Kyowa Hakko Kirin Co., Ltd.

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Kyowa Hakko Kirin Group

Corporate Social Responsibility Report 2010

KYOWA KIRIN

The Group Management Philosophy

The Kyowa Hakko Kirin Group companies strive to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies.

The Group Vision

To create a Japan-based, leading world-class Japanese research and development-centered life sciences company focusing on pharmaceuticals with a firm foundation in biotechnology.

The Group Action Guidelines

We will work together in a sincere and mutually respectful manner.

We will take a forward-looking, energetic approach to change.

We will do our utmost to add value and contribute to a brighter future around the world.

We will always act with integrity in everything that we do.

Editorial Policy

This Kyowa Hakko Kirin Group Corporate Social Responsibility Report outlines the diversity of activities performed by the Group to provide value to society and embody the Group Management Philosophy. The special feature section shows how our mission statement—"Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin"—has been implemented in the process of drug discovery and development, as well as reports on the CSR activities of Kyowa Hakko Bio and Kyowa Hakko Chemical through their businesses. For this year's report, the composition has been altered to introduce our CSR activities on a stakeholder-by-stakeholder basis. At the end of this report you will find comments on the report from several third parties, as well as the response to these opinions from our CSR officer, as a first step toward achieving an effective CSR dialog. Since our economic activities are covered mainly by securities reports and annual reports, only a minimum of these activities is included in this report.

Scope of the Report

This report covers Kyowa Hakko Kirin and its consolidated subsidiaries in Japan and overseas. Please see page 40 for major consolidated subsidiaries.

Environmental performance data was gathered from the production and R&D sites of Kyowa Hakko Kirin and its consolidated subsidiaries in Japan and from their overseas production sites. Data regarding Kirin Kyowa Foods, which became an affiliate accounted for by the equity method in April 2009, and its subsidiaries were excluded. Green Office Plan data for sales offices in Japan was included. Reflecting the unique nature of its business, the environmental activities of Daiichi Fine Chemical are reported separately.

Period Reported

The period covered by this report is from April to December 2009 for activities in Japan and from January to December 2009 for overseas activities. Some activities in fiscal 2010 are also referred to.

The environmental performance reported in this report is based on data collected from April 2009 to March 2010 for Japan, and from January to December 2009 for overseas.

Published in August 2010
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* The English edition of the Kyowa Hakko Kirin Group Corporate Social Responsibility Report is distributed online only.

CONTENTS

Management Commitment

Our Mission: To Contribute to the Health and Well-being of People through Our Leading-edge Biotechnology

Aiming at sustainable growth for the entire group

The business environment surrounding the Kyowa Hakko Kirin Group continues to be challenging. The Pharmaceuticals business is confronted with a tendency toward reducing drug costs in Japan and intensified competition in and outside Japan, while the Bio-chemicals business is facing threats of price erosion caused by competition from emerging Chinese and other manufacturers, as well as the rapidly appreciating yen. The Chemicals business is undergoing a decrease in demand and sluggish market due to the global recession.

Amid this challenging business environment, we have been actively investing management resources in our core businesses, Pharmaceuticals and Bio-chemicals, and making efforts to ensure profitability and sustainable growth for the Group. We have also utilized external resources effectively to strengthen our business and increase the efficiency of our R&D. For the Chemicals business, which is positioned as our sub-core business, we are also working hard to ensure stable earnings and enhance our competitive edge through ways such as alliances with other companies.

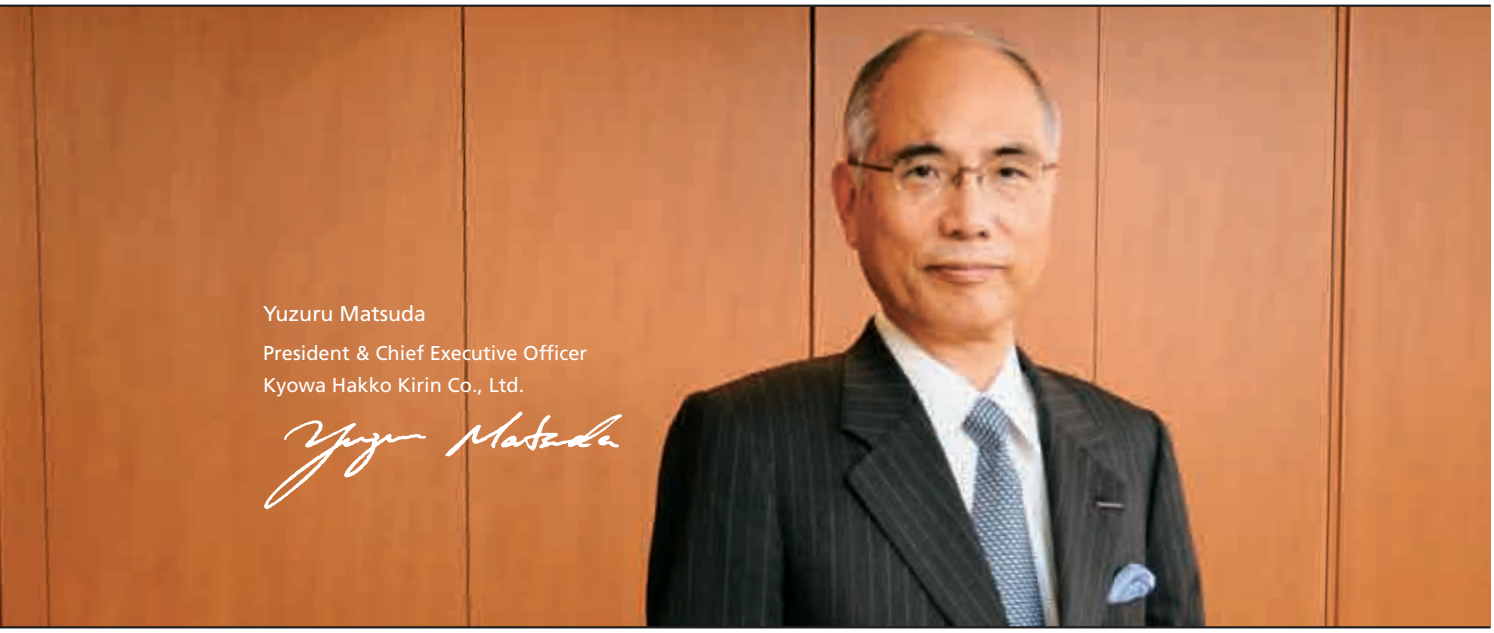
During the three-year period of the Medium-term Business Plan 2010–2012 announced this year, we will aim to establish a strong foothold for great future growth by implementing the plan vigorously and swiftly. Our particular focus is to ensure efficient investment of management resources in the Pharmaceuticals business, our core business, to accelerate the development of our new drug pipeline. Under the Medium-term Business Plan, we will strive to provide new value through differentiated products that address diverse customer needs, promote globalization, and strengthen profitability through cost restructuring improvements.

The key strategies of the Medium-term Business Plan are threefold: firstly, to select and concentrate our business portfolio; secondly, to reorganize our manufacturing locations to maximize earnings; and thirdly, to develop our therapeutic antibody business, based on the world's highest standard antibody technology.

We will fully implement the Medium-term Business Plan so that we can—as our Group Vision states—develop into "a Japan-based, leading world-class Japanese research and development-centered life sciences company focusing on pharmaceuticals with a firm foundation in biotechnology."

Doing all we can do to bring health and well-being to people

As we promise in our Group Management Philosophy, at the Kyowa Hakko Kirin Group we are striving to contribute to the health and well-being of people around the world by creating new value through the pursuit of advances in life sciences and technologies. Kyowa Hakko, one of the predecessors of the group, brought the production technology of Streptomycin, an antibiotic drug, to Japan after WWII, and played an important role in significantly reducing the prevalence of tuberculosis, a disease said to be incurable, in Japan. This willingness to address unmet medical needs and serve society is a spirit that we have cherished since our establishment. Based on this spirit, we must continue our important mission to create new



Yuzuru Matsuda
President & Chief Executive Officer
Kyowa Hakko Kirin Co., Ltd.

drugs on an ongoing basis by integrating and reinforcing our antibody and bio technologies so as to fulfill the wishes of patients, their families, and health care professionals to find effective treatments.

Kyowa Medex, a group company playing an important part in our Pharmaceuticals business, provides beneficial in-vitro diagnostics, while Kyowa Hakko Bio utilizes its world-class fermentation and synthesis technologies to supply amino acids for use in bulk pharmaceuticals and infusions; thus both companies are continuously contributing to the health and well-being of people. Kyowa Hakko Chemical, which operates Chemicals businesses around the world, is working hard to maintain a stable supply of solvents and other basic chemicals and expand the lineup of specialty chemicals with added value, such as environmental compatibility. The company will continue to provide chemicals that are friendly to the global environment and bring comfort to people's lives.

Going hand in hand with society

When Kirin Pharma and Kyowa Hakko merged in 2008, more than 1,000 employees from both companies took part in a project to create a credo for the new company made up of around 1,000 characters. The credo—which is titled "Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin"—summarizes why each of us at Kyowa Hakko Kirin works at this company and what we can do for society, and expresses our strong determination to bring health and well-being to people around the world. "Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin" is a mission statement that every person engaged in the Pharmaceuticals business must bear in mind at all times, and is powerful and effecting in waking us up to our responsibilities.

This credo includes the words, "Let us aim to become the ultimate team. No matter how talented an individual may be, alone he or she is hardly perfect. Let us take our energy, enthusiasm, and pioneering spirit to join as one. Through our combined strength, we can yield unimaginable solutions. This is what we want to show the world." In fact, we do not live alone, but are supported by many people in society. We will continue to open up new possibilities so that we can maximize the number of new drugs developed, and minimize the lead time for their delivery to patients who are anxiously waiting for new treatments.

Through its business activities, the Kyowa Hakko Kirin Group must—as its basic social responsibility—become a company that is useful and indispensable for society. We will continue to pay full attention to quality, the environment, safety, and corporate ethics, and make our utmost efforts to maximize transparency in management. We appreciate your continued support.

Overview of the Kyowa Hakko Kirin Group

Through our business activities, we will become a useful and indispensable company for society

Kirin Holdings Company, Limited

50.10% subsidiary

Kyowa Hakko Kirin Co., Ltd.

Contributions through Pharmaceuticals

more details on pages 7–12

Following the merger of Kyowa Hakko and Kirin Pharma, companies with leading-edge biotechnology, Kyowa Hakko Kirin was established in October 2008 to produce and market ethical drugs. The company is currently dealing with more than 50 types of pharmaceuticals, including anemia drugs that stimulate erythrocyte production, anti-allergic drugs that are effective for pollen allergies, and anti-cancer agents. In the area of antibody drugs, Kyowa Hakko Kirin has developed a unique technology that boosts the activity of antibodies, and licensed it out to many pharmaceutical companies. The company's aim is to become a Japan-based global specialty pharmaceutical company that is capable of delivering innovative new drugs—mainly in the focused areas of cancer, kidney diseases, and immune disorder—on an ongoing basis, and bring health and well-being to people around the world.

Major products
Ethical drugs

100% subsidiary

Kyowa Medex Co., Ltd.

Contributions through Clinical Laboratory Tests

more details on page 12

Kyowa Medex plays an important part in Kyowa Hakko Kirin's Pharmaceuticals business, as well as in bringing health and well-being to people around the world, through the development, production, and sales of *in vitro* diagnostics and medical instruments. The company's products include reagents for use in the measurement of cholesterol and neutral fat for the diagnosis of hyper-lipidemia; reagents for HbA1c measurement to examine blood glucose control levels; and medical instruments that meet the needs of point-of-care testing.

Major products
In vitro diagnostics
Medical instruments

History of Kyowa Hakko Kirin

Kyowa Hakko Kirin is a pharmaceutical company inheriting the vast experience and achievements of Kyowa Hakko and Kirin Pharma. This section shows some of the milestones achieved by these companies until they merged to establish Kyowa Hakko Kirin.

Kirin Pharma

1982 Started a fully-fledged Pharmaceuticals business. The Research Institute for Production Development began full-scale research towards the commercialization of erythropoietin.

1984 Established Kirin-Amgen, Inc., a joint venture with US biotechnology company Amgen Inc.

1988 Supported the establishment of the La Jolla Institute for Allergy and Immunology (LIAI) in the U.S.A. Established Gemini Science, Inc. in the U.S.A.

Kyowa Hakko

1948 Initiated Japan's first mass production of acetone and butanol from molasses.

1951 Introduced production technology of Streptomycin, an anti-tubercular drug, from US pharmaceutical company Merck & Co., Inc. and succeeded in mass producing it for the first time in Japan. Contributed to significantly reducing the prevalence of tuberculosis in Japan.

1956 Invented the process of L-glutamic acid production by fermentation for the first time in the world. Pioneered amino-acid fermentation, which has now become a major industry.

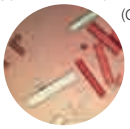
Succeeded in the isolation and commercial mass-production of the anticancer drug, Mitomycin C.

1970 Adopted the oxo process, in which CO_2 is used as a raw material (Chemicals business).

1975 Released DEPAKENE®, an anti-epileptic drug.

1987 Released CELTECT®, an anti-allergic drug.

1988 Established Kato Memorial Bioscience Foundation.



Crystal of L-glutamic acid

100% subsidiary

Kyowa Hakko Bio Co., Ltd.

