market conditions for our core natural seasonings, which were affected by sluggish consumer spending and higher raw material prices. In bakery products and ingredients, sales declined partly due to our decision to halt sales of certain processed milk products due to the rapid rise in raw material prices, and despite growth in flavor enhancers and baking improvers. Sales of processed food products also declined.

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In the Other business segment, sales increased 44.8%, to ¥54.5 billion, while operating income increased by 39.2% to ¥1.0 billion.

Results by location

Japan

In Japan, net sales increased 20.7% to ¥349.9 billion and operating income increased 27.0% to ¥38.9 billion as a result of factors such as the receipt of a large onetime payment from contract out licensing and the effects of the consolidation of Kirin Pharma from April 2008.

Other regions

Net sales from other regions increased 38.1% to ¥37.3 billion and operating income increased 139.2% to ¥4.4 billion due to steady performance of European subsidiaries of the Bio-Chemicals business, the effects of consolidating nine overseas subsidiaries of Kirin Pharma, and other factors.

2. Summary of consolidated financial position

Total assets as of December 31, 2008 were ¥725.8 billion, an increase of ¥331.8 billion compared to the end of the last fiscal year, largely due to the share exchange with Kirin Pharma on April 1, 2008. Since the business integration with Kirin Pharma was deemed a reverse acquisition upon exchange of shares, this reflects changes during the period as well as ¥96.8 billion in consolidated total assets of Kirin Pharma and Kyowa Hakko's consolidated total assets at market value, as of the beginning of the nine-month period ended December 31, 2008.

Current assets increased ¥50.6 billion compared to the end of the previous fiscal year to ¥283.3 billion due to increases in accounts and notes receivable, cash and time deposits and other factors. Fixed assets increased ¥281.1 billion to ¥442.5 billion. As a result of the reverse acquisition, goodwill of ¥191.9 billion was recorded, of which ¥7.1 billion was amortized during the period. Additionally, the reverse acquisition resulted in ¥67.4 billion recorded as differences in the market value of land and investments in marketable securities.

Liabilities increased ¥44.5 billion compared to the end of the previous fiscal year to ¥181.8 billion. As a result of the reverse acquisition, market valuation of land and other items resulted in an increase in deferred tax liabilities. Additionally, accounts and notes payable, accrued expenses and other items increased.

Net assets increased ¥287.2 billion to ¥544.0 billion. This reflects changes during the nine-month period under review as well as ¥64.6 billion in consolidated net assets of Kirin Pharma and the market value of consolidated net assets of Kyowa Hakko (acquisition cost of Kyowa Hakko as the acquired company) as of the start of the nine-month period ended December 31, 2008. As a result of the above factors, the shareholders' equity ratio at the end of the third quarter was 74.3%, an increase of 9.8 percentage points from the end of the previous fiscal year.

Cash flow summary

The balance of cash and cash equivalents at the end of the period was ¥41.9 billion. As accounting regulations deem the share exchange that occurred on April 1, 2008 between Kyowa Hakko and Kirin Pharma a reverse acquisition, the balance of cash and cash equivalents at the beginning of the period includes ¥10.4 billion representing Kirin Pharma's consolidated balance at the beginning of the period and an increase of ¥43.7 billion in cash and cash equivalents from new consolidation (this includes Kyowa Hakko's cash and cash equivalents of an equivalent of ¥44.1 billion as of the end of the previous fiscal year) and reflects changes during the nine-month period. As a result, changes to cash and cash equivalents during this period were a decrease of ¥12.2 billion. (Note: Compared to the ¥44.1 balance of cash and cash equivalents at the end of the previous fiscal year, cash and cash equivalents decreased ¥2.1 billion.)

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

Cash flow from operating activities was ¥25.4 billion. The main positive contributing factors included ¥29.2 billion in income before income taxes, depreciation of ¥14.3 billion, and amortization of goodwill of ¥7.3 billion. The main negative contributing factors included a payment of ¥19.1 billion in corporate, etc., taxes and a ¥8.3 billion increase in trade receivables.

