

# **Kyowa Hakko Kirin Co., Ltd.**

## **Consolidated Financial Summary**

**First Quarter of the Fiscal Year to December 31, 2011**

**(January 1, 2011 – March 31, 2011)**

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, 2011

**Kyowa Hakko Kirin Co., Ltd.**

**April 27, 2011**

Stock Code: 4151      Listed exchanges: Tokyo, 1<sup>st</sup> section  
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Scheduled date of submission of Financial Report: May 11, 2011

Scheduled start date of dividend payment: --

Appendix materials prepared to accompany the quarterly financial report: Yes

Scheduled date of General Meeting of Shareholders: --

### 1. Results for the three months ended March 31, 2011

(%changes are compared to the same period of the previous fiscal year)

#### (1) Consolidated business performance

(Millions of yen, rounded down)

	Three months to March 31, 2011	Change (%)	Three months to March 31, 2010	Change (%)
Net sales	114,862	15.7	99,256	--
Operating income	21,909	90.1	11,527	--
Ordinary income	22,252	86.4	11,940	--
Net income	14,785	144.2	6,053	--
Net income per share (¥)	25.95		10.63	
Fully diluted net income per share (¥)	25.94		10.62	

#### (2) Consolidated financial position

(Millions of yen, rounded down)

	As of March 31, 2011	As of December 31, 2010
Total assets	665,552	695,862
Net assets	554,882	544,992
Shareholders' equity ratio (%)	83.2	78.2
Net assets per share (¥)	971.89	954.58

Note: Total shareholders' equity: March 31, 2011: ¥553,763 million; December 31, 2010: ¥543,914 million

### 2. Dividends

Dividends per share	Fiscal year ending December 31, 2011 (forecast)	Fiscal period ended December 31, 2010
Interim dividend per share (¥)	10.00	10.00
Year-end dividend per share (¥)	10.00	10.00
Total dividend per share (¥)	20.00	20.00

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

### 3. Consolidated results forecasts for the fiscal year ending December 31, 2011

(Millions of yen)

	January 1, 2011 to June 30, 2011	Change (%)	January 1, 2011 to December 31, 2011	Change (%)
Net sales	175,000	(14.0)	325,000	(21.4)
Operating income	20,000	(7.8)	37,000	(18.5)
Ordinary income	20,500	(8.2)	38,000	(18.3)
Net income	14,500	46.4	25,500	14.9
Net income per share	25.45		44.75	

Note: Changes to the consolidated results forecast during the term: None

#### 4. Other (See Page 7, Section 2. Other information, of the Appendix Document)

##### 1) Transfer of important subsidiaries during the period: Yes

**Eliminations:** 1 Company (Kyowa Hakko Chemical Co., Ltd.)

Note: Indicates transfers of specified subsidiaries resulting in changes in the scope of consolidation during the period under review.

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

Note: Indicates adoption of simplified accounting methods or special accounting methods for the preparation of the quarterly financial statements.

##### 3) Changes in accounting methods, procedures and presentation of accounting methods:

1. Changes following revisions to accounting standards: Yes

2. Other changes: None

Note: Indicates changes in principles, procedures and methods of presentation of accounting methods in the making of these financial statements.

#### 4) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares)	March 31, 2011	576,483,555 shares	December 31, 2010	576,483,555 shares
2. Number of treasury shares	March 31, 2011	6,706,358 shares	December 31, 2010	6,691,427 shares
3. Average number of shares during the interim period	Quarter ended March 31, 2011:	569,783,916 shares	Quarter ended December 31, 2010:	569,547,362 shares

#### Notice regarding quarterly review procedures

The Financial Products Law review process for this quarterly financial report was not yet complete at the time the financial report was issued.

#### 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.

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## 1. Operating Results and Financial Statements

### (1) Summary of business performance

Japan's economy during the first quarter (the three-month period from January 1 to March 31, 2011), showed improving trends in investment in facilities, consumer spending and other areas, and corporate revenues continued to improve, however in the period that followed the Great East Japan Earthquake, conditions were very uncertain.

