

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary Fiscal 2011 Interim

(January 1, 2011 – June 30, 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 Interim Period of the Year Ending December 31, 2011

Kyowa Hakko Kirin Co., Ltd.

August 2, 2011

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Scheduled date of submission of Financial Report: August 9, 2011	Scheduled start date of dividend payment: September 1, 2011

Appendix materials prepared to accompany the quarterly financial report: Yes

Quarterly results presentation meeting: Yes (For institutional investors and securities analysts)

1. Results for the six months ended June 30, 2011

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

(1) Consolidated business performance

(Millions of yen, rounded down)

	Six months to June 30, 2011	Change (%)	Six months to June 30, 2010	Change (%)
Net sales	186,367	(8.4)	203,466	--
Operating income	29,936	38.0	21,692	--
Ordinary income	30,212	35.3	22,334	--
Net income	17,718	78.9	9,901	--
Net income per share (¥)	31.10		17.38	
Fully diluted net income per share (¥)	31.08		17.38	

(2) Consolidated financial position

(Millions of yen, rounded down)

	As of June 30, 2011	As of December 31, 2010
Total assets	676,988	695,862
Net assets	556,217	544,992
Shareholders' equity ratio (%)	82.0	78.2
Net assets per share (¥)	974.18	954.58

Note: Total shareholders' equity: June 30, 2011: ¥555,107 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 (forecast)	10.00
Total dividend per share (¥)	20.00 (forecast)	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 December 31, 2011	Change (%)
Net sales	342,000	(17.3)
Operating income	43,500	(4.2)
Ordinary income	44,500	(4.3)
Net income	25,500	14.9
Net income per share (¥)	44.75	

Notes: 1. %changes are compared to the same period of the previous fiscal year)

2. Changes to the consolidated results forecast during the term: None

4. Other (See Page 10, Section 2. Other information)

1) Transfer of important subsidiaries during the period: Yes

New: 1 Company (Strakan International Limited)

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)	June 30, 2011	576,483,555 shares	December 31, 2010	576,483,555 shares
2. Number of treasury shares	June 30, 2011	6,664,232 shares	December 31, 2010	6,691,427 shares
3. Average number of shares during the interim period	Interim period ended June 30, 2011:	569,801,029 shares	Interim period ended June 30, 2010:	569,588,084 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

In the first half of the fiscal year (the six month period from January 1, 2011 to June 30, 2011) Japan's economy initially experienced an improvement in capital expenditure and consumer spending as well as some recovery in corporate profits. However, following the Great East Japan Earthquake disaster on March 11 the outlook became unclear. Economic trends in Europe and some other overseas economies are also a continuing cause for concern.

Against this background, in line with our 2010 to 2012 Medium-term Business Plan we pursued the efficiently allocation of business resources in order to achieve swift progress in our drug development pipeline. We focused on three key themes: selection and concentration of our business portfolio; increasing profits through reorganization of production bases; and developing a world-class antibody business.

Selection and concentration of our business portfolio: In April, in our core pharmaceutical business we acquired all outstanding shares of ProStrakan Group plc (ProStrakan), a UK specialty pharmaceutical company. ProStrakan became our 100% owned subsidiary and we acquired all of its operational and management resources. Kyowa Hakko Kirin had been considering how to create its own global drug development framework and enhance its new drug sales and marketing network in Europe and the US. ProStrakan had already developed a European and US drug development and sales network for ethical pharmaceuticals in the cancer therapeutic area. We therefore considered that ProStrakan would be an ideal partner that would allow us to take a major step forward in our global strategy and pursue our initiatives to accelerate global new drug development and expand sales in our chosen therapeutic areas. In June we began transferring Kyowa Hakko Kirin employees to Europe as we initiate collaboration with ProStrakan in development and sales strategies.

Also, Kyowa Hakko Kirin sold all shares owned by Kyowa Hakko Kirin in Kyowa Hakko Chemical Co., Ltd., on March 2011. As a result, Kyowa Hakko Kirin will be able to effectively focus its resources on its ethical pharmaceutical products business, while Kyowa Hakko Chemical can flexibly manage its business in order to meet diverse market needs, independently of Kyowa Hakko Kirin.

Increasing profits through reorganization of production bases: In line with the basic production strategy of our Pharmaceuticals business, the production of low molecular weight pharmaceutical product materials currently conducted by Bio-Chemicals business subsidiary Daiichi Fine Chemical at our Pharmaceuticals business plants located in Sakai and Yokkaichi will be consolidated at a new Daiichi Fine Chemical production facility in our Bio-Chemicals business. In this way we aim to take a unified approach to the pursuit of production efficiency in our Pharmaceuticals and Bio-Chemicals businesses, while ensuring stable supplies of

high-quality products.