Cash flow used in investing activities was ¥15.4 billion. The main contributing factor was the ¥13.3 billion in payments for acquisition of tangible fixed assets and ¥4.7 billion of payments into fixed-term deposits.

Cash flow used in financing activities was ¥21.9 billion. The main contributing factors were ¥12.6 billion for repayment of long-term debt and ¥7.6 billion for payment of dividends.

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

Although the Pharmaceuticals business has performed well and broadly in line with plans, our sales for the first nine months of the fiscal year were considerably lower than planned due to a deteriorating market for the Chemicals business against a backdrop of a global economic slowdown and rapid falls in the prices of crude oil and naphtha. As regards the outlook we have revised down our forecast for full year results as we expect a continued difficult earnings environment for the Chemicals business and we also expect that the Bio-Chemicals business will perform below plan due to the effects of a strong yen against a weak euro, and other factors. In addition, we have revised down our forecast for net income after recording a ¥5.0 billion loss on revaluation of investments in securities as of the end of the third quarter.

Differences between the consolidated forecasts announced on October 30, 2008 and revised forecasts are as follows:

Millions of yen

	Net sales	Operating income	Recurring income	Net income	Income per share (¥)
Previously announced forecast (A)	490,000	50,000	50,000	17,000	¥29.60
Revised forecast (B)	457,000	46,500	47,000	13,000	¥22.64
Amount change (B – A)	(33,000)	(3,500)	(3,000)	(4,000)	--
Percentage change	(6.7)%	(7.0)%	(6.0)%	(23.5)%	--
Results for the fiscal year ended March 31, 2008	392,119	39,390	37,996	23,477	¥59.03

4. Other

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

On April 1, 2008, Kyowa Hakko implemented a share exchange making Kirin Pharma Company, Limited, a wholly-owned subsidiary (special subsidiary). As a result, Kirin Pharma Company, Limited has been included within the scope of consolidation as of the first quarter of the current fiscal year. On October 1, 2008, Kirin Pharma Company, Limited merged with Kyowa Hakko (Kyowa Hakko is the continuing company and changed its name to Kyowa Hakko Kirin Co., Ltd.).

In addition, on October 1, 2008, the Bio-Chemical business segment of Kyowa Hakko was separated (new establishment and separation) newly forming KYOWA HAKKO BIO CO., LTD. which was included in the scope of consolidation as of third quarter of the consolidated fiscal year ending March 31, 2009.

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

No applicable items.

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

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

2) Changes to the valuation standards and methods for significant assets

Inventory assets

Previously, assets held in inventory for ordinary sale were calculated based on the overall average cost method, however as of the first quarter of the current fiscal year, and following the application of Accounting Standards Related to the Evaluation of Inventory Assets (Accounting Standards Board of Japan, Article 9, July 5, 2006), assets held in inventory have been calculated primarily using the overall average cost method (using the reduced book value method for balance sheet amounts

based on profitability declines). As a result, operating income, recurring income and income before income tax each decreased by ¥36.2 million yen for the period under review.