Contributions through Fermentation Technology

more details on pages 13–14

By exploiting its innovative fermentation production technologies, Kyowa Hakko Bio commercializes amino acids, nucleic acid-related substances, vitamins, physiologically active substances, and other beneficial substances. The company meets the increasing global demand for value-added amino acids for pharmaceuticals, as well as the needs of the specialty generic pharmaceuticals market, and supplies pharmaceutical and cosmetic raw materials, health foods and their raw materials, and other products to contribute to the health and well-being of people.

Major products
Pharmaceutical raw materials
Health care products

100% subsidiary

Kyowa Hakko Chemical Co., Ltd.

Contributions through Chemistry

more details on pages 13–14

As Japan's leader in oxo chemicals, Kyowa Hakko Chemical provides a wide range of products that bring comfort to people's everyday lives. The company's major products include basic chemicals for use in the automotive, electronic, and housing industries; functional materials used in lubricants, resins, paints, and cosmetics; and high-purity solvents and other raw materials used for the production of semiconductors and liquid crystal panels.

Major products
Solvents
Plasticizer raw materials
Specialty chemicals

1990
Released ESPO®, an EPO drug for renal anemia.

1991
Released GRAN®, a G-CSF drug for neutropenia.

1991
Released CONIEL®, a remedy for hypertension and angina pectoris.

1997
Developed a human antibody generating mouse for the first time in the world.

1999
Formed a partnership with Medarex for the human antibody generating mouse.

2001
Released ALLELOCK®, an anti-allergic drug. Developed POTELLIGENT®, an innovative antibody production technology that greatly enhances antibody activity.

Original antibody

Antibody on which POTELLIGENT® technology is applied.

2003
Released the ESPO® syringe, a drug for renal anemia.

2003
Established BioWa, Inc. in the U.S.A. to promote our therapeutic antibody business.

2006
Released Patanol®, anti-allergic eye drops.

2007
Released NESP®, a long-acting erythropoiesis-stimulating protein.

2008
Released REGPARA®, a drug for secondary hyperparathyroidism.

2008
Kyowa Hakko Kirin Group established.

Here at Kyowa Hakko Kirin, an abiding respect for life, health, and wellness inspires everything we do. First and foremost, we work to protect and improve the lives of those who depend upon our products. As an up-and-coming pharmaceutical supplier and a driver of health care innovation, we are well-positioned to make a significant impact on public health. We intend to devote all of our resources and capabilities to this worthy goal.

Believe in Ourselves

Let us place our trust in our experience and our substantial shared pool of knowledge. Although we certainly are not the largest pharmaceutical firm, we possess a unique combination of core competencies and capabilities that are unparalleled in the market. Let us draw upon and sustain our history, our legacy, our technological prowess, and our unsurpassed knowledge resources. The possibilities of what we can accomplish as a pharmaceutical company are infinite.

Strive to Be Fearlessly Innovative

The path to excellence is neither smooth nor linear. Let us have the courage to identify and overcome difficulties, the passion to reach beyond the conventional way of doing things, and the integrity to recognize and learn from missteps. Innovation is not simply the maturation of ideas; it is a leap of growth that can only be achieved through diligence, a daring dedication to progress, and a willingness to transcend the status quo.

Special Feature 1 Kyowa Hakko Kirin

Contributions through Pharmaceuticals

Kyowa Hakko Kirin develops antibody drugs and other innovative new drugs on the basis of its state-of-the-art biotechnology. Our mission is to deliver our drugs to as many people as possible around the world who are struggling with disease within as short a lead time as possible.

Our mission statement
Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin

"Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin" is the mission statement of Kyowa Hakko Kirin, created when the company was established in October 2008. The statement expresses the strong determination of each employee to devote themselves to saving the lives of all who are suffering from disease, and serve society through the development of new drugs.

"Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin" is printed in card form and distributed to all employees.

Support Wellness and Quality of Life

Let us endeavor to go beyond just making medicine. Health is more than just the absence of illness, and our work should be carried out with a solemn awareness that wellness and quality of life are equally worthy goals. And, let us engender happiness. Think always of the families whose ailing loved ones depend on us, and support the health care practitioners who strive tirelessly to save lives. Innovative research and business insight are not enough to help us fulfill our mission—we must cultivate kindness, empathy, and sensitivity to the problems facing humanity, as well.

Find Strength in Numbers

Let us aim to become the ultimate team. No matter how talented an individual may be, alone he or she is hardly perfect. Let us take our energy, enthusiasm, and pioneering spirit to join as one. Through our combined strength, we can yield unimaginable solutions. This is what we want to show the world.

Accelerate Our Efforts

Let us carry out our work while raising our awareness of the scale of patients' suffering from the diseases that we combat. Each day, lives are lost and families are torn apart by illnesses that our research and products can help to eradicate. The challenge may be overwhelming, but our efforts must be ceaseless—there can be no rest along the way.

Pursue Our Objectives with Honesty and Integrity

At all times and in all things, let us comport ourselves and make decisions in a manner that is consistent with our mission. As a manufacturer of medicine, our company's very survival depends on our customers' implicit trust. Countless lives hang in the balance; let us make a vow to act always with the integrity this mission demands.

Celebrate and Take Pride in Our Shared Mission

The Kyowa Hakko Kirin team comprises a talented group of professionals who hail from all over the globe. Through a remarkable confluence of events, we have all come together to share in this work, forming a unique synergy of hearts and minds in the process. Even though we face difficult challenges, let us also appreciate the opportunity to help protect and improve people's lives.

Let us harness our passion to serve humanity and shape the future. Let us walk the path of hope for every precious life.

We are Kyowa Hakko Kirin. For each life, we are here.

The view near Kyowa Hakko Kirin's Fuji Plant

The Ultimate Goal of Our Work Is to Bring a Smile to Patients

Flow of drug discovery and development

Drug discovery research

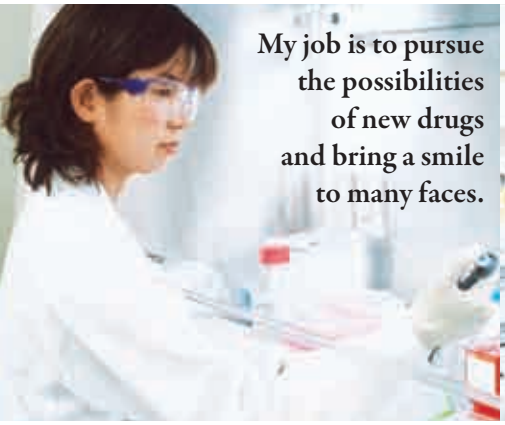
New drug development begins with the exploration of compounds with good potential—the seeds of new drugs. This is carried out from multiple perspectives, fully exploiting our expertise in synthetic chemistry and biotechnology.

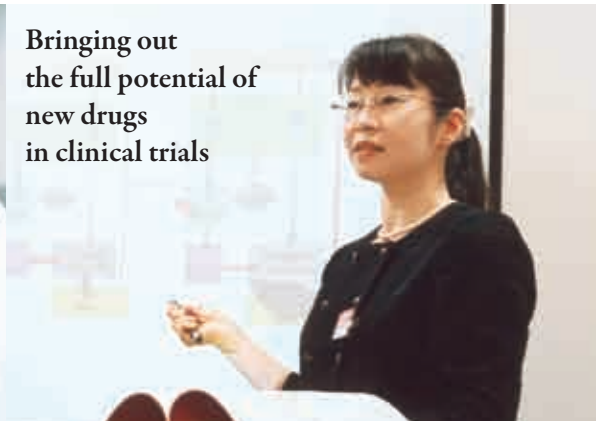
Development research

Candidate compounds are evaluated prior to clinical trials by way of various experiments designed to confirm their efficacy, safety, and other properties and ensure that they will become beneficial new drugs.

Clinical development

Candidate pharmaceuticals are evaluated in high-quality clinical trials in collaboration with doctors and patients according to regulatory standards established in each country.





At this exploration stage, we gather information from medical papers and at scientific conferences to find out molecules or phenomena that could become the target of new drugs. Then we consider how to conduct experiments; choose compounds that are likely to act on the target from tens of thousands of chemical libraries; evaluate the derivatives modified from these compounds; and finally identify the most promising candidates. The work requires patience, concentration, and creativeness. I put my constant effort in research, sharing information and ideas with my colleagues and the staff of other departments.

I have enjoyed conducting experiments since I was a university student. My goal has always been to pursue the possibilities of new drugs and bring a smile to many faces. I hope that my small idea will lead to the creation of novel and innovative drugs through the support of many colleagues at the company.

Asae Igarashi
Drug Discovery Research Laboratories
Research Division

The objective of pharmacokinetic research is to study how candidate compounds work *in vivo* by using experimental animals and *in vitro* by using tissues and cells before the clinical trials. This stage, which I'm in charge of, plays an important role in ensuring that clinical trials, which are conducted in cooperation with patients, will proceed as efficiently as possible.

I had been involved in pharmacokinetic research for NESP®, an anti-anemia agent, since 1998, and when the drug was approved and began to be delivered to patients in 2007, I was very happy to have been able to make a contribution to medical care. Even after candidate compounds go through clinical trials and new drugs are released, we continue to collect and provide reliable data so that they can be used safely and effectively for treatment and the health of patients. By keeping patients suffering from diseases in mind at all times, I continue to work hard to deliver new drugs to patients as soon as possible.

Eiji Yoshioka
Pharmacokinetic Research Laboratories
Research Division

Clinical development is the last stage of new drug R&D, where efficacy and safety expected from the results of precedent studies are verified with patients in clinical trials.

Clinical trials are conducted in cooperation with many patients, doctors, clinical research coordinators, and other staff at medical institutions. The clinical trials required are extensive, and they sometimes even take more than 10 years before new drugs are approved. We are working with patience to complete each trial and manage the data appropriately so that we can draw out the full potential of each investigational new drug. I know that by working in this way to make new drugs available as soon as possible we bring smiles to the faces of patients and those close to them.

Noriko Hamaura
Clinical Development Department 2
Development Division

The long journey of drug discovery starts with the selection of chemical substances that are likely to work from among tens of thousands of options. The substances then undergo numerous research and tests before the new drugs take shape at the hands of many researchers and other staff and are offered for the treatment of patients.
After releasing new drugs, we continue to provide information to ensure that our products can be used even more effectively, and monitor their efficacy and safety. Drug discovery and development require long, patient, and dedicated work, but it is rewarded when we see the smile on the face of patients.

Production

The latest production technology and appearance inspection system are introduced to perform stringent quality control over bulk pharmaceuticals as well as to deliver global standard products.

Sales and information sharing

The approximately 1,400 medical representatives (MRs) at our company provide high-quality pharmaceutical information to doctors and staff at medical institutions, which in turn benefits patients throughout Japan.

Post-marketing study and drug safety management

After market release, the efficacy and safety of our pharmaceuticals are constantly monitored by gathering clinical data from a wide variety of patients. Collected information is provided to doctors so that our products are administered in a safer and more effective manner.

Delivering high-quality drugs through advanced production technology

Connecting Kyowa Hakko Kirin and people on the medical front to unite their power

Gathering and analyzing post-marketing data for the benefit of our customers—doctors and patients

I'm in charge of coating tablets to stabilize the drug products, printing codes, and inspecting produced drugs. In the inspection process, an automatic inspection equipment is used to thoroughly check that drugs are produced to standards and are free from cracks/chips or foreign substances. If we should overlook defects and ship defective products, we would destroy all the efforts undertaken by the R&D staff. So our responsibility is huge.

Medicines are taken when people don't feel well, and when people don't feel well, they tend to be nervous. If they know that their medicines are of high quality, they will feel more comfortable. Maintaining high quality is therefore very important. Maintaining a stable supply of products is also an important mission. We feel rewarded when we know that our products will help patients recover from diseases.

Junichi Seki

Manufacturing, Fuji Plant
Production Division

My duty is to offer information on drugs, such as efficacy, safety, and cautions, to doctors at university and general hospitals, while gathering information on the medical front. Although we do not directly meet patients, we indirectly help them recover from diseases. The information we offer is not limited to only our company's drugs. We also sometimes talk about drugs manufactured by other companies, and there are even times that we ask questions about research details.

The staff at Kyowa Hakko Kirin and people on the medical front share the same mission: to save the precious life of patients. My job is to act as a bridge between our company and hospitals and thus to unite their efforts. I feel rewarded when a doctor says with a smile, "Thank you. Your medicine worked for the patient."

Yoshiyuki Takahashi

Osaka Sales Office, Osaka Branch
Sales & Marketing Division

New drugs put onto market are prescribed to a far greater number of patients than in clinical trials, which may reveal unexpected side effects. For this reason, it is mandatory for manufacturers to conduct post-marketing studies at hospitals to gather information on the safety and efficacy of new drugs, and report the results to and have them reexamined by the Ministry of Health, Labour and Welfare.

In the post-marketing studies, the case report forms filled out by doctors are collected by medical representatives (MRs) from the Sales & Marketing Division. We collaborate with them to collect accurate data swiftly, and analyze the data in such a manner that they can be effectively utilized for the benefit of doctors and patients. So our job can be summarized as *ikuyaku* or "drug fostering," where we steadily "foster" new drugs—which we took over from the R&D staff—to develop them into better products through company-wide concerted efforts.