Conditions in the Pharmaceuticals business remained very competitive due to policy measures to promote generic pharmaceuticals, increased competition from European and U.S drug manufacturers and major domestic pharmaceutical companies, and intensifying international competition in new drug development, however we actively promoted global development by various means such as expanding sales of core drugs and plans to quickly penetrate markets with new drugs. The Bio-Chemicals business was affected by lower prices due to the rise of Chinese and other manufacturers in addition to the effects of rapidly fluctuating exchange rates, however we sought to grow sales of high-value-added product, primarily amino acids for pharmaceutical use. In the Chemicals business we have seen an increase in demand from Asia and a recovery in domestic demand, due to trends in raw materials prices and exchange rates, circumstances. The Chemicals segment has been discontinued at the end of the first quarter of the current period following the transfer of all shares of Kyowa Hakko Chemical on March 31, 2011.

As a result, consolidated net sales for the first quarter were ¥114.8 billion (up 15.7% compared to the first quarter of the previous fiscal year). Due a surge in pharmaceutical product shipments following the Great East Japan Earthquake and other factors, operating income was ¥21.9 billion (up 90.1%), and ordinary income was ¥22.2 billion (up 86.4%). Net income was ¥14.7 billion, a sharp 144.2% rise due to the recording of profits on the sale of shares in affiliate companies, and despite recording a valuation loss on investment securities.

The impact of the Great East Japan Earthquake on Kyowa Hakko Kirin Group is as follows:

Kyowa Hakko Kirin (Pharmaceuticals business) sustained no significant damage to its factories, however we have begun to manufacture certain products in-house since the factories of certain outsourced manufacturers were damaged and restarting production will take time. Sales at the Tohoku Office (Sendai City, Miyagi Prefecture), the Fukushima Sales Office (Koriyama City, Fukushima Prefecture) and the Mito Sales Office (Mito City, Ibaraki Prefecture) were temporarily suspended due to physical damage from the earthquake but sales have since recommenced. Kyowa Hakko Bio sustained no significant damage to its factories or sales offices. Kyowa Hakko Chemical temporarily suspended operations at its Chiba plant but operation have since been restarted.

There has been no significant damage to our other operations.

## Segmental performance

### Pharmaceuticals

In the Pharmaceuticals business, consolidated net sales were ¥63.3 billion (up by 27.6% compared to the same period of the previous year), while operating income was ¥18.4 billion (up 90.3%). Domestic sales of core ethical pharmaceutical products including Nesp, a treatment for renal anemia, and Regpara, a treatment for secondary hyperparathyroidism during dialysis therapy, continued to grow and sales of Allelock, an antiallergic agent, and Patanol antiallergic eye drops, were strong due to the effects of higher amounts of airborne pollen and other factors. Sales of Permax, a Parkinson's disease treatment launched in 2010, and Fentos, a transdermal analgesic for persistent cancer pain, which were launched last year were also strong. Further, following the earthquake an ongoing high level of shipments boosted sales of core products compared to same period of the previous fiscal year.

In the licensing-out of technologies and export of pharmaceutical products, milestone revenues increased and sales were higher than in the same period of the previous fiscal year.

In new drug development in cancer areas in Japan, KRN 125 began Phase III clinical trials in March targeting chemotherapy induced febril neutropenia. In the renal anemia area in Japan, renal anemia treatment Nesp began Phase III clinical trials in March to seek approval for pediatric indications. In other therapeutic areas in Japan AMG531 (product name Romiplate), a treatment for chronic idiopathic thrombocytopenic purpura, received approval in January and launched sales in April.

On February 21, 2011, Kyowa Hakko Kirin agreed to begin the acquisition process of ProStrakan Group plc, a UK-based specialty pharmaceuticals company with a pharmaceuticals development and sales network throughout the US and Europe for cancer-related and other products. The acquisition was executed on April 21, 2011 and ProStrakan Group plc. became a wholly owned subsidiary of our Group. Please see (7) Important subsequent events for further details.