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

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

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

4) Application of Accounting Standards for Lease Transactions

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

5. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen

	As of December 31, 2008	As of March 31, 2008
ASSETS		
Current assets:		
Cash and time deposits	25,884	18,481
Accounts and notes receivable	141,671	110,447
Marketable securities	654	26,667
Products and merchandise	51,944	42,556
Work in progress	10,212	9,121
Raw materials and inventory goods	12,463	10,738
Deferred tax assets	8,745	6,829
Short-term loans	19,740	20
Other current assets	12,130	7,888
(Less) Allowance for doubtful accounts	(140)	(89)
Total current assets	283,306	232,661
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	157,650	124,832
Depreciation	(109,417)	(87,545)
Buildings and structures (net)	48,233	37,286
Machinery and equipment	214,311	198,703
Depreciation	(185,964)	(171,672)
Machinery and equipment (net)	28,346	27,031
Land	81,609	21,253
Construction in progress	6,374	4,355
Other	53,249	35,904
Depreciation	(44,372)	(30,697)
Other (net)	8,876	5,207
Total tangible fixed assets	173,440	95,134
Intangible fixed assets:		
Goodwill	185,305	180
Other	3,418	376
Total intangible fixed assets	188,723	556
Investments and other assets:		
Investment securities	63,696	53,196
Long-term loans	529	522
Deferred tax assets	3,103	1,080
Other	14,208	12,449
Allowance for doubtful accounts	(1,114)	(1,520)
Total investments and other assets	80,422	65,728
Total fixed assets	442,586	161,420
Total assets	725,893	394,081

Consolidated balance sheets (continued)

Millions of yen

	As of December 31, 2008	As of March 31, 2008
LIABILITIES		
Current liabilities:		
Accounts and notes payable	60,579	49,358
Short-term debt	11,817	12,533
Accrued expenses	28,381	21,490
Income taxes payable	7,105	10,603
Reserve for sales rebates	513	341
Reserve for sales returns	--	58
Reserve for sales promotion expenses	--	668
Reserve for repairs	831	1,477
Reserve for bonuses	1,509	3,775
Other	15,093	11,371
Total current liabilities	125,831	111,679
Long-term liabilities:		
Corporate bonds	60	--
Long-term debt	773	256
Deferred tax liabilities	23,591	2,398
Retirement benefit allowance	28,454	20,948
Directors' retirement benefit allowance	209	218
Reserve for loss on guarantees	--	700
Other	2,935	1,120
Total long-term liabilities	56,024	25,643
Total liabilities	181,855	137,322
NET ASSETS		
Shareholders' equity:		
Common stock	26,745	26,745
Capital surplus	512,420	43,180
Retained earnings	9,189	170,947
Treasury stock	(2,366)	(1,544)
Total shareholders' equity	545,989	239,328
Valuation and differences due to foreign exchange:		
Valuation difference on other marketable securities	(4,482)	15,348
Gain (loss) on deferred hedge accounting	(14)	(9)
Foreign exchange adjustment account	(2,161)	(378)
Total valuation and differences due to foreign exchange	(6,658)	14,960
Share subscription rights	162	156
Minority interests	4,544	2,312
Total net assets	544,037	256,758
Total liabilities and net assets	725,893	394,081

(2) Consolidated statements of income

	<i>Millions of yen</i>
	April 1, 2008 to December 31, 2008
Net sales	362,278
Cost of sales	202,407
Gross profit	159,870
Selling, general and administrative expenses:	
Research and development	36,717
Amortization of goodwill	7,255
Other	73,201
Total selling, general and administrative expenses.....	117,174
Operating income	42,696
Other income:	
Interest income.....	534
Dividend income.....	975
Income from equity method investments.....	995
Others	1,230
Total other income	3,736
Other expenses:	
Accrued interest.....	413
Loss on foreign exchange	555
Loss on disposal of fixed assets.....	1,205
Others	991
Total other expenses	3,166
Recurring income	43,265
Extraordinary losses:	
Loss from revaluation of investment in marketable securities	5,266
Integration-related expenses.....	4,084
Compensation payments	1,937
Asset impairment losses	1,931
Extraordinary depreciation of fixed assets	762
Total extraordinary losses	13,981
Income before income taxes	29,284
Corporate, local, and enterprise taxes	13,555
Corporate tax adjustment	4,799
Total corporate and other taxes	18,355
Income from minority interests	445
Net income	10,483