Naoko Asai

Post-Marketing Study Department
Pharmacovigilance and Quality Assurance Division

Our challenge in the development of antibody drugs

The human body has the intrinsic power to attack viruses, bacteria and other pathogens, and cancer cells invading the body to prevent disease. Antibodies are protein produced inside the body to attack and eliminate those antigens. Antibodies have the ability to detect a certain part of antigens and bind to them, making themselves a "marker" to call the attention of immune cells, which then work to eliminate the antibody-bound antigens. Antibody drugs capitalize on this ability of antibodies to recognize antigens, and are designed to identify and attack target pathogens and cancer cells effectively and specifically with less concern about side effects.

Conventional anti-cancer agents, for example, carry the risk of damaging not only cancer cells but also healthy cells. However, antibody drugs are expected to be extremely efficacious and have fewer side effects because they specifically recognize and attack the antigen molecules expressed in cancer cells. They are also considered effective for immunological and allergic diseases, which are difficult to cure with traditional types of pharmaceuticals.

Kyowa Hakko Kirin is vigorously pursuing R&D and the commercialization of antibody drugs, focusing on cancer, kidney diseases, and immune disorder.

Highly effective "fully human antibody"

Since antibodies cannot be chemically synthesized, they need to be produced in rabbits, mice, and other animals. However, antibodies produced in these animals are recognized as a foreign substance when they are administered into the human body, and—although they are effective in the first dose—they are eliminated by the immune system in the second and subsequent doses, and cannot show their full efficacy. Kyowa Hakko Kirin embarked on a research project on fully human antibody production technology to produce antibodies equivalent to human antibodies in animals, and eventually succeeded in creating the KM Mouse capable of generating human antibodies. By taking cells that generate target antibody molecules from KM Mice and growing the cells in large quantities, we have made possible the production of high-quality antibody drugs.

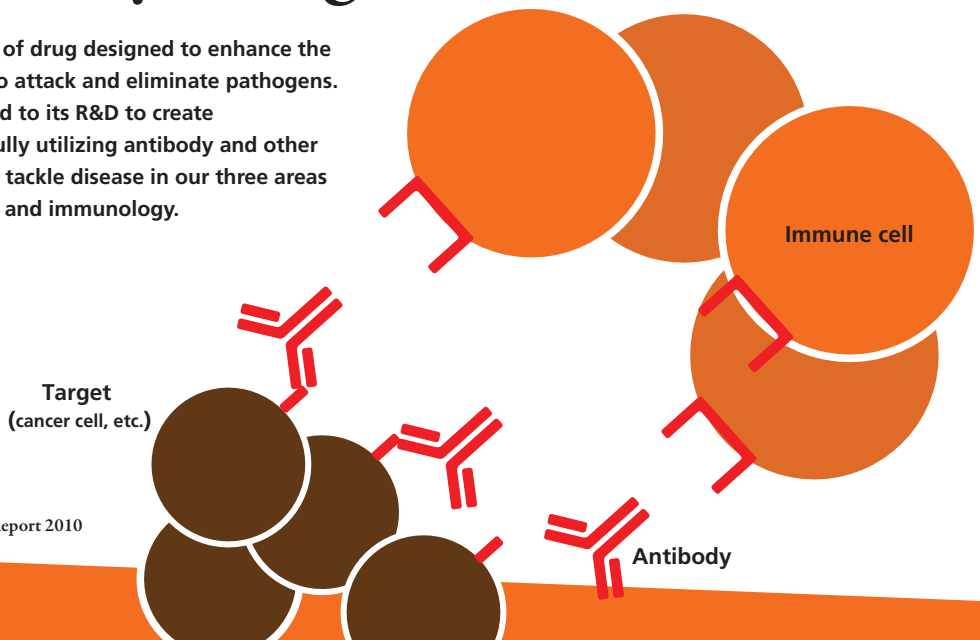
Our next-generation antibody technologies

Some challenges still exist regarding antibody drugs. For example, even when antibody drugs are administered, they cannot fully exhibit their curing effects if the immune cells are not strong enough to attack the cancer cells. As a solution to this problem, Kyowa Hakko Kirin developed the POTELLIGENT® technology, in which the power of immune reaction is enhanced by removing some molecules from the antibody (fucose, a type of sugar). In animal experiments, it was confirmed that antibodies on which the POTELLIGENT® technology is applied are more effective than ordinary antibodies, and we are expecting that the technology will

Special Feature 1 **Kyowa Hakko Kirin**

Opening up the Possibility of Curing Incurable Diseases with Antibody Drugs

Antibody drugs are a new type of drug designed to enhance the human body's intrinsic power to attack and eliminate pathogens. Kyowa Hakko Kirin is committed to its R&D to create unprecedented new drugs by fully utilizing antibody and other state-of-the-art technologies to tackle disease in our three areas of focus: oncology, nephrology, and immunology.



also prove to be highly effective in clinical trials as well. We have also developed the COMPLEGENT® technology, which combines antibody molecules of different isotypes to enhance the power of the antibody.

Antibody pipeline

A wide range of R&D activities are currently underway that fully utilize our state-of-the-art technologies—fully human antibody production, and POTELLIGENT® and COMPLEGENT® technologies.

Antibody pipeline*1 (as of April 2010)

Therapeutic areas	Code name	Country/ Phase*2	Indication	Remarks
Cancer	KW-0761	Japan Phase2 U.S.A. Phase1/2a	Cancer (hematologic tumor)	Utilizing the POTELLIGENT® technology Humanized monoclonal antibody
Cancer	KRN330	U.S.A. Phase1/2a	Cancer	Utilizing the KM Mouse technology Fully human monoclonal antibody
Cancer	BIW-8962	U.S.A. Phase1/2a	Cancer	Utilizing the POTELLIGENT® technology Humanized monoclonal antibody
Immunology/ Allergy	ASKP1240	Phase1	Organ transplant rejection	Utilizing the KM Mouse technology Fully human monoclonal antibody Developing with Astellas Pharma Inc.
Immunology/ Allergy	KHK4563	Japan Phase1	Asthma	Utilizing the POTELLIGENT® technology Humanized monoclonal antibody
Other	KRN23	U.S.A. Phase1	Hypophosphatemic diseases such as X-linked hypophosphatemia	Utilizing the KM Mouse technology Fully human monoclonal antibody

*1 **Pipeline:** A list of new drug candidates under development

*2 **Phase:** Clinical trials, an important process undertaken to gain the data necessary for obtaining approval for new drugs, are conducted in three phases to check the efficacy and safety of the drugs developed.

Voice

My hope is to make our antibody drugs available to patients around the world.

Naoki Sawada
Project Product Management
Kyowa Hakko Kirin Pharma, Inc. (KKP)

My job is to develop two antibody drugs (KRN330 and KRN23) at Kyowa Hakko Kirin Pharma (KKP), Kyowa Hakko Kirin's clinical development center in the United States. The mission of KKP is to proceed quickly with evaluation of our products in the United States where the clinical development of cutting-edge pharmaceuticals including antibody drugs is well underway. We will dedicate ourselves to development activities by communicating closely with health care professionals working for clinical trials and through cooperation with our colleagues at KKP so that we can swiftly determine the efficacy of our antibody drugs in clinical trials in the United States to make them available to patients around the world as soon as possible.

Kyowa Medex Contributions through Clinical Laboratory Tests

Bringing health and well-being to people through *in vitro* diagnostics and medical instruments

In vitro diagnostics are used at the time of tests for metabolic syndrome and other conditions to examine blood, urine, and other factors to determine the levels of cholesterol (TC, LDL, HDL), neutral fat (TG), blood sugar, and so on. They have become an indispensable tool in the identification of the type of disease, assessment of severity, and determination of treatment method.

Since the scope of medical services has expanded recently from just "treatment" to include "prevention" and "prognosis," *in vitro* diagnostics and medical instruments are often utilized for early detection and intervention, prevention, and post-treatment monitoring. Kyowa Medex's point-of-care testing (POCT)*3 products meet the needs of testing and obtaining results prior to or during examination by doctors at hospitals. Kyowa Medex is also actively promoting R&D for companion diagnoses for use in selecting candidate patients for antibody drug therapy. Companion diagnoses are thus expected to meet the needs of personalized medicine.*4

*3 **Point-of-care testing (POCT):** Real time testing performed at hospitals using small medical instruments and kits

*4 **Personalized medicine:** Medical care optimized for each patient based on their conditions and genetic background

The A1c GEARK point-of-care instrument—which enables quick testing of finger blood samples—as well as its reagent kit

Sharing useful information with health care professionals and patients

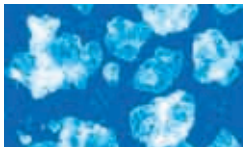
Masahisa Ishida
Scientific & Technical Affairs Department

I'm in charge of diabetes at the Scientific & Technical Affairs Department. My main job is to gather various information from analytical and clinical data on products, literature, and experts I meet at meetings of societies, and share the latest information with people within and outside the company at product presentations, lectures, and other occasions, as well as through replies to inquiries.

We will continue working hard to ensure—by constantly sharing information with everyone concerned—that our documents and explanations are clear, and that we can provide useful information to doctors and clinical laboratory technicians, which in turn benefits patients.

Exploring the full potential of amino acids

I'm responsible for the sales and marketing of fine chemical products, mainly amino acids used as the raw materials in pharmaceuticals and cosmetics. Medical amino acid infusions made of Kyowa Hakko Bio's amino acids, which accelerate recovery of physical strength in patients and help improve their quality of life, are one of the products that are in high demand globally. Most amino acids sold by Kyowa Hakko Bio are produced by the fermentation method utilizing microorganisms, and are therefore safe and cost-effective. We will continue working to cultivate new applications for amino acids in areas not limited to pharmaceuticals and cosmetics.



Microscopic view of amino acid, valine

Hikaru Asari
Fine Chemicals Department

Special Feature 2 **Kyowa Hakko Bio**

Contributions through Fermentation Technology

The demand for health foods and supplements is increasing along with people's growing interest in keeping in shape. Kyowa Hakko Bio's products are used as raw materials for these health foods, as well as for pharmaceuticals and cosmetics. Based on a wealth of knowledge built up over a long history of amino acid fermentation and production, the company is vigorously cultivating new applications for amino acids, while working on the development of new health functional materials.

Shinichi Konishi
Basic Chemicals Business Unit

Ensuring a stable supply of products to support manufacturers around the world

My duty is to sell and market basic chemicals, which are used as raw materials for paints as well as for plasticizers that increase the workability and plasticity of vinyl chloride resin, in a wide variety of industries including automotive, architecture, home appliance, and interior furnishing. Although they cannot be seen directly, our basic chemicals are contained in various products around us, and—I'm proud to say—support people's comfortable lives. We make it our mission to maintain a stable supply for our customers of oxo alcohol, our mainstay product, and other basic chemicals that are essential for production.

Our products are essential in the production of automobiles.

Protecting the environment and enriching people's lives through our products

I'm in charge of the sales management and promotion of synthesized fatty acids—raw materials for air conditioner lubricants—as well as various other functional materials used in resins, paints, cosmetics, shampoos, and other products. Main products include Isononanoic Acid (Kyowanoic-N)—raw materials for air conditioner lubricants, which employ a chlorofluorocarbon alternative (HFC) that does not deplete the ozone layer—as well as Diacetone Acrylamide (DAAM) and Adipic Dihydrazide (ADH), raw materials for water-based paints that are hardened without organic solvents. By delivering these environmentally friendly products, we are hoping that we can help protect the environment and enrich people's lives.

Our products include raw materials for air conditioner lubricants, which are friendly to the global environment.

Takeshi Matsui
Performance Materials Business Unit

Akemi Kitamura
Scientific Affairs and Research Planning Department
Healthcare Products Development Center

Developing products that help solve health issues

I'm responsible for the product planning and development of supplements and the marketing of medical foods. Medical foods are products for senior citizens used at hospitals and nursing homes. Some senior citizens find it difficult to eat much food or swallow food, and are unable to take sufficient nutrition from ordinary meals. Through developing products that are tasty, and from which they can easily take sufficient nutrition, we are hoping that we can help them maintain health and lead fulfilling lives. We are currently pursuing a way to take advantage of various functions of amino acids for solving health issues.

Pemnon—a powdered drink mix that is tasty and from which users can easily get enough nutrition

Providing information that is useful for health promotion

Citrulline is a type of amino acid and a new health functional material approved for use as food in 2007. Kyowa Hakko Bio produces citrulline all in house using the fermentation method, and sells it as raw materials for various health foods. I'm in charge of researching how citrulline works on blood vessels by using various experimental designs. As preventive care and health maintenance have become major issues in our aging society, the role of food is also becoming increasingly important. Our mission is to clarify the functions of citrulline and other health functional materials and provide accurate information on them, and through these activities, we are hoping that we can help people maintain their health.

"Remake" Series health-supporting foods

Masahiko Morita
Function Research Group
Healthcare Products Development Center

Tomoaki Umehashi
Electronic Materials Business Unit

Supporting today's IT society with our high-purity solvents

Kyowa Hakko Chemical is the largest supplier of high-purity solvents, raw materials for cleaning chemicals used in the production of semiconductors and LCD panels. Our products are used during the production process of a wide range of electronic equipment including LCD TVs, PCs, and mobile phones. Since we have superior technologies, a strict quality control system, and a high production capacity that readily meets the demanding needs of customers, it is often the case that customers designate our products. Through our state-of-the-art technologies, we will continue contributing to the development of the IT society and an even better quality of life.

High-purity solvents are indispensable in the production of LCD TVs, enabling nano-precision microfabrication.