### Bio-Chemicals

In the Bio-Chemicals business, consolidated net sales were ¥19.6 billion (down by 11.4% compared to the same period of the previous year), while operating income was ¥1.2 billion (up 25.9%). Sales of pharmaceutical and industrial use raw materials, primarily amino acids, nucleic acids and related compounds, decreased partly due to the effects of a strong yen. Sales at Daiichi Fine Chemical declined due to a drop in sales of bulk pharmaceuticals, intermediate products and others.

In healthcare products, sales of health food materials decreased although sales of mail order *Remake Series* increased.

## Chemicals

In the Chemicals business, consolidated net sales were ¥33.5 billion (up by 10.8% compared to the same period of the previous year), and operating income was ¥2.1 billion (up 216.6%).

In Japan, demand has continued on its recovery trend while compared to the same period of the previous fiscal year sales prices improved and sales volumes and net sales increased. In exports, shipments were strong and sales volumes and net sales were higher than in the same period of the previous fiscal year supported by vigorous demand from Asia.

## Other

In the Other segment, consolidated net sales were ¥2.6 billion (up by 6.3% compared to the same period of the previous year), while operating income was ¥82 million (down 0.3%).

## (2) Summary of financial position

Total assets at the end of the first quarter were ¥665.5 billion, a decline of ¥30.3 billion, and liabilities were ¥110.6 billion, a decline of ¥40.2 billion compared to the end of the previous fiscal period. As a result of the discontinuation of the Chemicals segment following the transfer of all shares of Kyowa Hakko Chemical on March 31, 2011, there were decreases in assets in accounts and notes receivable, inventories, tangible noncurrent assets and others decreased, while in liabilities, accounts and notes payable, retirement benefit allowances, and others decreased. However, cash and time deposits increased and deferred tax liabilities decreased in recognition of a temporary timing difference in the consolidated financial statements in relation to investments.

Net assets at the end of the first quarter were ¥554.8 billion, up by ¥9.8 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 83.2%, 5.0 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 ¥141.4 billion, an increase of ¥61.6 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 ¥2.4 billion (a 65.3% decrease compared to the same period of the previous fiscal year). The primary contributory factors were net income before income taxes of ¥27.3 billion and depreciation expenses of ¥5.5 billion. The main cash outflows were corporate tax payments of ¥19.3 billion and an increase in trade receivables of ¥9.7 billion.

Net cash provided by investing activities was ¥64.8 billion (compared to ¥9.1 billion used in the same period of the previous fiscal year). Major expenditures included ¥4.9 billion for the acquisition of tangible fixed assets

while major sources of income were ¥53.8 billion from the sale of shares following changes to the scope of consolidation and ¥14.9 billion from the sales of shares in affiliate companies.

Net cash used in financing activities was ¥6.0 billion (a 71.8% increase compared to the same period of the previous fiscal year). The main outflow was dividend payments of ¥5.3 billion.

### **(3) Consolidated results forecasts**

No revisions have been made to the consolidated results forecasts that were announced on January 28, 2011. Due to the impact of the Great East Japan Earthquake that struck on March 11, 2011, and despite consolidated results for the first quarter, primarily those of the pharmaceuticals business, being higher than initially planned, no change has been made to the forecasts previously announced on January 28, 2011 as it is difficult to make reasonable results forecasts at this stage. Kyowa Hakko Kirin will provide timely disclosure should we need to revise our consolidated results forecasts.

## **2. Other Information**

### **(1) Changes to subsidiaries during the period**

Kyowa Hakko Chemical Co., Ltd. has been removed from the scope of consolidation following the March 31, 2011 transfer of all shares of Kyowa Hakko Chemical to KJ Holdings, an acquisition vehicle administered and managed by Japan Industrial Partners, Inc.

### **(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**

#### 1) Application for accounting standards related to asset retirement obligations

As of the first quarter of the current fiscal year, "Accounting Standards Related to Asset Retirement Obligations" (ASB No. 18, March 31, 2008) and "Guidelines to the Accounting Standards Related to Asset Retirement Obligations" (ASB Guidelines No. 21 March 31, 2008) have been applied.