(3) Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>
	April 1, 2008 to December 31, 2008
Cash flows from operating activities:	
Income before income taxes	29,284
Depreciation and amortization	14,376
Asset impairment losses	1,931
Amortization of goodwill	7,394
Increase in retirement benefit allowance.....	83
Increase in prepaid pension expenses.....	(2,555)
Decrease in reserve for bonus payments.....	(2,940)
Decrease in allowance for bad debts	(438)
Interest and dividend income	(1,510)
Interest paid	413
Income from equity method investments.....	(995)
Loss on sales of tangible fixed assets.....	581
Loss on revaluation of investment in marketable securities	5,266
Increase in trade receivables	(8,358)
Increase in inventories	(5,843)
Increase in trade payables	4,605
Others	1,917
Sub total	43,211
Interest and dividends received	1,813
Interest payments.....	(397)
Corporate etc. tax payments	(19,149)
Net cash from operating activities	25,477
Cash flows from investing activities:	
Payments for purchase of property, plant and equipment.....	(13,305)
Proceeds from sale of property, plant, and equipment.....	131
Payments for purchase of investment securities	(133)
Proceeds from sale of investment securities	67
Payments to fixed-term deposits	(4,727)
Withdrawals from fixed-term deposits	2,526
Others	(9)
Net cash from investing activities	(15,451)
Cash flows from financing activities:	
Net decrease in short-term debt.....	(981)
Proceeds from long-term borrowing.....	417
Repayment of long-term debt.....	(12,614)
Payments for purchase of treasury stock.....	(961)
Dividends paid	(7,644)
Dividends paid to minority interests.....	(189)
Other	(6)
Net cash from financing activities	(21,980)
Cash and cash equivalents translation differences	(301)
Decrease in cash and cash equivalents.....	(12,255)
Cash and cash equivalents at the beginning of the period	10,440
Increase in cash and cash equivalents due to new consolidation	43,740
Cash and cash equivalents at the end of the period.....	41,925

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

(4) Items related to going concern

No applicable items

(5) Segment information

Third quarter of Fiscal 2008: Segment information by business type (April 1, 2008 – December 31, 2008)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/Corporate	Consolidated
Net sales								
(1) Sales to external customers	160,908	59,436	67,400	29,660	44,872	362,278	--	362,278
(2) Inter-segment sales and transfers	428	8,109	9,921	3,174	9,630	31,264	(31,264)	--
Total sales	161,337	67,545	77,322	32,834	54,502	393,542	(31,264)	362,278
Operating income	29,662	7,425	3,532	999	1,060	42,680	15	42,696

Third quarter of Fiscal 2008: Segment information by location (April 1, 2008 to December 31, 2008)

Millions of yen

	Japan	Other regions	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	333,379	28,899	362,278	--	362,278
(2) Inter-segment sales and transfers	16,581	8,469	25,051	(25,051)	--
Total sales	349,960	37,368	387,329	(25,051)	362,278
Operating income	38,953	4,403	43,356	(660)	42,696

Third quarter of Fiscal 2008: Overseas Sales (April 1, 2008 – December 31, 2008)

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	27,202	18,117	28,960	647	74,928
(2) Consolidated sales					362,278
(3) Overseas sales as a percentage of consolidated sales	7.5	5.0	8.0	0.2	20.7

(6) Note on significant change in shareholders' equity

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

Main changes in shareholders' equity during the nine-months April 1, 2008 to December 31, 2008:

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings ³	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008 ¹	3,000	56,813	4,445	--	64,258
Changes during the period:					
Increase from share exchange ²	23,745	455,618		(1,544)	477,819
Dividend surplus			(5,739)		(5,739)
Net income			10,483		10,483
Acquisition of treasury stock				(961)	(961)
Disposal of treasury stock		(11)		139	128
Total changes during the period ended September 30, 2008	23,745	455,607	4,744	(2,366)	481,730
Balance as of December 31, 2008	26,745	512,420	9,189	(2,366)	545,989

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

- The increase from share exchange (acquisition amount of the company being acquired) results from the application of the purchase method, which assumes that Kirin Pharma is the acquiring company and that Kyowa Hakko is the company being acquired.
- A negative amount of ¥1,987 million representing Kyowa Hakko's dividend payment from retained earnings with a record date of March 31, 2008 (effective date: June 25, 2008) is included in 'Increase from share exchange' under 'Capital surplus'.