Kyowa Hakko Chemical Special Feature 3

Contributions through Chemistry

Kyowa Hakko Chemical plays an important role in bringing greater comfort to people's lives. The company's products include solvents, plasticizer raw materials, and other basic chemicals for use in a wide range of industries; lubricant raw materials; cosmetic base materials; and functional chemicals used in electronic materials and other advanced technologies. The company is also working on the development of new materials with three keywords in mind: resources, energy conservation, and the environment. The company will continue contributing to improving people's quality of life and to global environmental protection by making available a stable supply of high-quality products.

Developing and Maintaining Integrity

The Kyowa Hakko Kirin Group aspires to win the trust of all stakeholders and serve society.
As a corporate group engaged in the production and sale of pharmaceuticals as its core business,
we are committed to delivering high-quality safe products by not only complying with laws and regulations,
but also by demonstrating the highest level of ethical behavior and applying superior technologies.

Corporate Governance

We have established a management organization and system, and conducted our business based on the Group Management Philosophy of striving to contribute to "human health and well-being of people worldwide by creating new value through the pursuit of advances in life sciences and technologies." Based on the recognition that increased transparency and effective supervision are essential for sustainable development of our corporate value, we are working hard to maintain the highest standards of corporate governance.

Strengthening corporate governance and internal control

Kyowa Hakko Kirin's management structure is based on the Board of Directors and the Board of Auditors, organs required by the Companies Act for stock companies (classified under the act as "Company with Auditors"). The Board of Directors consists of nine directors, of whom three are external directors, and the Board of Auditors consists of five corporate auditors, of whom four are external corporate auditors (as of end of March 2010). In accordance with the audit policies determined by the Board of Auditors, the corporate auditors attend important meetings, including meetings of the Board of Directors. They also audit the performance of the directors' duties by investigating the company's operations and finances. The company has introduced an executive officer system to ensure efficient management decisions and quick decision making, and has established an Advisory Board, which includes three external advisors, to strengthen the management structure and increase management transparency and soundness.

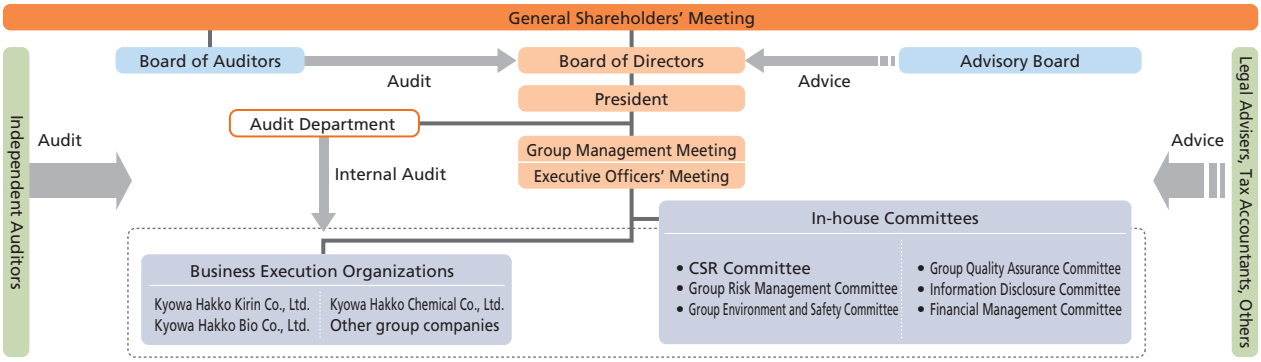
To maintain the appropriateness of our business operations, the Board of Directors periodically reviews its policies on, and the current status of, the development of the internal control system to assure continuous improvements to the system. The Internal Audit Department, which controls internal auditing, works with the corporate auditors to conduct audits of business operations across the Kyowa Hakko Kirin Group to monitor compliance with laws, regulations, and the Articles of Incorporation, and from the perspective of management efficiency. The department then reports the audit results and offers advice and proposals for improvements and greater efficiency.

Risk management through in-house committees

Kyowa Hakko Kirin has various in-house committees in place to deal with a variety of risks involved in management decisions, as well as corporate governance issues. The committees regularly report on their activities to the Board of Directors. The main function of each committee is described below.

CSR Committee: Deliberates on important matters concerning CSR, such as basic policies and overall strategy for the entire Kyowa Hakko Kirin Group.
Group Risk Management Committee: Deliberates on group-wide risk management, as well as the basic policy for the protection and handling of confidential information. Deliberates on basic compliance policies and ensures that compliance is maintained throughout the group.
Group Environment and Safety Committee: An advisory group to the President that deliberates on basic policies relating to environmental conservation and safety.
Group Quality Assurance Committee: An advisory group to the President that deliberates on basic policies relating to quality assurance.
Information Disclosure Committee: Deliberates comprehensively on basic information policies and important matters relating to information disclosure.
Financial Management Committee: Deliberates on efficient financial activities and their accompanying risks.

Corporate governance organization



Risk Management and Compliance

We have established a Group Risk Management System to ensure that risk is effectively controlled. The system allows us to consistently work on preventing damage to customers and our business, and to take the right measures swiftly if any accident should occur.

Promoting compliance in response to social demands is one of the fundamental requirements of CSR. At the Kyowa Hakko Kirin Group, compliance is promoted as a top priority issue in risk management, and the CSR Committee determines the basic principles and policies regarding corporate ethics, and assists in the development of a "compliance mind-set" throughout the group.

Compliance education and awareness activities

To ensure that all group employees are familiarized with the Kyowa Hakko Kirin Group's compliance policy, we formulated the Kyowa Hakko Kirin Group Compliance Guidelines in March 2008, and publicized them on our web site to make them readily accessible to our employees as well as to the general public. Kyowa Hakko Kirin also created a handbook summarizing the compliance required in the pharmaceuticals business, and distributed copies to officers and employees in April 2010 to be used as a basis for right judgment. An education program comprising lectures, training, and e-learning is also provided annually to all members of the group including officers so that they will maintain high ethical standards at all times. The training and e-learning are designed to be effective in encouraging employees to deepen their understanding of the Compliance Guidelines.


Corporate Ethics Lectures

Corporate Ethics Lectures: Lectures for corporate officers and employees at head office and nearby business sites, organized inviting outside experts as lecturers according to the topic. The lectures are recorded and made into DVDs, which are shown at other business sites as well.

Corporate Ethics Lecture Held in Fiscal 2009

Theme: *The Future of Companies that Blaze the Trail in Compliance—How to Make the Most of Team Power*

Lecturer: Mr. Nobuo Gohara, Professor at Meijo University and Head of Meijo University Compliance Research Center

Human Rights and Compliance Training: Group training for employees at Kyowa Hakko Kirin and some of its subsidiaries, organized jointly by the Human Resources Department and the CSR Management Department. The training focuses on group work and encourages participants to actively take part in various activities during the training. The training includes discussions on appropriate drinking habits, an important issue for a member of the Kirin Group, an alcohol beverage manufacturer.

E-learning Instruction: A program centered on case studies for employees at Kyowa Hakko Kirin and some of its subsidiaries. This e-learning system is also used to conduct ethics checks, by which participants review their own day-to-day behavior.

Installation and operation of hotlines

A hotline system is available at the Kyowa Hakko Kirin Group for use in reporting or consultation in the event of the discovery of any violation or attempted violation of laws or ethics. We are currently operating four hotlines, including an external hotline, that can not only be used by officers and permanent employees but also by temporary, part-time, and dispatched workers. We have distributed small booklets and cards with contact information to all employees. We also create posters every year to remind employees of the hotlines, and post them in easy-to-see locations at each group company to encourage the use of the hotlines.


A poster to remind employees of the hotlines

Ethical considerations in R&D

Kyowa Hakko Kirin undertakes R&D on pharmaceuticals taking the following ethical considerations into account.

Bioethics: Kyowa Hakko Kirin sets internal rules with the aim of assuring ethical and scientific validity in human genome analysis and research using human tissue and of preventing the loss of dignity and human rights of tissue donors.

Safeguarding human rights in clinical trials: When conducting a clinical trial involving human subjects, Kyowa Hakko Kirin observes the ethical principles under the Declaration of Helsinki, Good Clinical Practice (GCP: the standard to which clinical trials must conform), and related regulations (Pharmaceuticals Affairs Act, etc.), and establishes internal rules consistent with GCP and the regulations to make its utmost efforts to protect human rights and maintain safety of trial subjects (patients and volunteers).

Caring for laboratory animals: To ensure the appropriate conduct in animal testing, a group-wide basic policy and specific experimental guide for each research site are established based on the laws and guidelines set out by the government and academic groups.

For Customers

To offer high-quality and safe products with accurate information, we make sure that control, monitoring, audit, and other quality assurance activities are performed at every stage of the process from R&D to sales to enhance the reliability of our operations. We also continuously improve product quality based on valuable feedback from customers so that we can offer them products of greater excellence.

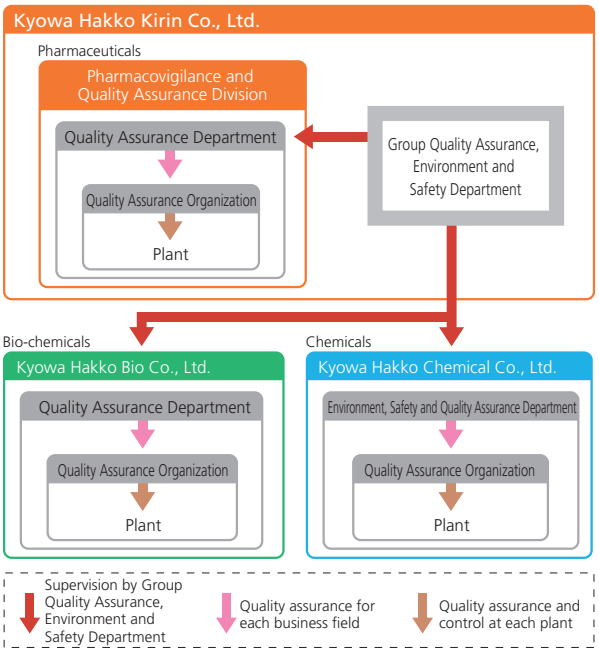
Commitment to Product Safety and Quality Assurance

At the Kyowa Hakko Kirin Group, quality is assured by the triple-check system: firstly, the quality assurance organization at each plant; secondly, the quality assurance department or division of each business field of Pharmaceuticals, Bio-chemicals, and Chemicals; and thirdly, the Group Quality Assurance, Environment and Safety Department at Kyowa Hakko Kirin, which is responsible for supervising the quality assurance activities of the entire group. With this system, we make sure that our quality assurance is sound and effective. We also pursue compliance with legislation and safety first for customers in our quality assurance activities.

Quality Assurance Policy of the Kyowa Hakko Kirin Group

- We do maintain a high level of quality and provide products and services that achieve customer satisfaction.
- Safety is our first priority. We do provide products and services that gain the trust of customers through the reliable Quality Assurance System in compliance with applicable laws and regulations.

The Kyowa Hakko Kirin Group's quality assurance organization



Quality assurance in the development of pharmaceuticals

The human rights and safety of people who participate in clinical trials must never be neglected during the development process and pharmaceuticals must never be approved based on incorrect data. During R&D, we comply with the Good Laboratory Practice (GLP),*1 Good Clinical Practice (GCP),*2 Criteria for the Reliability of Application Data, and other applicable regulatory requirements as well as our own internal standards to ensure that the human rights and safety of people who participate in clinical trials are protected, and that our application data with accuracy and integrity are submitted to the authorities for approval.

*1 **Good Laboratory Practice (GLP):** Standard for the conduct of nonclinical laboratory studies of pharmaceuticals
*2 **Good Clinical Practice (GCP):** Standard for the conduct of clinical trials of pharmaceuticals

Strict quality control of pharmaceuticals

Kyowa Hakko Kirin produces effective, safe, high-quality pharmaceuticals based on Good Manufacturing Practice (GMP)*3 at its five plants in Japan. To deliver reliable pharmaceuticals, we keep a strict check over everything from raw materials to packaging materials. We also continuously improve our quality assurance system, while utilizing technologies passed down over many years, to maintain high quality.


Quality control of pharmaceuticals

*3 **Good Manufacturing Practice (GMP):** International standard of manufacturing and quality control of pharmaceuticals

Maintaining the safety of pharmaceuticals

To ensure that pharmaceuticals are used safely and effectively, manufacturers need to provide high-quality information in a timely and appropriate manner. Kyowa Hakko Kirin gathers data constantly from health care professionals through its medical representatives (MRs),*4 as well as information from literature, societies, and regulatory authorities in and outside Japan, and evaluates and analyzes them carefully based on Good Vigilance Practice (GVP).*5 The results are then fed back to health care professionals as safety management information through MRs and the company's web site. In fiscal 2009, safety management information was provided 15 times for 11 products, including revised "PRECAUTIONS" of prescribing informations.

*4 **Medical Representative (MR):** Personnel who gathers data from, and provides useful information to, health care professionals
*5 **Good Vigilance Practic (GVP):** Safety control standards for pharmaceuticals after manufacture and sale

Continuous improvement of products based on feedback from customers

We work on continuous improvement of our products to make them simpler to use. One such example is the modification of the design and labeling of the NESP® Injection Syringe. We modified the design of the original NESP® Injection Syringe to improve its functionality by making it compatible with various administration routes and simplifying medication. The labeling was also changed to make the dose of each syringe more clearly distinguishable. These modifications were rated very highly by our customers, and the product was awarded the Appropriate Packaging Award in the Japan Packaging Contest 2009.