As a result, operating income and ordinary income for the first quarter of the current fiscal period have declined by ¥7 million and income before income taxes have declined by ¥455 million. Asset retirement obligations have changed by ¥674 million from the start of the application of this accounting standard.

#### 2) Accounting Standards Related To The Equity Method and Guidelines to Handling Accounting Revisions Related to Equity Method Companies

As of the first quarter of the current fiscal year, "Accounting Standards Related to the Equity Method" (ASB No. 16, March 10, 2008) and "Guidelines to Handling Accounting Revisions Related to Equity

# KYOWA KIRIN

Method Companies” (FAS No. 24 March 10, 2008) have been applied. There are no effects on consolidated profits for the first quarter of the current period as a result of this change.

## 3. Consolidated financial statements

### (1) Consolidated Balance Sheets

	<i>Millions of yen</i>	
	As of March 31, 2011	As of December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and deposits	146,279	33,128
Notes and accounts receivable-trade	103,667	122,378
Merchandise and finished goods	34,372	40,803
Work in process	11,172	10,628
Raw materials and supplies	8,756	10,329
Deferred tax assets	8,323	8,368
Short-term loans receivable	213	53,483
Other	5,663	9,880
Allowance for doubtful accounts	(97)	(149)
Total current assets	318,352	288,852
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures	128,199	153,135
Accumulated depreciation	(89,513)	(108,850)
Buildings and structures, net	38,686	44,284
Machinery, equipment and vehicles	135,552	211,317
Accumulated depreciation	(116,052)	(185,510)
Machinery, equipment and vehicles, net	19,499	25,806
Land	54,273	70,697
Construction in progress	7,957	10,578
Other	47,389	51,584
Accumulated depreciation	(40,186)	(43,213)
Other, net	7,202	8,371
Total property, plant and equipment	127,619	159,738
Intangible assets		
Goodwill	159,362	162,659
Other	9,447	9,943
Total intangible assets	168,809	172,602
Investments and other assets		
Investment securities	28,728	55,289
Long-term loans receivable	501	510
Deferred tax assets	13,378	9,954
Other	9,032	10,391
Allowance for doubtful accounts	(869)	(1,476)
Total investments and other assets	50,770	74,669
Total noncurrent assets	347,200	407,010
Total assets:	665,552	695,862

## Consolidated Balance Sheets (continued)

Millions of yen

	As of March 31, 2011	As of December 31, 2010
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable-trade	25,731	49,463
Short-term loans payable	5,433	7,253
Accounts payable-other	20,090	24,208
Income taxes payable	13,518	15,379
Provision for sales rebates	346	284
Provision for points	148	--
Provision for bonuses	3,830	100
Provision for repairs	--	601
Other	3,566	5,028
Total current liabilities	72,667	102,321
Noncurrent liabilities:		
Long-term loans payable	265	262
Deferred tax liabilities	8,566	16,379
Provision for retirement benefits	21,615	24,109
Provision for directors' retirement benefits	66	134
Provision for environmental measures	706	887
Asset retirement obligations	650	--
Other	6,131	6,776
Total noncurrent liabilities	38,002	48,549
Total liabilities:	110,669	150,870
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	26,745	26,745
Capital surplus	512,358	512,359
Retained earnings	29,832	20,744
Treasury stock	(6,688)	(6,676)
Total shareholders' equity	562,247	553,172
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	(2,343)	(2,195)
Deferred gains or losses on hedges	--	0
Foreign currency translation adjustment	(6,141)	(7,063)
Total valuation and translation adjustments	(8,484)	(9,258)
Subscription rights to shares:	227	207
Minority interests:	891	869
Total net assets:	554,882	544,992
Total liabilities and net assets::	665,552	695,862

