

KYOWA KIRIN

Kyowa Hakko Kirin Co., Ltd.

Consolidated Financial Summary

Third quarter of Fiscal 2010

(January 1, 2010 – September 30, 2010)

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

Please note that as of the third quarter of Fiscal 2010, these financial statements have been prepared using English terminology based on EDINET taxonomy.

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

(Millions of yen)

	January 1, 2010 to December 31, 2010	Change
Net sales	408,000	--
Operating income	41,500	--
Non-operating income	43,000	--
Net income	19,000	--
Net income per share (¥)	33.35	--

Note 1: Changes to the consolidated results forecast during the term: Yes.

2. The fiscal period ended December 31, 2009 was an irregular 9-month period resulting from the change in fiscal year-end and therefore comparison with the previous period is not provided.

4. Other

1) Transfer of important subsidiaries during the period: None

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, as mentioned in "Significant Items for the Preparation of Consolidated Financial Statements"

4) Number of shares outstanding (ordinary shares):

1. Number of shares outstanding (including treasury shares)	September 30, 2010:	576,483,555	December 31, 2009	576,483,555
2. Number of treasury shares	September 30, 2010	6,644,228	December 31, 2009	6,935,900
3. Average number of shares during the nine-month period	Nine months to September 30, 2010	569,674,240	Nine months to September 30, 2009	--

Due to the change in fiscal year-end the fiscal period ended December 31, 2009 was a nine-month reporting period and as a result, figures for the average number of shares during the nine-month period have not been provided for the nine months to September 30, 2009.

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 financial forecasts:

1. The consolidated results forecasts announced July 28, 2010, have been revised in this financial report.
2. 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.

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1. Operating Results and Financial Statements

(1) Summary of business performance

During the nine-month period of 2010 (January 1 to September 30, 2010) the domestic economy continued to gradually recover, but the outlook remains uncertain, due to fears that overseas economies, primarily those of the US and Europe, will underperform expectations, as well as due to changes in foreign exchange rates.

In the Pharmaceuticals business, domestic market conditions remained challenging due to the further extension of policy measures to limit medical costs including the promotion of generic pharmaceuticals, increased competition as European and American drug manufacturers and major domestic pharmaceutical companies shift their attention to cancer and areas with unmet medical needs, and the trend towards the development of biopharmaceuticals increases. Meanwhile, a new pharmaceutical prices system aimed at promoting the generation of new drugs was introduced in April of this year. Against this background, Kyowa Hakko Kirin further strengthened its domestic sales operation with the aim of expanding sales of core products and achieving early market penetration of new products. We also sought to advance our antibody pharmaceuticals, one of our core strengths, to the next stage of clinical development in Japan and overseas, while seeking to form new technology and product licensing agreements.

In our Bio-Chemicals business, against the background of the continued, rapid appreciation of the yen since last year, we strived to expand sales of high-value-added products including amino acids for use in infusions and pharmaceutical raw materials. Further, in our health care business we strengthened our health food mail order *Remake* series, while promoting development of the market for in-house amino acid materials such as ornithine.

In the Chemicals business, recovering economies worldwide led to increased product demand. Overseas markets conditions for core products were steady while we focused on sales of environment-friendly specialty chemicals while striving to provide a steady product supply.

As a result, in the first nine months of 2010, consolidated net sales were ¥304.4 billion, up by 4.2% compared to the same period of the previous year, operating income was ¥33.2 billion (up 41.6%), non-operating income was ¥34.0 billion (up 34.2%) and net income was ¥14.4 billion (up 19.6%).

Note: Due to a change in fiscal year end from March to December comparisons with the previous comparable fiscal period shown here have been prepared using figures for the nine-month period January 1 to September 30, 2009. These figures were obtained by subtracting the figures for the nine-month period to December 2008 from the figures for the twelve-month period to March 2009 and adding the figures for the six-month period to September 2009.

Segmental performance

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

Pharmaceuticals

In the Pharmaceuticals business, consolidated net sales were ¥154.0 billion (up 0.7% compared to the same period of the previous year), while operating income was ¥26.4 billion (down 0.3%).