Reference: Consolidated financial statements for the previous third quarter period

(1) Consolidated statements of income

	<i>Millions of yen</i>
	April 1, 2007 to December 31, 2007
Net sales	297,681
Cost of sales	186,496
Gross profit	111,185
Reversal of reserve for sales returns	44
Addition to reserve for sales returns	39
Adjusted gross profit	111,191
Selling, general and administrative expenses:	78,785
Operating income	32,405
Other income:	
Interest and dividend income	1,597
Income from equity method investments	754
Others	1,158
Total other income	3,510
Other expenses:	
Interest expense	250
Others	2,914
Total other expenses	3,165
Recurring income	32,750
Extraordinary income:	
Gain on sale of fixed assets	7,562
Total extraordinary income	7,562
Extraordinary losses:	
Integration-related expenses	518
Asset impairment losses	289
Total extraordinary losses:	808
Income before income taxes	39,504
Corporate, local, and enterprise taxes	12,105
Corporate tax adjustment	3,149
Minority interests in consolidated subsidiaries	165
Net income	24,084

(2) Consolidated Statements of Cash Flows

Millions of yen

April 1, 2007 to

December 31, 2007

Cash flows from operating activities:	
Income before income taxes	39,504
Depreciation and amortization.....	10,494
Asset impairment losses	289
Decrease in retirement benefit allowance	(817)
Increase in prepaid pension expenses.....	(2,516)
Decrease in reserve for bonus payments.....	(3,256)
Gain on sale of tangible fixed assets.....	(7,244)
Increase in trade receivables	(9,933)
Increase in inventories	(1,156)
Increase in trade payables	6,119
Corporate etc. tax payments	(12,020)
Others	(252)
Net cash from operating activities	19,211
Cash flows from investing activities:	
Payments for purchase of property, plant and equipment.....	(9,906)
Proceeds from sale of property, plant, and equipment.....	7,333
Payments for purchase of investment securities	(1,177)
Proceeds from sale of investment securities	6
Payments for the purchase of subsidiaries' shares.....	(2,263)
Others	(819)
Net cash from investing activities	(6,826)
Cash flows from financing activities:	
Net decrease increase in short-term debt	(8,435)
Payments for purchase of treasury stock	(507)
Dividends paid.....	(3,943)
Other	(657)
Net cash from financing activities	(13,542)
Cash and cash equivalents translation differences	(63)
Decrease in cash and cash equivalents	(1,221)
Cash and cash equivalents at the beginning of the period	36,613
Decrease in cash and cash equivalents, due to	
eliminations from consolidation.....	(172)
Cash and cash equivalents at the end of the period	35,219

(3) Segment information

A) Third quarter of Fiscal 2007: Segment information by business type (April 1, 2007 – December 31, 2007)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/Corporate	Consolidated
Net sales								
(1) Sales to external customers	105,790	59,349	74,246	30,169	28,125	297,681	--	297,681
(2) Inter-segment sales and transfers	283	6,775	5,859	3,088	9,527	25,534	(25,534)	--
Total sales	106,074	66,125	80,105	33,257	37,652	323,216	(25,534)	297,681
Operating expenses	88,723	59,478	74,018	31,903	36,890	291,015	(25,738)	265,276
Operating income	17,351	6,646	6,086	1,354	761	32,200	204	32,405

B) Segment information by location (April 1, 2007 to December 31, 2007)

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

C) Overseas sales (April 1, 2007– December 31, 2007)

Millions of yen

	America	Europe	Asia	Other regions	Total
(1) Overseas sales	20,342	16,438	22,080	409	59,270
(2) Consolidated sales					297,681
(3) Overseas sales as a percentage of consolidated sales	6.8	5.5	7.4	0.1	19.9