Before modification
NESP® Injection Syringe pillow package

After modification
NESP® Injection Plastic Syringe pillow package

Sharing useful information on the web site

Kyowa Hakko Kirin's web site serves as an important source of information for patients.

The Pollinosis Navigation site offers—in a simple, easy-to-understand manner—information that may alleviate patients' symptoms and help improve their quality of life (QOL). A mobile site is also available.

The Nocturnal Euresis Navigation site offers useful information for families who are concerned about their children's bed-wetting habits. The information includes causes and countermeasures (treatments) and a list of specialists and medical institutions (hospitals and clinics) that offer consultation services.

Kyowa Hakko Kirin also offers web sites for health care professionals.

Quality assurance in Bio-chemicals

Amino acids and other fermentation products offered by Kyowa Hakko Bio are used in a wide range of applications, such as pharmaceuticals, foods, food additives, health foods, cosmetics, and pharmaceutical synthetic intermediates. Our products are manufactured in the United States, China, and Japan and supplied to markets around the world.

To ensure the safety of our products, their production and quality are controlled strictly according to Good Manufacturing Practice (GMP) for pharmaceuticals. We will continue to maintain an effective quality assurance system to deliver high-quality products and give customers peace of mind and trust in our products.

Quality control in Chemicals

Kyowa Hakko Chemical's products are used in a wide spectrum of industries including electronics, automobiles, housing, pharmaceuticals, and cosmetics. By delivering high-quality products stably, we have expanded our business across all major industries, supported customers' production, and won a high level of trust from customers. To ensure the safety of our products, their quality is strictly controlled at all times, using high-precision analytical techniques. In addition, the entire supply chain from the procurement of raw materials through to production, storage, and transportation is managed under an ISO 9001-accredited quality control system to ensure that all our products and services are consistently of good quality.

Quality inspection

Safety assessment of Chemicals

The Kyowa Hakko Kirin Group is taking part in the Japan Challenge Program, a joint initiative between the Japanese government and industry, and gathering safety information on three substances. As regards the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)*6 regulation, we are currently at the stage of preparing for registration of pre-registered chemicals. We are voluntarily changing labeling and Material Safety Data Sheets (MSDS) to make them compatible with the Globally Harmonized System of Classification and Labeling of Chemicals (GHS), as well as to meet Japanese law and Japanese Industrial Standards (JIS). It is expected that Kyowa Hakko Chemical will complete the adoption of GHS-compatible labeling and MSDS for all products by the end of fiscal 2010, while monitoring how the conversion to GHS is underway in other countries.

*6 **Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH):** A new European Community regulation on chemicals

For Employees

To meet the ever changing needs of the business environment, we need to be united as a team by understanding and respecting the diverse values of our coworkers.
We are creating a work environment where diverse employees can cooperate with each other and work enthusiastically.

Creating a Lively Work Environment

Kyowa Hakko Kirin's Human Resources (HR) Philosophy and system

Kyowa Hakko Kirin has established an HR Philosophy, basic principles on human resources aimed at developing professionals who will achieve the company's business vision of "Global Specialty Pharma" and promote and embody the idea of "Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin." The HR Philosophy serves as the foundation of our HR policies, on which we can define the roles that personnel are expected to play to fulfill strategies, and create a new corporate culture.

Kyowa Hakko Kirin's HR Philosophy

We will respect employees' independence, encourage them to improve their abilities and exhibit creativeness, and create a work environment in which they can explore their own infinite possibilities and feel a strong motivation to work.

- Development of professionals
  In order for employees to be able to acquire high expertise and a broad vision, we will provide employees with opportunities in which they can proactively seek new challenges.
- Respect for diversity
  We will provide employees with opportunities in which diverse human resources can work well together by understanding and respecting different values and regardless of their personal backgrounds.
- Clarification of mission and fair treatment
  In order for employees to be able to continuously improve the value of their work, we will share the company's vision and goals with employees, and clarify their expected roles.
  We will evaluate and reward employees fairly for their achievements and contributions to the company.

(Established in March 2009)

Respect for diversity

At Kyowa Hakko Kirin, a diversity promotion project is currently underway to build a corporate culture in which diverse human resources can work enthusiastically together. With this project, we are encouraging our highly motivated and capable employees to play an active role in a broad range of areas regardless of their gender, nationality, or age. We are also promoting the employment of people with disabilities, with the total number of disabled employees amounting to 79 (one person with severe disabilities is counted as two persons employed) as of March 2010.

We will continue to implement work environment improvements consistent with the lifestyle of each employee, and provide maximum support to employees who are actively working hard for the company, based upon our firm belief that the growth of individuals leads to the growth of the company.

Activities that promote human rights

All activities that promote human rights in the Kyowa Hakko Kirin Group are based on the policies and measures determined by the Kirin Group Human Rights Promotion Committee. We launched a human rights training program for all Kyowa Hakko Kirin employees at all its business sites last year, and are currently expanding it to cover all group companies as well. The training takes up a timely theme every year. We also conduct surveys on employee human rights awareness together with the Kirin Group, send the President's messages to employees during the Harassment Elimination Month (June) and Human Rights Week (December), and solicit slogans from employees.

Human rights and compliance training

Voice

Creating a workplace and culture where human rights are respected and everyone feels comfortable working

Yutaka Yoshida
Senior Executive Managing Officer
Vice President Head
Sales & Marketing Division
Kyowa Hakko Kirin Co.,Ltd.

Since the merger, I have learned different cultures, deepened communication, and shared many experiences with employees. This training also provided me with a precious opportunity to discuss the theme of "appropriate drinking habits, harassment, and compliance" frankly with other participants with different age, gender, and job, actively expressing opinions from our respective standpoint or perspective. Through this experience, I realized that just setting rules is not sufficient, but that we need to develop an environment in which we consider "drinking in an appropriate manner, not committing harassment, and complying with law" as—not something special—but only a matter of course. We will continue our efforts to create a workplace and culture where human rights are respected and everyone feels comfortable working.

Development of Human Resources

Human resource development system

In Kyowa Hakko Kirin's HR Philosophy, we promise to "respect employees' independence, encourage them to improve their ability and exhibit their creativeness, and create a work environment in which they can explore their own infinite possibilities and feel strongly motivated to work."

To embody this philosophy, we have created an optional training program, in which employees can, if they wish, take a variety of training courses according to their needs. In addition to this program, there is also an obligatory training program, which all employees are required to take in accordance with their experience and career stage, as well as a selective training program available only for designated personnel, which is designed to cover management issues such as globalization. Apart from these programs, we also offer a self-development support system to employees who are eager for self-improvement.

We will continue to enhance this environment so that every employee of the Kyowa Hakko Kirin Group can study and grow continuously at their own initiative to develop the skills required for undertaking their social responsibilities in a sustainable way during their career.

Global executive program

Childcare Support Policy

To ensure that employees with children can maintain a work-life balance, and that Kyowa Hakko Kirin can take maximum advantage of the skills of these employees, the company is promoting childcare support based on the following concepts in cooperation with the labor union.

Kyowa Hakko Kirin Childcare Support Policy

- We recognize that the creation of a society and companies that provide equal opportunities for men and women is an important matter to Kyowa Hakko Kirin and will support that effort.
- We support employees who require temporary leave or workload reduction to provide childcare, but wish to continue employment and grow with the company.
- We will seek to develop a group-wide culture of supporting employees involved in childcare by instilling awareness that the reconciliation of work and childcare is beneficial to Kyowa Hakko Kirin, while simultaneously encouraging employees who receive support to actively seek harmony with their fellow employees.

The Kyowa Hakko Kirin Group training programs

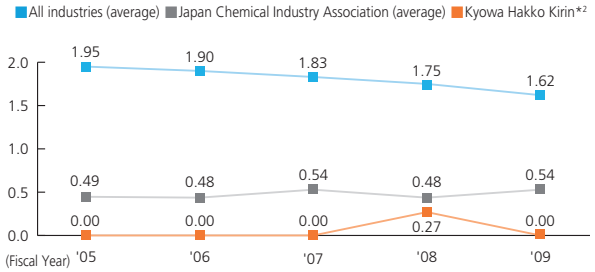
	Obligatory training program	Optional training program				Selective training program
		Business literacy	Global communication	Human skills	Training for various needs	
Managers	Officer study session Career development training (age 50) Senior manager training New line supervisor training New manager training	Strategy IV: Corporate strategy & management	Global mindset (English) Chinese	Coaching		Executive program Executive English program Senior management program Global executive program (English) Junior globalist program (English)
Non-managers	Career development training (age 40) Career development training (age 30) Second-year employee training New employee training	Strategy III: Pharmaceuticals business strategy Thinking III: Creative thinking Strategy II: Basic marketing strategy Strategy I: Basic accounting & finance Thinking II: Identifying and analyzing issues Thinking I: Logical thinking	Negotiation (English) Facilitation (English) E-mail writing (English) Business presentation (English) Telephone conversation (English)	Facilitation Leadership II Persuasion Leadership 1	Coaching Operational KAIZEN	

Ensuring Workplace Safety

Occupational safety and health

To prevent industrial accidents, in line with the environment and safety policy for that year, the Kyowa Hakko Kirin Group conducts risk assessment at each business site as part of its daily production activities and prior to construction work. We are also working toward establishing a group safety training program to promote safety awareness among employees. The progress of safety activities is checked in the annual safety audit, and the audit results are reported to management at a meeting of the Environment and Safety Committee and reflected in the action plan for the following year.

Accident frequency rate*1



*1 The number of injuries resulting in lost days per million working hours
*2 Including Kyowa Hakko Bio, Kyowa Hakko Chemical, and Kyowa Medex

In fiscal 2009, the number of accidents resulting in lost work time at Kyowa Hakko Kirin, Kyowa Hakko Bio, Kyowa Hakko Chemical, and Kyowa Medex was nil. In terms of the entire group, there were three lost work time accidents. We will continue to promote safety to reduce lost work time accidents to zero.

New manager training

We train newly appointed managers at the group's plants and laboratories in important environment and safety management matters such as the group's environmental and safety policies, safety management, safety education, and risk assessment, as well as related laws and regulations. The content of this training is consistent with the training program that all newly appointed safety officers are required to attend under the Industrial Safety and Health Act.

Traffic safety promotion

Approximately 1,500 vehicles for salespeople in the field are currently used by Kyowa Hakko Kirin. To maintain high safety awareness among employees, we introduced a traffic safety training program in fiscal 2008. For new employees, we have also started a unique five-scale assessment of their driving skills to help them enhance their driving techniques and driving safety. Driving recorders are also installed as necessary in our commercial vehicles for preventing accidents.

Awards

As in past years, we received many awards again in fiscal 2009 for our efforts toward product safety, quality control, information disclosure, environmental protection, safety and health, and other matters. The table below shows major awards.

Kyowa Hakko Kirin	Japan Packaging Contest 2009 "Appropriate Packaging Award" (NESP® Injection Plastic Syringe)
	Company with a Great Contribution to QC Circle Shizuoka Area (Fuji Plant)
	Tokyo Stock Exchange "Fiscal 2009 Disclosure Award" (Corporate Communication Department)
	28th National Conference for the Promotion of Factory Greening "Japan Greenery Research and Development Center Chairman's Prize" (Takasaki Plant)
Kyowa Hakko Bio	Yamaguchi Prefectural Governor's Awards for Contributions to Environmental and Quality of Life Improvement "Factory with Outstanding Contribution to the Reduction of Global Warming" (Yamaguchi Production Center)
Kyowa Medex	Shizuoka Labour Bureau "Director-General's Incentive Award" (Fuji Plant)

Reducing environmental impact of the site

Noriyuki Takashima
Ube Environment And Safety Department Manager
Yamaguchi Production Center
Kyowa Hakko Bio Co., Ltd.

At the Yamaguchi Production Center we have been striving to reduce global warming gas emissions through efforts such as discontinuing waste incineration, increasing the efficiency of wastewater treatment, and introducing high-efficiency turbo refrigerators and other energy-saving equipment. We have also been working continuously to raise employees' environmental awareness by organizing a campaign to reduce the use of private cars and taking part in Yamaguchi Prefectural Government's "Earth-friendly Action 21" initiative. These efforts were rated highly by the Yamaguchi Prefectural Government, and we were awarded a Governor's Award for Contributions to Environmental and Quality of Life Improvement. We will continue our utmost efforts to promote ecology and combat global warming.

For Shareholders and Investors

To win global competition in the challenging business environment and provide beneficial value to society in a sustainable way, we are working hard to realize a steady and long-term increase in revenue and operational efficiency. We also fulfill our accountability to our shareholders, investors, and other stakeholders, while ensuring integrity and transparency in all of our business activities.

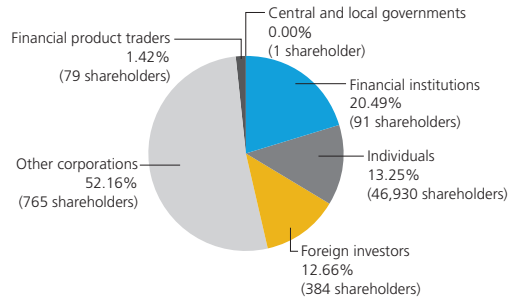
Basic Policy Regarding Information Disclosure

The Kyowa Hakko Kirin Group regards investor relations (IR) as an important management priority and endeavors to provide shareholders and investors with business information in a manner that is timely, appropriate, and fair. We have established a disclosure policy to ensure that the information will help our shareholders and investors to understand our group.