Domestic sales of pharmaceutical products declined due to the effects of reductions in National Health reimbursement prices in April. By product, the anemia treatments Nesp and Espo (for which new product Nesp injection plastic syringe was launched in August), and Regpara, a treatment for secondary hyperparathyroidism during dialysis therapy, continued to grow. Also, Parkinson's disease treatment Permax, launched in April, and Fentos, a transdermal analgesic for persistent cancer pain launched in June, each performed well. However, due in part to the effects of reductions in National Health reimbursement prices in April, sales of products including Coniel a treatment for hypertension and angina pectoris, and Allelock, an antiallergic agent, were lower than in the comparable period. In the licensing-out of technologies and export

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of pharmaceutical products, revenues increased significantly due to an increase in one-time income from outlicensing, and a strong performance in royalty income, mainly from antiallergenic olopatidine hydrochloride.

In new drug development in Japan, in the cancer and hematology area new drug applications were filed in March for AMG 531, a treatment for idiopathic thrombocytopenic purpura, while ARQ197 commenced Phase II trials as a gastric cancer treatment in July. An application was filed in February for KW-2246, an analgesic for cancer pain, but the application was temporarily withdrawn in August and it was decided to conduct additional Phase III clinical trials. In addition, in September, KW-0761 entered late Phase II clinical trials as a joint therapy with mLSG15 for recurrent or exacerbated CCR4-positive Adult T-Cell Lymphoma as a treatment for peripheral T/NK cell lymphoma.

In the renal therapeutic area, approval was received in April for Nesp injection plastic syringe, a long-acting erythropoiesis stimulating agent as a treatment for anemia of CKD patients not on dialysis. Overseas, in March approval was received in South Korea and Taiwan for Regpara, a treatment for secondary hyperparathyroidism during dialysis therapy.

In the areas of immunology and allergy in Japan, antiallergenic Allelock received additional approvals for children aged seven and above regarding effect/efficacy and dosing method and amount. In overseas markets, in July antiallergenic Allelock received approval in China.

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 US subsidiary BioWa, Inc. To date, we have licensing agreements with fifteen 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.

Bio-Chemicals

In the Bio-Chemicals business, consolidated net sales were ¥63.9 billion (up by 2.6% compared to the same period of the previous year), while operating income was ¥2.8 billion (up 10.2%). Sales of pharmaceutical and industrial use raw materials, mainly amino acids, nucleic acids and related compounds, were ahead of sales in the same period of the previous year, primarily due to strong volume growth of sales of pharmaceutical raw materials and amino acids for intravenous liquids, in Japan and overseas.

In health care products sales increased, benefiting from strong sales of materials related to Kirin Health Project *KIRIN Plus-i*, and continued strength in sales of our mail order *Remake* series.

In agrochemicals and products for the livestock and fisheries industries, sales were down due to the transfer of domestic livestock and fisheries product sales to Asuka Pharmaceuticals in April, and in alcohol, sales were down due to the transfer of raw material alcohol sales to Daiichi Alcohol in July.

Chemicals

In the Chemicals business, consolidated net sales were ¥94.6 billion, up by 111.6% compared to the same period of the previous year, due in part to changes in segment classification, and operating income was ¥3.5 billion (compared to an operating loss of ¥6.0 billion in the same period of the previous year). Compared to the large fall in demand due to the effects of the global economic recession experienced in the first nine months of last year, domestic and overseas sales volumes and sales revenues both showed large increases, and product prices, on the whole, maintained high levels. In exports, overseas market conditions for core products were firm, while sales of environment-friendly specialty chemicals were strong.

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Other

Due to changes in segment classifications, sales in the Other segment were ¥7.7 billion (down by 82.1% compared to the same period of the previous year), while operating income was ¥0.2 billion (up 23.6%).

Results by location

Japan

In Japan, net sales increased 4.2% to ¥293.0 billion due to the recovery in the Chemicals business and operating income increased significantly by 57.8% to ¥30.0 billion due to the return to profitability of the Chemicals business and other factors.

Other regions

Net sales in other regions increased 21.8% to ¥38.3 billion due to strong sales, primarily from existing subsidiaries in Asia while operating income decreased 14.3% to ¥3.6 billion due to a decrease in revenues from technology licensing by overseas subsidiaries.

(2) Summary of consolidated financial position

Total assets as of September 30, 2010 were ¥673.0 billion, ¥22.1 billion lower compared to the end of the last fiscal year and primarily the result of reductions in notes and accounts receivable-trade, and investment securities. Liabilities decreased ¥19.8 billion to ¥135.0 billion largely due to the partial repayment of short-term loans payable and a decrease in accounts payable-other following the completion of large facilities. Net assets decreased ¥2.2 billion to ¥538.0 billion due to negative factors such as a decrease in minority interests and payment of dividends and despite positive factors including the net income recorded for the nine-month period.