## (2) Consolidated Statements of Income

Millions of yen

	January 1, 2011 to March 31, 2011	January 1, 2010 to March 31, 2010
Net sales	114,862	99,256
Cost of sales	58,217	55,155
Gross profit	56,644	44,100
Selling, general and administrative expenses		
Research and development expenses	10,814	9,057
Amortization of goodwill	2,443	2,325
Other	21,475	21,189
Total selling, general and administrative expenses	34,734	32,572
Operating income	21,909	11,527
Non-operating income		
Interest income	65	97
Dividends income	57	49
Foreign exchange gain	579	36
Equity in earnings of affiliates	166	337
Other	411	442
Total non-operating income	1,280	963
Non-operating expenses		
Interest expenses	43	69
Loss on revaluation of derivatives	431	--
Loss on disposal of noncurrent assets	165	243
Other	296	237
Total non-operating expenses	937	550
Ordinary income	22,252	11,940
Extraordinary income		
Gain on sale of shares in affiliate companies	8,265	--
Total extraordinary income	8,265	--
Extraordinary loss		
Loss on valuation of investment securities	1,546	--
Advisory expenses	973	--
Effect from application of asset retirement obligation standards	447	--
Allowance for reserve for points from previous years	218	--
Casualty loss	118	--
Loss on revisions to retirement benefit scheme	--	577
Total extraordinary losses	3,214	577
Income before income taxes and minority interests	27,304	11,363
Total income taxes	12,496	5,366
Income before minority interests	14,808	--
Gain (loss) on minority interest	22	(57)
Net income	14,785	6,053

## (3) Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	January 1, 2011 to March 31, 2011	January 1, 2010 to March 31, 2010
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	27,304	11,363
Depreciation and amortization	5,503	4,297
Amortization of goodwill	2,490	2,372
Increase (decrease) in provision for retirement benefits	(17)	(825)
Decrease (increase) in prepaid pension costs	(775)	(391)
Increase (decrease) in provision for bonuses	4,083	2,020
Increase (decrease) in allowance for doubtful accounts	--	(53)
Interest and dividends income	(122)	(146)
Interest expenses	43	69
Equity in (earnings) losses of affiliates	(166)	(337)
Loss (gain) on sales and retirement of property, plant and equipment	123	67
Loss (gain) on sales of investment securities	(16)	0
Loss (gain) on valuation of investment securities	1,546	20
Proceeds from sale of shares in affiliate companies	(8,265)	--
Decrease (increase) in notes and accounts receivable-trade	(9,752)	4,742
Decrease (increase) in inventories	(2,228)	(2,286)
Increase (decrease) in notes and accounts payable-trade	(3,515)	(5,901)
Other, net	5,090	(1,859)
Subtotal	21,324	13,152
Interest and dividends income received	515	903
Interest expenses paid	(38)	(61)
Corporation taxes paid	(19,364)	(6,965)
Operating cash flow	2,436	7,029

## Consolidated Statements of Cash Flows (continued)

	<i>Millions of Yen</i>	
	January 1, 2011 to March 31, 2011	January 1, 2010 to March 31, 2010
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(4,935)	(9,519)
Proceeds from sale of property, plant and equipment	18	19
Purchase of investment securities	(1,513)	(291)
Proceeds from sale of investment securities	878	17
Proceeds from sale of shares in affiliate companies	14,987	--
Proceeds from sale of shares in subsidiaries following changes to scope of consolidation	53,848	--
Payments into time deposits	(514)	(1,526)
Proceeds from withdrawal of time deposits	1,955	2,361
Net decrease (increase) in short-term loans receivable	--	(0)
Other, net	91	(197)
Net cash provided by (used in) investing activities	<b>64,816</b>	<b>(9,136)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(632)	(548)
Repayment of long-term loans payable	--	(179)
Cash dividends paid	(5,350)	(2,702)
Cash dividends paid to minority shareholders	--	(30)
Other, net	(41)	(45)
Net cash provided by (used in) financing activities	<b>(6,023)</b>	<b>(3,506)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>380</b>	<b>(113)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>61,609</b>	<b>(5,725)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>79,882</b>	<b>63,745</b>
<b>Cash and cash equivalents at end of period</b>	<b>141,492</b>	<b>58,019</b>

## (4) Items related to going concern assumption

No applicable items

## (5) Segment information

### 1. Outline of segment information

The Kyowa Hakko Kirin Group segments provide financial information structured on the Group's business components that is subject to periodic review by the Board of Directors to evaluate management resource allocation decisions and operating results. As an operating company, the Group is structured in consideration of the diversity of the products and services handled by each of our companies. And we have designed a comprehensive domestic and overseas strategy for each of the core business of the company and we are developing our business activities. As a result, the Group has been divided into the three segments Pharmaceuticals Business, Bio-Chemicals Business and Chemicals Business.