Basic Disclosure Policy

Based on the principles of transparency, fairness, and consistency, Kyowa Hakko Kirin strives to provide timely, accurate disclosure of information to shareholders and other investors in accordance with the Financial Instruments and Exchange Act and the timely disclosure rules of the Tokyo Stock Exchange (TSE). In addition, Kyowa Hakko Kirin is committed to the timely and active disclosure of other information that, in the judgment of the Company, will be effective in helping shareholders and other investors to understand Kyowa Hakko Kirin.

Composition of shareholders (as of end of December 2009)



Total number of shares issued: 576,483,555
(48,250 shareholders)

Disclosure Award

The Tokyo Stock Exchange (TSE) selects and awards companies that actively disclose information from among listed companies as part of its annual listed company awards. In fiscal 2009, Kyowa Hakko Kirin and six other companies were chosen from among approximately 2,300 companies listed on the TSE to receive the 15th Disclosure Award.

The trophy was presented to Kyowa Hakko Kirin President Matsuda by TSE President Saito.

Communication with Shareholders and Investors

Analyst meetings

At occasions such as announcements of interim and annual financial results and Medium-term Business Plans, Kyowa Hakko Kirin holds meetings at which the CEO and other senior management explain the business results and policies to institutional investors, securities analysts, and the press. We also offer audio recordings of the meetings on Kyowa Hakko Kirin's investor relations (IR) web site for those who are unable to attend the meetings. In addition, as part of our active efforts toward information disclosure, we visit investors both in Japan and abroad every year.

Meeting to explain the annual financial results and Medium-term Business Plan (January 29, 2010)

Publication of "To Our Shareholders" and annual report

We publish a business report, "To Our Shareholders," twice a year, and send it directly to shareholders. We also distribute printed English-language annual reports to overseas investors. These two publications, as well as Japanese-language annual reports, are also made available on our IR web site.

Inclusion in socially responsible investment (SRI) indexes

Kyowa Hakko Kirin has been included in one of the world's major socially responsible investment indexes—the FTSE4Good Index Series—and the Japanese Morningstar Socially Responsible Investment Index (MS-SRI).

FTSE4Good

web IR web site
http://ir.kyowa-kirin.co.jp/

For Society

As a good corporate citizen, Kyowa Hakko Kirin considers it extremely important to continuously provide beneficial value to society, while maintaining a good relationship with every stakeholder. Although expectations and demands of stakeholders differ widely, we are engaged in various activities to meet their needs as much as possible, such as taking safety measures at plants to protect the local communities, increasing dialog with local residents, and promoting bioscience research.

Ensuring Safety of Communities

Disaster prevention system

The Kyowa Hakko Kirin Group has a disaster prevention system in which a Safety Measures Headquarters headed by an executive manager will be established immediately in the event of a business site being damaged in an explosion, fire, earthquake, or other natural disaster to support rescue and recovery activities. Each business site regularly performs risk assessments and other disaster prevention activities, puts in place a number of measures to prepare for a disaster and to minimize its impact, and periodically conducts disaster preparedness drills.

Measures to prepare for a major earthquake

To meet its social responsibilities as a manufacturer—particularly as a supplier of pharmaceuticals that are needed urgently in a disaster situation—the Kyowa Hakko Kirin Group has progressively taken measures that include developing regulations, dispersing production and distribution operations, and earthquake-proofing its buildings since the 1970s, when the possibility of an earthquake in the Tokai region was first suggested. As part of risk management in preparation for an earthquake in the Tonankai-Nankai area or the Tokyo Metropolitan Area, we have installed satellite telephone systems at all business sites, including sales offices, and introduced emergency communication systems to confirm the safety of employees and their families at all group companies.

Disaster preparedness drills

We conduct practical disaster preparedness drills at all business sites periodically to raise disaster risk awareness among employees. The table below shows major drills conducted during fiscal 2009.

First aid drill

	Business site	Assumed disaster
Kyowa Hakko Kirin	Fuji Plant Fuji Research Park	A fire in a machine room at the drug formulation plant, caused by an earthquake of magnitude 6 on the seismic scale; earthquake simulation vehicle
	Takasaki Plant Bio Process Research and Development Laboratories	A fire caused by an earthquake of magnitude 5 on the seismic scale
	Sakai Plant	A fire caused by leaking methanol
Kyowa Hakko Chemical	Yokkaichi Plant	A fire at the plant (Umaokoshi) Tsunami; a fire at the plant (Kasumigaura)
Kyowa Hakko Bio	Yamaguchi Production Center	An earthquake of magnitude upper 6 on the seismic scale; earthquake simulation vehicle (Hofu); a fire caused by leaking methanol (Ube)
Kyowa Medex	Fuji Plant	A major earthquake

Safety management for distribution

The Kyowa Hakko Kirin Group maintains a 24-hour emergency response system to swiftly deal with emergencies during the transportation of chemicals and alcohol. We have also introduced the Yellow Card* and Container Yellow Card systems of the Japan Chemical Industry Association to ensure that distribution and transportation workers are well aware what steps should be taken at the time of a disaster, and to promote safe logistics. There were no distribution-related accidents during fiscal 2009.

Checking safety procedures with a Yellow Card

*__Yellow Card:__ A card that summarizes what steps should be taken by transportation personnel, firefighters, the police, and others if an accident occurs during the transportation of chemicals by road, as well as how the accident should be reported

Communicating with Society

Responsible Care Community Dialog

The Kyowa Hakko Kirin Group participates in community dialog activities organized by the Japan Responsible Care Council (JRCC).

In February 2010, Kyowa Hakko Kirin Sakai Plant and five other JRCC member companies hosted a Responsible Care (RC) Community Dialog meeting in the Sakai and Senboku area. The meeting attracted about 70 attendants, including local residents as well as representatives from local schools, governments, and companies. We presented the results of a questionnaire conducted beforehand, replied to questions expressed by local people, and explained how we are committed to protecting the environment and the safety of the community. We received comments from local governments as well as questions and requests from local people concerning our measures to prevent chemical accidents. We also held tours of JRCC member companies' factories.

Kyowa Hakko Bio Yamaguchi Production Center and four other JRCC member companies also hosted an RC Community Dialog meeting in the Ube area in February 2010. The meeting was attended by about 70 people, including representatives from residents' associations, environmental NGOs, local governments, and

Sakai/Senboku area RC Community Dialog meeting held at Ube Industries, Ltd.

local companies. Following a tour of a factory of a participating JRCC member company and explanations about environmental efforts made at the factory, the participating companies and attendants held lively discussions on various themes.

*Please see page 26 for an explanation of the Responsible Care initiative.

Childrens' science experiment classes and the bio-adventure project

We offer science experiment classes at our plants and laboratories as opportunities to share the excitement of science with many children. The research staff at the Tokyo Research Park in Machida City, Tokyo, have been visiting local elementary and junior and senior high schools since 2000 on a volunteer basis to carry out science experiments on genes, microbes, and other topics for children, using the Bio-adventure vehicle. This is a special vehicle equipped with all the necessary experimental instruments including microscopes.

The Bio-adventure vehicle


Science experiment class at Kyowa Hakko Bio Yamaguchi Production Center

Distribution of Free Braille calendars

Each year since 1994, we have produced Braille calendars for people with visual impairments and distributed them free of charge to schools for the blind nationwide. We delivered about 4,000 copies of the 2010 edition of the calendar to 70 schools.

2010 Braille calendar

Sponsorship for campaign against childhood cancer

We are one of the sponsors for the "Ikiru" campaign for childhood cancer organized by the Mainichi Welfare Foundation. The campaign, which marks the 15th anniversary this year, offers concerts and a variety of other events throughout the year to raise funds, expanding its lively activities each year. The annual charity concert, one of the major events of the campaign, features Ryoko Moriyama, a famous singer who acts as the MC of the concert, as well as various artists, creating a heart-warming stage.

Support for La Jolla Institute for Allergy & Immunology

Kyowa Hakko Kirin has been supporting research at La Jolla Institute for Allergy & Immunology (LIAI), a nonprofit research institute located in California in the United States, for more than 20 years since its establishment in 1989. One of the missions of LIAI is to elucidate the mechanisms of atopic dermatitis, asthma, and other immunological diseases at the basic research level. The achievements of LIAI, which play an important role in identification of disease mechanisms, are highly praised worldwide and have been presented at international meetings and published in leading scientific journals. We will continue to support LIAI's research on immunology and allergy, and collaborate with its researchers. Our goal is to translate LIAI's basic research discoveries into actual therapeutics, and deliver them to patients as soon as possible.


Research at LIAI

The Kato Memorial Bioscience Foundation

The Kato Memorial Bioscience Foundation was established in 1988 for the purpose of promoting bioscience research in Japan. In recognition of the importance of financially supporting creative research by promising bioscientists, the foundation offers grants to these researchers, as well as financial aid to international exchanges and conferences for scientists. In fiscal 2009, the foundation provided grants to 25 research projects, 28 international exchanges, and 10 conferences in the medical science and biotechnology fields.


The 21st research grant awards ceremony

web The Kato Memorial Bioscience Foundation
http://www.katokinen.or.jp/

For the Global Environment

To protect the global environment for generations to come, the Kyowa Hakko Kirin Group works to minimize the impact of our products on the environment, and on safety and health throughout the product lifecycle from R&D to production, marketing, use, and disposal. We also carefully monitor the environmental impact of our business activities, and reflect the results in our future business management.

Environmental and Safety Management

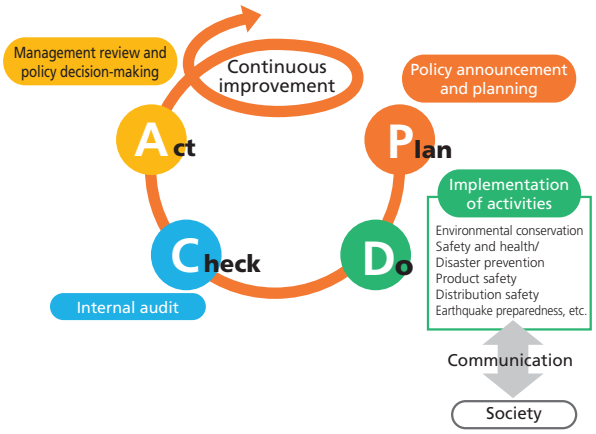
The Kyowa Hakko Kirin Group has in place both an ISO 14001-accredited environmental management system and an occupational safety and health management system centered on risk assessment, and continuously improves them through a systematic Plan-Do-Check-Act (PDCA) cycle. Our environmental and safety activities are based not only on the relevant laws and regulations but also on even more rigorous targets that we have voluntarily imposed on ourselves. We will continue our environmental activities under the ISO 14001 management system to achieve our goal of being a low carbon corporate group throughout the supply chain.

Basic Policy on the Environment, Safety, and Product Safety

Based on Kyowa Hakko Kirin's corporate philosophy, we will exert ourselves to realize an affluent society by conducting business activities with scientific consideration for health, safety, the environment, and product safety throughout the entire lifecycle of each of our products. That extends from research and development through production, marketing, use, and disposal. At the same time, we are making efforts to ensure the quality and safety of our products, taking the safety of consumers as a matter of the greatest importance.

(Established October 1, 2008)

Environmental and safety management



Declaration of Environmental Commitment

The Kirin Group is making every possible effort to become a low carbon corporate group. Kirin Brewery, for example, was certified as an Eco-First company under the Eco-First Program set up by the Ministry of the Environment, and pledged its commitment to environmental conservation to the Minister of the Environment in June 2008. By assuring society of its dedication to the environment in this way, Kirin Brewery is working even harder to promote environmental protection. As a member of the Kirin Group, Kyowa Hakko Kirin selected priority issues that need to be tackled first to protect the global environment for generations to come, and in June 2010 declared specific actions and targets for each issue under its "Declaration of Environmental Commitment." We will report our progress periodically as part of our efforts to strengthen communication with society.

Kyowa Hakko Kirin Declaration of Environmental Commitment

We declare our active commitment to protecting the global environment for generations to come.

- **We aspire to become a low carbon corporate group.**
  - We will reduce CO_2 emissions of the Kyowa Hakko Kirin Group by 15% over the 2005 level by 2020.
  - We will promote the use of renewable energy.
  - We will reduce energy consumption in the administrative division by 1% annually.
  - We will introduce 1,000 hybrid vehicles for field salespeople by 2014 to encourage eco-driving.
- **We will promote resource conservation.**
  - We will actively promote the procurement of raw materials, office supplies, equipment, and other items with a low environmental impact.
  - We will promote the separation of garbage and reduction of waste to maintain zero emissions.
- **We will actively work on environmental conservation and protection.**
  - We will minimize the impact of our business activities on the environment, safety, and health throughout the lifecycle of products from R&D to production, marketing, use, and disposal.
  - We will deliver environmentally friendly products and services.
- **We will promote conservation of the environment and the ecological systems of local communities.**
  - We will promote environmental conservation activities such as forest conservation projects.
  - We will work toward environmental beautification through activities such as keeping local communities clean.

Yuzuru Matsuda
President & Chief Executive Officer
Kyowa Hakko Kirin Co., Ltd.

Environmental and safety audits

In fiscal 2009, environmental and safety audits were conducted at 33 business sites of 13 companies. The major areas for improvement identified in the audits are as shown below.