Developing a world-class antibody business: In our antibody technology business where we are rapidly growing our presence, our progress is not limited to POTELLIGENT® and COMPLEGENT® technology but also includes top class antibody production technology. In April we submitted a new drug application (NDA) in Japan for KW-0761, for the treatment of adult T-cell leukemia-lymphoma (ATL). KW-0761 is a humanized monoclonal antibody produced using our unique POTELLIGENT® technology. This product is the first antibody for which Kyowa Hakko Kirin has submitted an NDA, and is also the world's first POTELLIGENT® antibody to be submitted for marketing approval.

In terms of segmental performance, in the Pharmaceuticals business in Japan, domestic market conditions remained challenging due to the promotion of generic pharmaceuticals, the increasing presence of European and American drug manufacturers and major specialist pharmaceutical companies, and increasing global competition in new drug development. Against this background, Kyowa Hakko Kirin further strengthened its domestic sales operation with the aim of expanding sales of core products including renal anemia treatments Nesp and Espo, and antiallergic agents Allelock and Patanol, as well as Asacol, an ulcerative colitis treatment and Fentos, a transdermal analgesic for persistent cancer pain. Romiplate, a treatment for chronic idiopathic thrombocytopenic purpura was approved in January and launched in April with the aim of rapidly penetrating the market. Our Bio-Chemicals business was affected by currency fluctuations and the emergence of Chinese competitors but we pursued expanded sales of high-value-added amino acids and nucleic acids mainly for use in intermediate pharmaceutical products. In our health care business we strengthened sales mainly of our own brand materials in the health food mail order Remake Series.

As a result, net sales for the first half were ¥186.3 billion (down 8.4% compared to the first half of the previous fiscal year) reflecting the effects of the exclusion from consolidation of our Chemicals business as of the end of March. However, despite the challenging operating environment we achieved strong growth in profits, and reported operating income of ¥29.9 billion (up 38.0%), operating income of ¥30.2 billion (up 35.3%) and net income of ¥17.7 billion (up 78.9%).

Although the factories of some of our suppliers were affected by the Great East Japan earthquake, Kyowa Hakko Kirin Group did not suffer significant damage.

As of the second quarter of the current fiscal year, the Accounting Standards for Disclosure about Segments of an Enterprise and Related Information (ASBJ statement No. 17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, March 21, 2008) have been applied. Year-on-year comparisons are provided since the segmental classification following application of these accounting standards is the same as that previously

used.

Segmental performance

Pharmaceuticals

In the Pharmaceuticals business, consolidated net sales were ¥112.5 billion (up by 8.8% compared to the same period of the previous year), while operating income was ¥25.1 billion (up 39.7%). Domestic sales of core ethical pharmaceutical products including Nesp, a treatment for renal anemia, were robust while sales of Allelock, an antiallergic agent, and Patanol antiallergic eye drops, were significantly higher due to the effects of higher amounts of airborne pollen and other factors. Sales of Regpara, a treatment for secondary hyperparathyroidism during dialysis therapy, Asacol, an ulcerative colitis treatment and Fentos, a transdermal analgesic for persistent cancer pain launched last year, also grew steadily.

In the licensing-out of technologies and export of pharmaceutical products, revenues from licensing-out of technologies were lower than in the same period of the previous fiscal year while exports, primarily those to Asia, performed strongly.

In new drug development in Japan, in the cancer therapeutic area KRN125 began Phase III clinical trials in February targeting chemotherapy induced febril neutropenia. In April we submitted an NDA for anti-CCR4 antibody KW-0761 that targets adult T-cell leukemia-lymphoma.

In the renal anemia area in Japan, renal anemia treatment Nesp began Phase III clinical trials in January to seek approval for pediatric indications.

In the central nervous system therapeutic area in Japan, approval was received in June for additional applications of Depakene, an antiepileptic drug, for usage and volumes, and its effectiveness and efficiency in averting the onset of migraine headaches.

In other therapeutic areas in Japan, AMG531 (product name Romiplate), a treatment for chronic idiopathic thrombocytopenic purpura was approved in January and sales were launched in April. Phase III clinical trials for KW-3357, which targets diffuse intravascular coagulation syndrome following a reduction of antithrombin (an anticoagulant component), began in June. Overseas, in Korea approvals have been received for AMG531 (product name: Nplate). In June, ProStrakan, which became a subsidiary in April received approval in the U.S. for RectivTM, a treatment for chronic anal fissures.