As a result of the above factors, the shareholders' equity ratio at the end of the third quarter was 79.8%, an increase of 2.7 percentage points from the end of the previous fiscal year.

Cash flow summary

Cash and cash equivalents as of September 30 were ¥61.5 billion, a decline of ¥2.1 billion compared to the end of the previous fiscal period. The main cash flows and factors affecting them during the nine-month period were as follows:

Net cash provided by operating activities was ¥45.5 billion. The primary contributing factors were income before income taxes of ¥28.9 billion, depreciation and amortization of ¥16.2 billion and a decrease in notes and accounts receivable-trade of ¥9.0 billion. The main cash outflows were income taxes paid of ¥12.9 billion and a decrease in accounts payable-other of ¥ 3.3 billion.

Net cash used in investing activities was ¥32.6 billion primarily due to expenditures such as ¥22.4 billion for the purchase of property, plant and equipment and ¥7.5 billion for the purchase of intangible assets.

Net cash used in financing activities was ¥14.1 billion. The main outflows were cash dividends paid of ¥8.5 billion and a net decrease of ¥5.3 billion in short-term loans payable.

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(3) Forecasts for the fiscal year ending December 31, 2010

In our consolidated results for the nine-month period to September 2010, licensing income in the Pharmaceuticals business was ahead of plan and the Chemicals business continued to perform strongly. However, our forecast net income is lower than previously expected due to a tax effect recognized following our decision to sell our entire holding of Kyowa Hakko Chemical shares. This tax effect is in respect of a temporary difference between the amount of the investment in our consolidated balance sheet and the book value amount recorded on our non-consolidated balance sheet. Reflecting these factors we have revised our full year forecasts.

The revised forecasts and changes compared to the previous forecasts announced on July 28, 2010 are as follows:

	<i>(Millions of yen)</i>				
Consolidated	Net sales	Operating income	Non-operating income	Net income	Net income per share (¥)
Previous forecasts	407,000	37,500	39,000	20,000	¥35.12
Revised forecasts	408,000	41,500	43,000	19,000	¥33.35
Change in forecasts	1,000	4,000	4,000	(1,000)	--
Percentage change	+0.2%	+10.7%	+10.3%	(5.0%)	--
Reference*: Results for the fiscal period ended December 31, 2009	309,111	28,243	29,479	8,797	¥15.41

*Results for the period ended December 31, 2009 are for the nine-month period April 1, 2009 to December 31, 2009.

2. Other

(1) Changes to subsidiaries during the period:

No applicable items

(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 nine-month period under review. Corporate tax adjustments have been included in corporate and other taxes.

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

As of the interim period, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 of December 26, 2008), the partial amendments to the "Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 of December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 of December 26, 2008), the "Accounting Standard for the Equity Method of Accounting for Investments" (ASBJ Statement No. 16; part issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 of December 26, 2008).

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3. Consolidated financial statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and deposits	30,374	30,159
Notes and accounts receivable-trade	110,887	120,869
Merchandise and finished goods	44,260	43,863
Work in process	10,502	8,970
Raw materials and supplies	10,339	10,971
Deferred tax assets	9,131	9,250
Short-term loans receivable	38,424	40,342
Other	8,756	12,313
Allowance for doubtful accounts	(157)	(153)
Total current assets	262,518	276,587
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	152,555	146,096
Accumulated depreciation	(108,133)	(107,203)
Buildings and structures, net	44,421	38,893
Machinery, equipment and vehicles	208,358	204,828
Accumulated depreciation	(183,774)	(178,836)
Machinery, equipment and vehicles, net	24,584	25,992
Land	71,498	71,993
Construction in progress	13,278	17,588
Other	51,625	51,413
Accumulated depreciation	(43,076)	(43,321)
Other, net	8,548	8,091
Total property, plant and equipment	162,332	162,559
Intangible assets		
Goodwill	165,070	170,054
Other	10,413	4,067
Total intangible assets	175,483	174,122
Investments and other assets		
Investment securities	58,161	66,422
Long-term loans receivable	519	496
Deferred tax assets	5,354	4,263
Other	10,248	12,267
Allowance for doubtful accounts	(1,523)	(1,451)
Total investments and other assets	72,759	81,998
Total noncurrent assets	410,575	418,680
Total assets	673,094	695,268

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Consolidated quarterly balance sheets (continued)

(Millions of yen)