Major areas for improvement identified in the environmental and safety audits

Safety audit	• Training to improve skills of Operations Chiefs (Yamaguchi Production Center Ube) • Periodical review of risks (Takasaki Plant) • Sharing of hazard information with subcontractors (Sakai Plant)
Environmental audit	• Energy conservation planning prior to investing in research facilities (Tokyo Research Park, Fuji Plant, Fuji Research Park) • Development of a setup that meets the requirements of the revised Act on the Rational Use of Energy (Kyowa Medex Fuji Plant)

Environmental, Safety, and Product Safety Assessments

Based on its own Basic Policy on the Environment, Safety, and Product Safety, as well as under the Responsible Care initiative for environmental protection and safety, the Kyowa Hakko Kirin Group operates rigorous assessments at each stage of the product lifecycle, from R&D through to use and disposal.

Responsible Care

Responsible Care is the chemical industry's voluntary initiative under which companies continuously improve their health, safety, and environmental performance at every stage of the product lifecycle, from the development of chemical substances to production, distribution, use, final consumption, and disposal. Companies also publish the results of their activities, and promote dialog and communication with society.

Responsible Care

Environmental, Safety, and Product Safety Assessments

	Environmental conservation	Safety and health/Disaster prevention	Product safety/Quality assurance
R&D stage	• Environmental impact of raw materials • Environmental impact of processes and its elimination • Recycling of waste • Life cycle assessment (LCA) • Environmental impact of products after use	• Raw materials hazards • Safety of expected side-products • Similar industrial accidents that occurred in the past • Safety of processes (risk of explosion/fire, health problems)	• Safety of raw materials and impurities • Safety and stability of products • Handling safety
Production stage	• Environmental impact of production, capacity of pretreatment facilities • Impact of processes on the community (environmental impact of processes) • Compliance • Community dialogue	• Industrial accident prevention measures • Safety of processes (risk of health problems, disaster prevention facilities) • Compliance • Conformity to the comprehensive machinery safety standard • Change management	• Quality maintenance (establishment of processes, production management, quality control, elimination of complaints) • Change management • Product liability management • Compliance
Sales/distribution stage	• Information on how to deal with leakage and other problems (MSDS, Yellow Card labels) • Environmental impact of distribution	• Information on how to deal with fire and other problems (MSDS, Yellow Card, Container Yellow Card) • Compliance	• Preparation of product user manuals
Use/disposal stage	• Provision of information to customers (MSDS, technical information) • Labeling • Safety of disposal, recycling	• Content of information provided to customers (MSDS, technical information, labeling)	• Provision of product information • Labeling • Dealing with consumer requests and complaints
Other (systems and regulations)	• ISO 14001, occupational safety and health management system, environmental and safety management regulations, environmental and safety assessment regulations, chemical substance environmental and safety standard		• ISO 9001, GMP, HACCP, quality assurance regulations

Action Plans and Performance in Fiscal 2009

The table below shows our self-evaluations of the results and progress of each initiative performed for each of the six environmental and safety guidelines for action. We have been consistently reducing CO_2 emissions, one of our priority issues. We have also reduced SOx and dust emissions significantly thanks mainly to switching the fuel for our boilers.

Guideline for Action	Initiative	Fiscal 2009 Targets
Guideline for Action 1 Expand the application of environmental and safety management systems	Establishment of ISO 14001 environmental management system	Obtain company-wide certification of ISO 14001 for Kyowa Hakko Kirin. Maintain ISO 14001 system at Kyowa Hakko Bio, Kyowa Hakko Chemical, and consolidated subsidiaries. Develop on-site audit system for waste contractors.
	Integration of ISO 14001 and occupational safety and health management system	Operate environmental and safety management systems at Kyowa Hakko Kirin, Kyowa Hakko Bio, Kyowa Hakko Chemical, and Kyowa Medex.
	Environmental and safety audits	Conduct audits at all consolidated subsidiaries.
Guideline for Action 2 Ensure compliance and continuously improve performance	Ensuring compliance	Zero legal violations, zero complaints
	[Production and R&D]	
	Eco Project	
	• Global warming prevention (CO_2 emissions)	Reduce CO_2 emissions by at least 3% from the fiscal 2007 level by fiscal 2012.
		Replace freezers using chlorofluorocarbon R11 in phases according to a set plan.
	• Unit energy consumption	Reduce unit energy consumption by at least 1% annually.
		Reduce unit energy consumption to 80% of the 1990 level by fiscal 2010 (target set by Japan Chemical Industry Association).
	• Final landfill disposal volume	Maintain zero emissions. The target is to reduce emissions to at least 105 tons by fiscal 2010.
	• Chemical substance emissions	Reduce chemical substance emissions by 50% from the fiscal 2003 level by fiscal 2010.
	Atmosphere	
	• SOx emissions	100 tons or less
	• NOx emissions	610 tons or less
	• Dust emissions	110 tons or less
	Water	
	• Volume of freshwater used	—
	• COD levels	920 tons or less*4
	• Nitrogen levels	850 tons or less*4
	• Phosphorous levels	25 tons or less*4
	Disasters, accidents	No industrial accidents, no environmental and safety accidents
	Distribution environment and safety	Rationalize distribution, and ensure environmental conservation and safety in distribution.
	[Administration]	
	Green Office Plan (GOP)	Reduce power consumption by at least 1% annually.
		Reduce the use of photocopying paper by at least 5% over three years.
		Green purchasing rate in fiscal 2008: 80% (value basis)
	Team Minus 6%	Promote participation in Team Minus 6%.
Guideline for Action 3 Consider the environment throughout the entire product life cycle	LCA/Material balance	Clarify and analyze material balance for each business.
	Green procurement	Implement environmental impact assessments at business partner companies.
Guideline for Action 4 Upgrade environmental and safety assessments	Thorough environmental, safety, and product safety assessments	Ensure that environmental and safety assessments and risk management are fully implemented.
Guideline for Action 5 Develop new products and technologies	Environmentally friendly technology and product development	Develop environmentally friendly technologies and products.
Guideline for Action 6 Provide safe and useful products	Assurance of consumer safety and product usefulness	Promote the disclosure of comprehensive product information.

*1 Self-evaluation ◎: Target achieved ○: Target not achieved, but improved ×: Target not achieved
*2 Fiscal 2008 to fiscal 2010
*3 The figures are for the production and research sites of Kyowa Hakko Kirin, Kyowa Hakko Bio, Kyowa Hakko Chemical, and Kyowa Medex. The figures for CO_2 emissions, unit energy consumption, and the number of complaints and industrial accidents also include the results for Daiichi Fine Chemical.
*4 The target is 50% below the site's self-imposed target level.

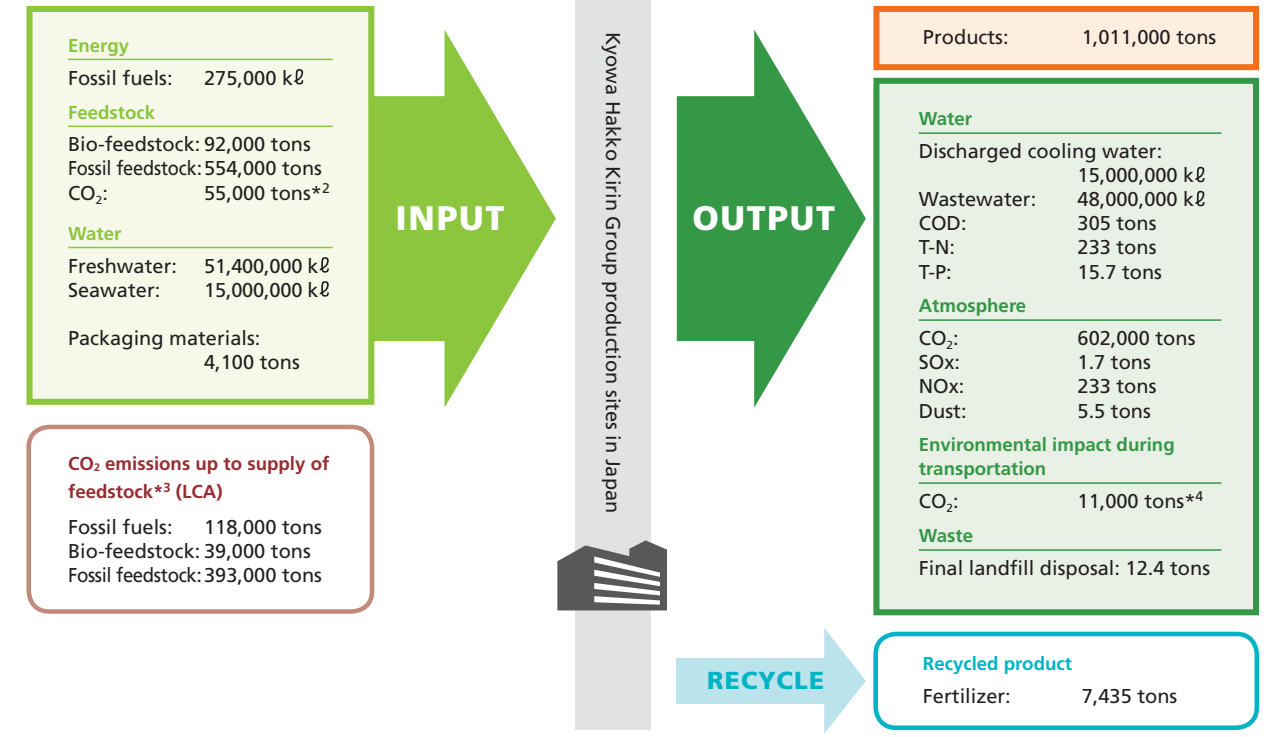
	Fiscal 2009 Performance (Status of Progress)	Evaluation*1	Medium-term Targets*2	Page
	Company-wide certification of ISO 14001 was obtained for seven business sites of Kyowa Hakko Kirin and Kyowa Medex. ISO 14001 certification was renewed at Kyowa Hakko Bio, Kyowa Hakko Chemical, and one consolidated subsidiary. (Preparations are currently underway to obtain company-wide certification for Kyowa Hakko Bio.) The current status was confirmed at each business site.	◎	Obtain and manage company-wide certification of ISO 14001 for Kyowa Hakko Kirin. Develop a waste governance system.	25, 33
	Environmental and safety management systems are in operation. Risk assessments are being introduced at group companies.	◎	Reduce environmental and safety risks (accidents, violations).	25
	Audits were conducted at all the business sites in Japan and overseas.	◎	Conduct audits at all consolidated subsidiaries.	26
	No legal violations subject to punishment concerning the environment and safety Environmental complaints increased to 14 (noise: 3; vibration: 3; odor: 4; fallen leaves: 3; lighting: 1).*3	○	No legal violations subject to punishment concerning the environment and safety Reduce the number of environmental complaints.	—
	643,000 tons,*3 6.6% reduction from the fiscal 2007 level	◎	Reduce CO_2 emissions by at least 3% from the fiscal 2007 level by fiscal 2012. Promote the use of renewable energy.	31
	The replacement of five freezers using chlorofluorocarbon R11, which started in 2006, was completed at the Fuji Plant in June 2009.	◎	Replace freezers using chlorofluorocarbon R11 in phases according to a set plan.	32
	2.6% reduction from the previous fiscal year at eight main plants	◎	Reduce unit energy consumption by at least 1% annually at eight main plants.	—
	The unit energy consumption was reduced to 76% of the fiscal 1990 level at Kyowa Hakko Kirin, Kyowa Hakko Bio, Kyowa Medex, and Daiichi Fine Chemical, and to 97% at Kyowa Hakko Chemical.	○	Reduce unit energy consumption to 80% of the 1990 level by fiscal 2010 (target set by Japan Chemical Industry Association).	—
	Zero emissions were maintained. The emissions were reduced by 13 tons*3 or 60% of the previous fiscal year's level.	◎	Reduce final landfill disposal to 105 tons or less by fiscal 2010.	33
	12 chemical substances: 11.2 tons, 13% increase from the fiscal 2003 level PRTR Class 1 chemical substances: 45.1 tons, 7% reduction from the previous fiscal year's level, and 17% increase from the fiscal 2003 level VOCs: 374 tons, 39% reduction from the fiscal 2003 level	○	Reduce chemical substance emissions by 50% from the fiscal 2003 level by fiscal 2010.	34
	1.7 tons,*3 40% decrease from the previous fiscal year's level	◎	100 tons or less by fiscal 2010	35
	233 tons,*3 16% decrease from the previous fiscal year's level	◎	610 tons or less by fiscal 2010	35
	5.5 tons,*3 61% decrease from the previous fiscal year's level	◎	110 tons or less by fiscal 2010	35
	51.4 million tons,*3 7% decrease from the previous fiscal year's level	—	Continue to increase efficiency in the use of water.	29
	305 tons,*3 23% decrease from the previous fiscal year's level	◎	920 tons or less*4 by fiscal 2010	29, 35
	233 tons,*3 34% decrease from the previous fiscal year's level	◎	850 tons or less*4 by fiscal 2010	29, 35
	15.7 tons,*3 15% decrease from the previous fiscal year's level	◎	25 tons or less*4 by fiscal 2010	29, 35
	No lost time accident; three accidents at consolidated subsidiaries;*3 one environmental accident; no safety-related accidents	×	No industrial accidents, no environmental and safety accidents	21 23
	A periodical Specified Consigner report and plan were submitted according to the Act on the Rational Use of Energy. The unit energy consumption was improved in comparison with the previous fiscal year at Kyowa Hakko Chemical.	◎	Rationalize distribution, and ensure environmental conservation and safety in distribution.	23
	All existing field salespeople's vehicles are low-emission vehicles. 228 hybrid vehicles were introduced.	○	Replace the existing 1,000 field salespeople's vehicles by hybrid vehicles by 2014.	31
	14% increase from the previous fiscal year's level	×	Reduce power consumption by at least 1% annually.	31
	8% increase from the previous fiscal year's level	×	Reduce the use of photocopying paper by at least 5% over three years.	31
	Green purchasing rate: 63%	×	Maintain green purchasing rate at 80% or more.	31
	A CO_2 reduction campaign was conducted. Participation rate: 86%	◎	Implement a "1 kg/person/day" CO_2 reduction campaign. Maintain the participation rate at 80% or more.	—
	Material balance and environmental impact were analyzed, and all businesses continued to be assessed based on life cycle assessment (LCA), resource efficiency, and emission intensity.	◎	Continue LCA and material balance assessments for all businesses. Make preparations for the Carbon Footprint of Products (CFP) program.	29
	Environmental impact assessments were conducted at business partners. The results were better than for the previous assessments in 2005.	◎	Promote procurement of raw materials, office supplies, equipment, and others with low environmental impact (green procurement).	32
	The environmental and safety audits confirmed that environmental and safety assessments were implemented at all business sites. It was confirmed at commercialization meetings that product safety data had been acquired.	◎	Strengthen risk assessment and ensure compliance with comprehensive machinery safety standards. Acquire product safety data.	26
	The results of environmentally friendly technology and product development were discussed at the Group Environment and Safety Committee. Research on green sustainable chemistry continued.	◎	Promote the development of environmentally friendly technologies and products. Continue research on green sustainable chemistry.	32
	Safety information reports were published by the Japan Challenge Program Acetaldehyde Consortium, of which Kyowa Hakko Chemical is a member. Preparations are being made for REACH registration.	◎	Gather safety data on chemical substances sponsored by us in the Japan Challenge Program, a joint initiative between the government and industry. Register substances under the REACH system within a fixed time limit.	18