In therapeutic antibody research and development, while strengthening our in-house development pipeline of antibody pharmaceuticals we also developed the global outlicensing of our POTELLIGENT® and

COMPLEGENT® technologies via our U.S. subsidiary BioWa, Inc. To date, we have licensing agreements with 18 companies for these technologies and we are actively pursuing our strategy of promoting the fastest possible development of antibody pharmaceuticals that utilize our original technology.

On April 21, 2011, Kyowa Hakko Kirin acquired all outstanding shares of ProStrakan Group plc, a UK-based specialty pharmaceuticals company, and ProStrakan Group, and its ten subsidiaries became consolidated subsidiaries. In terms of accounting treatment, June 30, 2011 will be considered as the date that the acquisition was completed and therefore results from ProStrakan have not been included in the consolidated financial results for the first half of the current fiscal year.

Bio-Chemicals

In the Bio-Chemicals business, consolidated net sales were ¥40.3 billion (down by 8.7% compared to the same period of the previous year), while operating income was ¥2.5 billion (up 35.9%). Sales of pharmaceutical and industrial use raw materials, mainly amino acids, nucleic acids and related compounds, increased despite the effects of a strong yen and primarily due to strong growth in sales volumes to Asia of amino acids for intravenous liquids and pharmaceutical raw materials.

In healthcare products, we achieved steady growth through initiatives to strengthen mail-order sales of our Remake Series, primarily those of its own brand materials, however sales were lower than in the previous comparable period due to the delay of the planned April renewal of Kirin Health Project KIRIN Plus-i related products resulting from the earthquake disaster.

Sales at Daiichi Fine Chemical declined due to a drop in sales volumes and sales prices of certain bulk pharmaceuticals and intermediate products.

Chemicals

On March 31, 2011, Kyowa Hakko Kirin sold all outstanding shares of Kyowa Hakko Chemical. Since there are no longer any consolidated subsidiaries in the Chemicals business, the Chemicals segment results includes only the consolidated results of the first quarter of the consolidated fiscal year (January 1, 2011 to March 31, 2011).

In the Chemicals business, compared to the first quarter of the previous year, consolidated net sales were ¥33.5 billion (up by 10.8%), and operating income was ¥2.1 billion (up 216.6%). In the previous comparable period, the six-month period from January 1, 2010 to June 30, 2010, net sales in the Chemicals business were ¥61.2 billion and operating income was ¥1.5 billion.

Both domestic and overseas sales and sales volumes were higher than in the first quarter of the previous

year supported by factors including increased demand and strong markets in Asia, and recovery of demand in Japan.

All product areas, including solvents, plasticizer raw materials and specialty chemicals, recorded higher sales volumes and sales revenues than in the first quarter of the previous fiscal year. Particularly strong growth was recorded by products such as specialty chemicals including raw materials for refrigerant oils, which remained strong.

Other

In the Other segment, consolidated net sales were ¥5.3 billion (up by 4.4% compared to the same period of the previous year), while operating income was ¥0.1 billion (down 1.7%).

(2) Summary of consolidated financial position

Total assets at the end of the interim period were ¥676.9 billion, a decline of ¥18.8 billion, and liabilities were ¥120.7 billion, a decline of ¥30.0 billion compared to the end of the previous fiscal period.

As a result of the effect of the sales of all shares of equity method affiliate Kirin Kyowa Foods Company and consolidated subsidiary Kyowa Hakko Chemical in the interim period of the current fiscal year, there were significant decreases in assets including accounts and notes receivable, inventories, tangible non-current assets and investment securities, as well as in liabilities including accounts and notes payable and others. However, funds received from the sales of these two companies were short-term loans to the parent company resulting in a large increase. Intangible non-current assets, such as goodwill and sales rights, significantly increased due to inclusions in the scope of consolidation following the acquisition of ProStrakan Group and its ten subsidiaries.

Net assets at the end of the second quarter were ¥556.2 billion, up by ¥11.2 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 second quarter was 82.0%, 3.8 percentage points higher than at the end of the previous fiscal period.

Reference: Accounting treatment for acquisition of ProStrakan Group

The following chart is an overview of the allocation of assets at market value or acquisition cost related to the acquisition of ProStrakan Group and its ten subsidiaries on June 30, 2011 (deemed acquisition date) using an provisional accounting treatment for corporate integrations.