	September 30, 2010	December 31, 2009
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	44,530	48,965
Short-term loans payable	7,306	12,690
Accounts payable-other	20,150	32,364
Income taxes payable	5,954	7,312
Provision for sales rebates	249	283
Provision for bonuses	4,043	1,225
Provision for repairs	399	1,051
Other	5,523	5,944
Total current liabilities	88,158	109,838
Noncurrent liabilities		
Long-term loans payable	345	537
Deferred tax liabilities	16,455	14,646
Provision for retirement benefits	24,190	27,268
Provision for directors' retirement benefits	138	107
Other	5,740	2,526
Total noncurrent liabilities	46,871	45,086
Total liabilities	135,029	154,924
NET ASSETS		
Shareholders' equity		
Capital stock	26,745	26,745
Capital surplus	512,359	512,398
Retained earnings	12,961	7,093
Treasury stock	(6,636)	(6,932)
Total shareholders' equity	545,429	539,304
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,988)	475
Deferred gains or losses on hedges	4	3
Foreign currency translation adjustment	(6,443)	(3,956)
Total valuation and translation adjustments	(8,427)	(3,478)
Subscription rights to shares	187	196
Minority interests	874	4,321
Total net assets	538,064	540,343
Total liabilities and net assets	673,094	695,268

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(2) Consolidated quarterly statements of income

(Millions of yen)

	January 1, 2010 to September 30, 2010
Net sales	304,453
Cost of sales	164,625
Gross profit	139,828
Selling, general and administrative expenses	
Research and development expenses	32,208
Amortization of goodwill	7,294
Other	67,082
Total selling, general and administrative expenses	106,585
Operating income	33,242
Non-operating income	
Interest income	298
Dividends income	557
Gain on valuation of derivatives	251
Equity in earnings of affiliates	1,150
Other	1,501
Total non-operating income	3,758
Non-operating expenses	
Interest expenses	172
Foreign exchange losses	1,051
Loss on disposal of noncurrent assets	1,121
Other	648
Total non-operating expenses	2,994
Ordinary income	34,006
Extraordinary income	
Gain on negative goodwill	854
Gain on sales of investment securities	120
Reversal of allowance for doubtful accounts	117
Total extraordinary income	1,091
Extraordinary loss	
Loss on valuation of investment securities	2,833
Loss on revision of retirement benefit plan	1,771
Non-recurring depreciation on noncurrent assets	1,225
Loss on sales of noncurrent assets	189
Loss on sales of investment securities	101
Total extraordinary losses	6,121
Income before income taxes and minority interests	28,976
Income taxes	14,513
Minority interests in income	47
Net income	14,414

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(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	January 1, 2010 to September 30, 2010
Net cash provided by (used in) operating activities:	
Income before income taxes and minority interests	28,976
Depreciation and amortization	16,218
Amortization of goodwill	7,434
Increase (decrease) in provision for retirement benefits	(3,060)
Decrease (increase) in prepaid pension costs	75
Increase (decrease) in provision for bonuses	2,820
Increase (decrease) in allowance for doubtful accounts	92
Interest and dividends income	(855)
Interest expenses	172
Equity in (earnings) losses of affiliates	(1,150)
Loss (gain) on sales and retirement of property, plant and equipment	460
Loss (gain) on sales of investment securities	(18)
Loss (gain) on valuation of investment securities	2,833
Decrease (increase) in notes and accounts receivable-trade	9,033
Decrease (increase) in inventories	(2,565)
Increase (decrease) in notes and accounts payable-trade	(3,333)
Other, net	(148)
Subtotal	56,984
Interest and dividends income received	1,762
Interest expenses paid	(164)
Income taxes paid	(12,988)
Net cash provided by (used in) operating activities	45,594
Net cash provided by (used in) investing activities:	
Purchase of property, plant and equipment	(22,447)
Proceeds from sales of property, plant and equipment	1,125
Purchase of intangible assets	(7,515)
Purchase of investment securities	(344)
Proceeds from sales of investment securities	852
Purchase of investments in capital of subsidiaries	(3,853)
Payments into time deposits	(6,282)
Proceeds from withdrawal of time deposits	5,218
Net decrease (increase) in short-term loans receivable	(118)
Other, net	732
Net cash provided by (used in) investing activities	(32,634)

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(3) Consolidated quarterly statements of cash flows (continued)

(Millions of yen)

	January 1, 2010 to September 30, 2010
Net cash provided by (used in) financing activities:	
Net increase (decrease) in short-term loans payable	(5,330)
Repayment of long-term loans payable	(166)
Cash dividends paid	(8,520)
Cash dividends paid to minority shareholders	(37)
Other, net	(124)
Net cash provided by (used in) financing activities	(14,180)
Effect of exchange rate change on cash and cash equivalents	(932)
Net increase (decrease) in cash and cash equivalents	(2,153)
Cash and cash equivalents at beginning of period	63,745
Cash and cash equivalents at end of period	61,591

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(4) Items related to going concern

No applicable items.