The Pharmaceuticals Business manufactures and sells core ethical pharmaceutical products. The Bio-Chemicals Business manufactures and sells pharmaceutical and industrial use raw materials, primarily amino acids, nucleic acids and related compounds, health care products and others. The Chemicals Business manufactures and sells solvents, plasticizer raw materials, specialty chemicals and others. Among our reporting segments, the Chemicals Business was discontinued at the end of the first quarter following the transfer of all shares of Kyowa Hakko Chemical on March 31, 2011.

### 2. Sales and profits (loss) by segment

Fiscal 2011 Q1 segment information by business type (January 1, 2011 – March 31, 2011)

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Adjustments	Consolidated
Net sales							
(1) Sales to external customers	63,344	17,788	32,787	942	114,862	--	114,862
(4) Inter-segment sales and transfers	49	1,898	762	1,709	4,419	(4,419)	--
Total sales	63,393	19,686	33,550	2,651	119,281	(4,419)	114,862
Segment income	18,419	1,272	2,135	82	21,909	0	21,909

Notes: 1. The Other segment includes distribution and other business and does not include reported segments.

2. The ¥0 for Adjustments of Segment Income is due to intersegment eliminations.

3. In Segment Income, operating income from the Consolidated Statements of Income, has been adjusted

4. Asset amounts for the Chemicals segment, which previously included Kyowa Hakko Chemical and its consolidated subsidiaries Miyako Kagaku Co., Ltd., and Kashiwagi Co., Ltd., are nil due to its elimination from the scope of consolidation as of the end of the current consolidated first quarter. This follows the transfer of all shares of Kyowa Hakko Chemical executed on March 31, 2011.

### Additional information:

As of the period under review, Kyowa Hakko Kirin has adopted "Accounting Standards Related to the Disclosure of Segment Information" (ASB No. 17 March 21, 2009) and "Guidelines for Accounting Standards Related to the Disclosure of Segment Information" (ASB Guideline No. 20, March 21, 2008).

Further, since the segment classification methods used to classify business by segment are the same as those used previously, there is no effect on 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
(5) 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 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

## 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

## **(6) Note on significant change in shareholders' equity**

No applicable items

## **(7) Important subsequent events**

Acquisition of ProStrakan Group plc

On February 21, 2011, Kyowa Hakko Kirin agreed to acquire ProStrakan Group, a UK specialty pharmaceuticals company listed on the London Stock Exchange, and all of ProStrakan's issued and outstanding shares through cash, and agreed to begin the process of making ProStrakan a wholly-owned subsidiary.

The acquisition was executed on April 21, 2011 and ProStrakan was made a wholly-owned subsidiary. ProStrakan has established a development and sales network in the US and Europe in cancer therapies and other areas consistent with our vision and core strategy for the pharmaceuticals business. ProStrakan is a complementary partner and we believe that through the acquisition of its business resources, we will significantly advance our global strategy.

Name of acquired company and main business, reasons for corporate integration, date of corporate integration, method of corporate integration, name of company after integration, percentage of voting rights acquired and primary reasons for acquisition of ProStrakan:

(1) Name of acquired company and main business:

Name: ProStrakan Group plc

Main business: Development and sales of medical and pharmaceutical products

(2) Reasons for corporate integration:

See above

(3) Date of corporate integration:

April 21, 2011

(4) Method of corporate integration:

Acquisition of stock

(5) Name of company after integration:

ProStrakan Group plc

(6) Percentage of voting rights acquired:

100%

(7) Main method used in acquisition of ProStrakan:

Stock acquired by Kyowa Hakko Kirin using cash