	Allocation of assets at market value or acquisition cost	Amortization method and period
Intangible assets (sales rights, etc.)	182.3 million pounds	Amortization period: 4.5 – 19.5 years (straight line method)
Deferred tax liabilities on intangible assets	(37.9) million pounds	
Other assets and liabilities (net)	(75.1) million pounds	
Goodwill	217.8 million pounds	15 years (straight line method)
Cost of acquisition	287.1 million pounds	

Note: The allocation of acquisition costs is not yet complete and therefore the above amounts are provisional estimates based on practical information currently available.

Cash flow summary

Cash and cash equivalents at the end of the interim period were ¥111.3 billion, an increase of ¥31.4 billion compared to the end of the previous fiscal period. The main cash flows and factors affecting them during the interim period were as follows:

Net cash provided by operating activities was ¥18.5 billion (a 34.5% decrease compared to the same period of the previous fiscal year). The primary factors affecting cash inflows were net income before income taxes of ¥33.2 billion, depreciation expenses of ¥10.4 billion and amortization of goodwill of ¥4.9 billion. The main cash outflows were corporate tax payments of ¥19.8 billion and a decrease in accounts payable of ¥9.3 billion.

Net cash provided by investing activities was ¥25.6 billion (compared to ¥24.9 billion used in the same period of the previous fiscal year). Major outflows included ¥36.9 billion for the acquisition of shares in subsidiaries accompanying changes to the scope of consolidation and ¥7.7 billion for the acquisition of tangible current assets while major inflows were ¥53.8 million from the sale of shares of subsidiaries accompanying changes to the scope of consolidation and ¥15.1 billion from the sale of shares in affiliate companies.

Net cash used in financing activities was ¥12.8 billion (a 52.6% increase compared to the same period of the previous fiscal year). The main outflows were ¥6.4 billion for the repayment of long-term loans payable and ¥5.6 billion for payment of dividends.

(3) Consolidated results forecasts

No revisions have been made to the consolidated results forecasts that were announced on **July 20, 2011**.

2. Other Information

(1) Transfer of important subsidiaries during the period

ProStrakan Group plc was made a wholly owned subsidiary following the acquisition of all outstanding shares on April 21, 2011. Following this, Strakan International Limited, a subsidiary of ProStrakan Group, became a subsidiary (specified subsidiary) of Kyowa Hakko Kirin and as of the end of the second quarter of the current fiscal year, will be included in the scope of consolidation.

(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 six-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 interim period of the current fiscal year were ¥14 million lower and income before income taxes were ¥462 million lower. 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 Method Companies" (FAS No. 24 March 10, 2008) have been applied. There are no effects on consolidated profits for the interim period 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 June 30, 2011	As of December 31, 2010
ASSETS		
Current assets:		
Cash and deposits	33,541	33,128
Notes and accounts receivable-trade	96,109	122,378
Merchandise and finished goods	34,396	40,803
Work in process	12,685	10,628
Raw materials and supplies	9,207	10,329
Deferred tax assets	8,311	8,368
Short-term loans receivable	81,283	53,483
Other	6,609	9,880
Allowance for doubtful accounts	(125)	(149)
Total current assets	282,019	288,852
Non-current assets:		
Property, plant and equipment		
Buildings and structures	128,990	153,135
Accumulated depreciation	(90,277)	(108,850)
Buildings and structures, net	38,713	44,284
Machinery, equipment and vehicles	138,865	211,317
Accumulated depreciation	(117,789)	(185,510)
Machinery, equipment and vehicles, net	21,075	25,806
Land	54,262	70,697
Construction in progress	4,423	10,578
Other	47,658	51,584
Accumulated depreciation	(40,528)	(43,213)
Other, net	7,130	8,371
Total property, plant and equipment	125,605	159,738
Intangible assets		
Goodwill	185,143	162,659
Product rights	28,704	--
Other	5,011	9,943
Total intangible assets	218,859	172,602
Investments and other assets		
Investment securities	28,049	55,289
Long-term loans receivable	500	510
Deferred tax assets	13,466	9,954
Other	9,348	10,391
Allowance for doubtful accounts	(860)	(1,476)
Total investments and other assets	50,504	74,669
Total non-current assets	394,968	407,010
Total assets:	676,988	695,862

Consolidated Balance Sheets (continued)