(5) Segment information

Segment information by business type

Third quarter of fiscal 2010: (January 1, 2010 – September 30, 2010)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Other	Total	Elimination/ Corporate	Consolidated
Net sales							
(1) Sales to external customers	153,932	57,371	90,500	2,648	304,453	--	304,453
(2) Inter-segment sales and transfers	160	6,597	4,160	5,057	15,975	(15,975)	--
Total sales	154,092	63,968	94,661	7,706	320,429	(15,975)	304,453
Operating income	26,465	2,846	3,557	252	33,122	120	33,242

Segment information by location

Third quarter of fiscal 2010: (January 1, 2010 – September 30, 2010)

Millions of yen

	Japan	Other regions	Total	Eliminations/ Corporate	Consolidated
Net sales					
(1) Sales to external customers	274,546	29,907	304,453	--	304,453
(2) Inter-segment sales and transfers	18,488	8,424	26,912	(26,912)	--
Total sales	293,034	38,331	331,365	(26,912)	304,453
Operating income	30,059	3,652	33,711	(469)	33,242

Overseas Sales

Third quarter of fiscal 2010: (January 1, 2010 – September 30, 2010)

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	19,770	16,085	27,346	439	63,641
(2) Consolidated sales					304,453
(3) Overseas sales as a percentage of consolidated sales (%)	6.5	5.3	9.0	0.1	20.9

(6) Note on significant change in shareholders' equity

No applicable items.

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(7) Important subsequent events

Sale of shares in subsidiary

At a meeting of its Board of Directors held on October 22, 2010, Kyowa Hakko Kirin Co., Ltd. (Kyowa Hakko Kirin) reached a basic agreement to sell all shares of its consolidated subsidiary Kyowa Hakko Chemical Co., Ltd. (Kyowa Hakko Chemical) to Japan Industrial Partners, Inc. (Japan Industrial Partners) and the funds that it administers and manages, as well as other investors that are invested in the acquisition vehicle that will acquire Kyowa Hakko Chemical.

In accordance with its Group Medium-term Business Plan for the period 2010 to 2012, against a background of intense competition in the market for pharmaceutical products Kyowa Hakko Kirin aims to rapidly develop its product pipeline by efficiently using its operating resources, while focusing and selecting its business portfolio to create a business platform that can achieve sustained growth.

Our subsidiary, Kyowa Hakko Chemical, is the leading domestic producer of oxo derivative products and many of its products have a high domestic market share, it also has several next-generation, environment-friendly products that are fast-growing and have high added value. As such, despite the presence of many large companies in the petrochemical industry, we believe that Kyowa Hakko Chemical has fully adequate business foundations that would allow it to develop its position as a global niche player.

We therefore decided that the optimal solution would be for Kyowa Hakko Kirin to sell all of its shareholding in Kyowa Hakko Chemical to a business partner that can implement the investment in Kyowa Hakko Chemical's businesses that is required to achieve further growth, and signed the Basic Memorandum of Understanding. As a result, Kyowa Hakko Kirin will be able to effectively focus its business resources on its pharmaceutical products business, while Kyowa Hakko Chemical can actively implement the capital expenditure required to meet diverse market needs, independently of Kyowa Hakko Kirin.

(1) Outline of sale

1. Name and main business of subsidiary and acquiring company:

Subsidiary: Kyowa Hakko Chemical Co., Ltd. (Manufacture and sale of petrochemical products)

Acquiring company: Japan Industrial Partners, Inc. (Administration and management of turnaround investment funds and related services) and the funds that Japan Industrial Partners administers and manages, and other investors that are invest in the acquisition vehicle

2. Main reason for sale:

Discussed above

3. Date of sale:

March 31, 2011 (scheduled)

4. Legal form

Legal form: Share transfer

Number of shares sold: 22,264,000 shares

Sale price: Undecided

Post-sale equity ratio: --%

(2) Name of segment used to classify the subsidiary:

Chemicals business segment