Millions of yen

	As of June 30, 2011	As of December 31, 2010
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	20,485	49,463
Short-term loans payable	5,415	7,253
Accounts payable-other	28,517	24,208
Income taxes payable	16,906	15,379
Provision for sales rebates	487	284
Provision for point card certificates	166	--
Provision for bonuses	139	100
Provision for repairs	--	601
Other	7,219	5,028
Total current liabilities	79,339	102,321
Non-current liabilities:		
Long-term loans payable	157	262
Deferred tax liabilities	13,194	16,379
Provision for retirement benefits	21,485	24,109
Provision for directors' retirement benefits	77	134
Provision for environmental measures	705	887
Asset retirement obligations	651	--
Other	5,158	6,776
Total non-current liabilities	41,432	48,549
Total liabilities:	120,771	150,870
NET ASSETS		
Shareholders' equity:		
Capital stock	26,745	26,745
Capital surplus	512,349	512,359
Retained earnings	32,764	20,744
Treasury stock	(6,642)	(6,676)
Total shareholders' equity	565,216	553,172
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	(1,812)	(2,195)
Deferred gains or losses on hedges	--	0
Foreign currency translation adjustment	(8,296)	(7,063)
Total valuation and translation adjustments	(10,108)	(9,258)
Subscription rights to shares:	206	207
Minority interests:	903	869
Total net assets:	556,217	544,992
Total liabilities and net assets:	676,988	695,862

(2) Consolidated Statements of Income

Millions of yen

	January 1, 2011 to June 30, 2011	January 1, 2010 to June 30, 2010
Net sales	186,367	203,466
Cost of sales	86,132	110,702
Gross profit	100,234	92,763
Selling, general and administrative expenses		
Research and development expenses	22,198	21,311
Amortization of goodwill	4,874	4,852
Other	43,224	44,907
Total selling, general and administrative expenses	70,297	71,071
Operating income	29,936	21,692
Non-operating income		
Interest income	193	221
Dividends income	303	485
Foreign exchange gains	112	--
Gain on revaluation of derivatives	--	685
Equity in earnings of affiliates	141	626
Other	565	1,102
Total non-operating income	1,316	3,120
Non-operating expenses		
Interest expenses	77	122
Foreign exchange loss	--	1,143
Loss on revaluation of derivatives	32	--
Loss on disposal of non-current assets	313	608
Other	617	604
Total non-operating expenses	1,040	2,478
Ordinary income	30,212	22,334
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	8,320	--
Reversal of allowance for doubtful accounts	100	107
Gain on negative goodwill	--	854
Gain on sale of investment securities	--	120
Total extraordinary income	8,421	1,082
Extraordinary loss		
Loss on valuation of investment securities	3,043	2,588
Advisory fee	1,030	--
Loss on adjustment for changes of accounting standard for asset retirement	447	--
Loss on disaster	302	--
Loss on liquidation of subsidiaries and affiliates	209	--
Impairment loss	200	--
Provision for point card certificates for prior periods	128	--
Loss on revision of retirement benefit plan	--	1,771
Non-recurring depreciation on non-current assets	--	1,225
Loss on sales of non-current assets	--	189
Total extraordinary loss	5,363	5,775

Consolidated Statements of Income (continued)

Millions of yen

	January 1, 2011 to June 30, 2011	January 1, 2010 to June 30, 2010
Income before income taxes and minority interests	33,270	17,641
Income taxes	15,507	7,718
Income before minority interests	17,763	--
Minority interests in income	44	21
Net income	17,718	9,901

(3) Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>	
	January 1, 2011 to June 30, 2011	January 1, 2010 to June 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	33,270	17,641
Depreciation and amortization	10,495	10,593
Impairment loss	200	--
Amortization of goodwill	4,951	4,945
Increase (decrease) in provision for retirement benefits	(179)	(2,821)
Decrease (increase) in prepaid pension costs	(1,136)	439
Increase (decrease) in provision for bonuses	354	(1,118)
Increase (decrease) in allowance for doubtful accounts	--	159
Interest and dividends income	(496)	(706)
Interest expenses	77	122
Equity in (earnings) losses of affiliates	(141)	(626)
Loss (gain) on sales and retirement of property, plant and equipment	191	335
Loss (gain) on sales of investment securities	(16)	--
Loss (gain) on valuation of investment securities	3,043	2,588
Loss (gain) on sales of stocks of subsidiaries and	(8,320)	--
Decrease (increase) in notes and accounts receivable-trade	(859)	4,100
Decrease (increase) in inventories	(2,714)	(1,194)
Increase (decrease) in notes and accounts payable-trade	(9,379)	(2,020)
Other, net	8,242	1,884
Subtotal	37,583	34,322
Interest and dividends income received	889	1,463
Interest expenses paid	(73)	(124)
Income taxes paid	(19,897)	(7,404)
Net cash provided by (used in) operating activities	18,502	28,255

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
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,742)	(15,156)
Proceeds from sales of property, plant and equipment	153	1,054
Purchase of intangible assets	(1,095)	(7,509)
Purchase of investment securities	(1,513)	(306)
Proceeds from sales of investment securities	879	843
Proceeds from sales of stocks of subsidiaries and affiliates	15,130	--
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(36,979)	--
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	53,848	--
Purchase of investments in capital of subsidiaries	--	(3,853)
Payments into time deposits	(617)	(3,514)
Proceeds from withdrawal of time deposits	3,561	3,519
Net decrease (increase) in short-term loans receivable	--	(39)
Other, net	70	21
Net cash provided by (used in) investing activities	25,696	(24,942)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(636)	(5,277)
Repayment of long-term loans payable	(6,454)	(150)
Cash dividends paid	(5,697)	(2,878)
Cash dividends paid to minority shareholders	(7)	(38)
Other, net	(73)	(88)
Net cash provided by (used in) financing activities	(12,869)	(8,433)
Effect of exchange rate change on cash and cash equivalents	119	(653)
Net increase (decrease) in cash and cash equivalents	31,448	(5,773)
Cash and cash equivalents at beginning of the period	79,882	63,745
Cash and cash equivalents at end of period	111,331	57,971

(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 sale of all shares of Kyowa Hakko Chemical on March 31, 2011.

2. Sales and profits (loss) by segment

Fiscal 2011 Q2 segment information by business type (January 1, 2011 – June 30, 2011)

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Adjustments	Consolidated
Net sales							
(1) Sales to external customers	112,434	38,067	32,787	3,077	186,367	--	186,367
(2) Inter-segment sales and transfers	100	2,292	762	2,229	5,384	(5,384)	--
Total sales	112,534	40,360	33,550	5,306	191,752	(5,384)	186,367
Segment income	25,145	2,519	2,135	148	29,948	(12)	29,936

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

2. Adjustments of Segment Income is due to inter-segment 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 consolidated first quarter. This follows the transfer of all shares of Kyowa Hakko Chemical executed on March 31, 2011. Further, assets in the Pharmaceuticals segment increased ¥55,992 million compared to the end of the previous consolidated fiscal year primarily due to the acquisition of all outstanding shares of Pro Strakan Group plc. Pro Strakan and its 10 subsidiaries (Pharmaceuticals segment) will be included in the scope of consolidation as of the end of the second-quarter of the current fiscal year.

3. Depreciation of non-current assets and goodwill by business segment

(Significant change in goodwill)

In the Pharmaceuticals segment, a significant change in the amount of goodwill occurred on April 21, 2011 as a result of the acquisition of all outstanding shares of ProStrakan Group. The resulting increase in goodwill for the interim period under review was ¥28,272 million.

*As allocation of the acquisition cost has not been completed, this amount is a provisional estimate based on practical information currently available.

Additional information:

As of the previous quarter, Kyowa Hakko Kirin has adopted “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance 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 Interim segment information by business type (January 1, 2010 – June 30, 2010)

(Millions of yen)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Elimination/Corporate	Consolidated
Net sales							
(1) Sales to external customers	103,384	39,727	58,638	1,716	203,466	--	203,466
(2) Inter-segment sales and transfers	91	4,459	2,651	3,365	10,567	(10,567)	--
Total sales	103,475	44,186	61,289	5,082	214,034	(10,567)	203,466
Operating income	17,993	1,853	1,589	150	21,587	105	21,692

Fiscal 2010 Interim segment information by location (January 1, 2010 – June 30, 2010)

(Millions of yen)

	Japan	Other regions	Total	Elimination/Corporate	Consolidated
Net sales					
(1) Sales to external customers	183,440	20,025	203,466	--	203,466
(2) Inter-segment sales and transfers	12,405	5,813	18,218	(18,218)	--
Total sales	195,845	25,838	221,684	(18,218)	203,466
Operating income	19,556	2,352	21,908	(216)	21,692

Overseas Sales (January 1, 2010 – June 30, 2010)

(Millions of yen)

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	12,977	10,779	18,114	364	42,236
(2) Consolidated sales					203,466
(3) Overseas sales as a percentage of consolidated sales (%)	6.4	5.3	8.9	0.2	20.8

(6) Note on significant change in shareholders' equity

No applicable items