Material Balance and Environmental Accounting

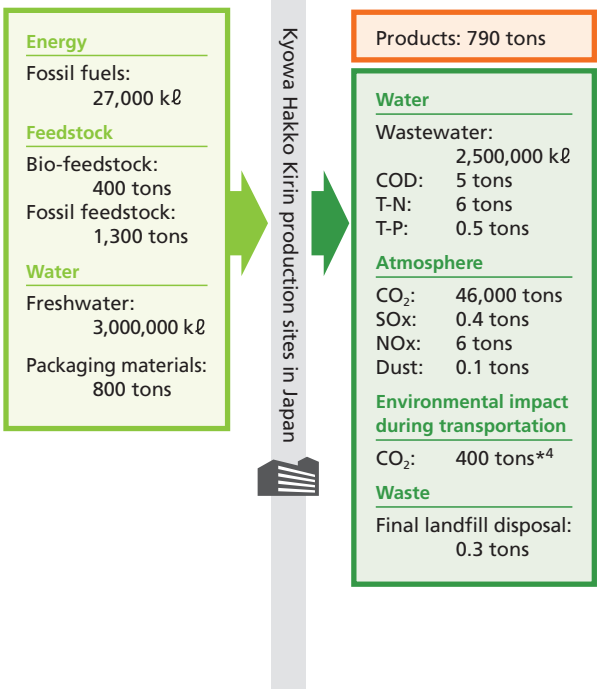
We monitor the environmental impact of our business activities at Kyowa Hakko Kirin (including Kyowa Medex), Kyowa Hakko Bio, Kyowa Hakko Chemical, and overseas plants. As in past years, we carried out CO_2 fixation through the oxo process, and used 84,000 tons of CO_2 from fossil feedstock and fuels in the manufacturing of products. In fiscal 2009 (April to December 2009), our environmental investment and costs amounted to 1.1 billion yen and 4.5 billion yen, respectively.

Material Balance

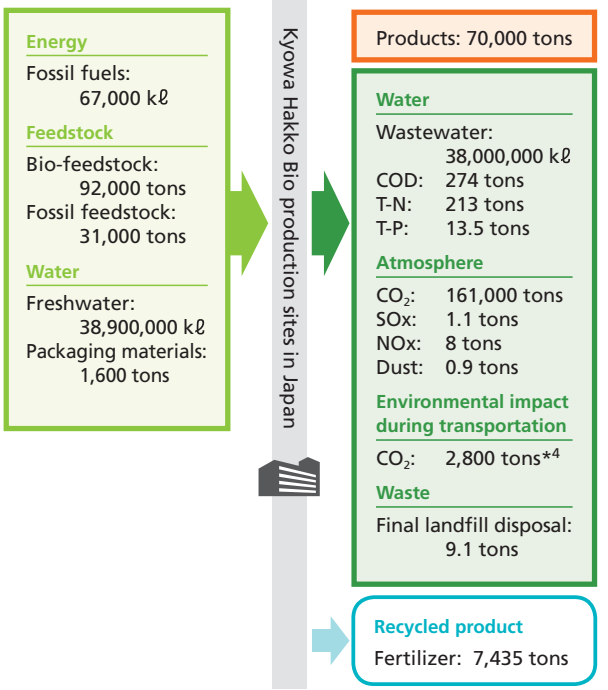
Kyowa Hakko Kirin Group (production in Japan*1)



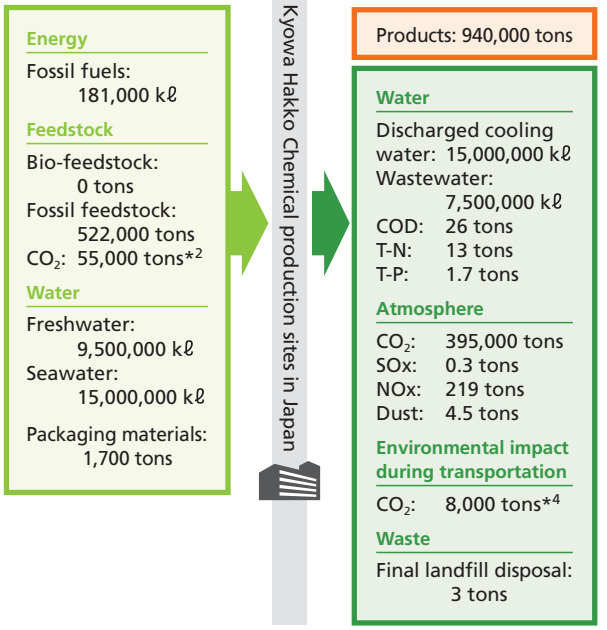
Kyowa Hakko Kirin (including Kyowa Medex)



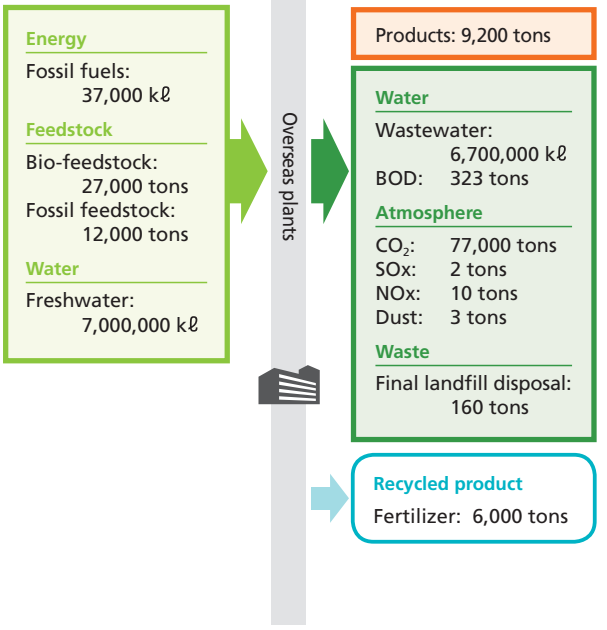
Kyowa Hakko Bio



Kyowa Hakko Chemical



Overseas production



*1 The figures cover production sites, including laboratories located on those production sites, of Kyowa Hakko Kirin (including Kyowa Medex), Kyowa Hakko Bio, and Kyowa Hakko Chemical.
*2 In fiscal 2009, we used 55,000 tons of CO_2 from fossil feedstock and 29,000 tons of CO_2 from fuels as raw materials for the oxo process in the manufacturing of products, fixing 84,000 tons of CO_2 in total.
*3 *JLCA-LCA Database Fiscal 2004 (2nd Edition), LCA Jitsumu Nyumon—Environmental load of 4,000 social stocks,* Japan Environmental Management Association for Industry (JEMAI) (1998)
*4 The figures are those reported in the consigner report submitted to the government under the Act on the Rational Use of Energy.

Environmental Accounting

Environmental conservation cost

Units: Millions of yen

Breakdown		Major activities (FY2009)	FY2008		FY2009	
			Investment	Expense	Investment	Expense
(1) Business area cost			550	4,277	1,089	3,386
(1)-1 Pollution prevention cost	1) Cost of preventing water contamination	Investment and maintenance expense for water contamination control facilities	192	1,956	617	1,626
	2) Cost of preventing air pollution and other pollution	Investment and maintenance expense for air pollution control facilities, deodorization facilities, etc.	108	372	142	316
(1)-2 Global environment conservation cost		Investment in chlorofluorocarbon alternative freezers, expense for CO_2 used for the oxo process	229	489	257	400
(1)-3 Resource circulation cost		Investment and maintenance expense for water-saving equipment, waste recycling and treatment facilities, etc.	21	1,460	73	1,044
(2) Upstream/downstream cost		Expense for green purchasing and recycling containers and packaging	0	48	0	57
(3) Administration cost		Expense for operating an environmental management system, monitoring environmental impact, and other activities	17	465	8	345
(4) R&D cost		Expense for developing environmentally friendly products and curtailing environmental impact	14	2,048	0	758
(5) Social activity cost		Expense for environmental conservation activities and for participating in and cooperating with nature preservation activities	0	15	0	17
(6) Environmental remediation cost		Expense for oil pollution liability insurance	0	8	0	8
Total			**581**	**6,861**	**1,097**	**4,571**

Economic benefit

Units: Millions of yen

Item	Activities (FY2009)	FY2008	FY2009
Total investment	Expansion and rationalization of production and research facilities	17,222	22,362
Total R&D cost	R&D of new products and technologies	48,057	34,676
Sales of valuables in connection with (1)-3 and (2)	Sale of dried fungus fertilizer, used catalysts, and by-product oil	117	77
Resource-saving effects in connection with (1)-2 and (1)-3	Energy and resource conservation and waste reduction	68	106

* Since the fiscal year end was changed from fiscal 2009, the above accounting results cover a period of only nine months from April 1 to December 31, 2009 (April 1, 2008 to March 31, 2009 in fiscal 2008). The calculations are based on the *Environmental Accounting Guidelines 2005*, published by the Ministry of the Environment.
* Green purchasing statistics represent the purchase amount of environmentally friendly products, including Eco Mark products, and have been included as reference information.

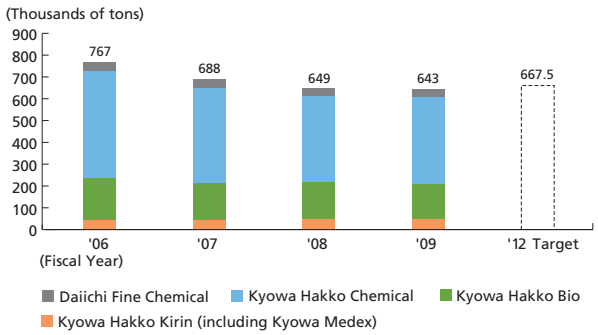
Combating Global Warming

Of the many global environmental problems that we are facing, combating global warming—by, for example, reducing emissions of global warming gases—is one of the most pressing issues for the whole world. The Kyowa Hakko Kirin Group is working hard to reduce CO_2 emissions across all of its business activities from the purchasing of raw materials to production and marketing. We are also actively promoting various group-wide projects to reduce emissions, switch to more energy-efficient machinery, and for other purposes.

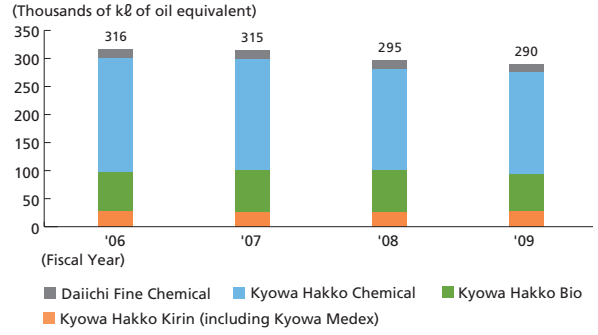
Commitment to Reducing CO_2 Emissions

The Kyowa Hakko Kirin Group's goal is to reduce CO_2 emissions by 3% from the fiscal 2007 level (16.2% from the fiscal 1990 level) by fiscal 2012. The total CO_2 emissions in fiscal 2009 were 643,000 tons, a 0.9% decrease compared with the previous fiscal year. While production volumes for the group increased by 1.7% over the previous fiscal year, the energy consumption in fiscal 2009 decreased by 1.9% to 290,000 kiloliters in oil equivalent, resulting in a decrease in the unit energy consumption by 2.6%. In fiscal 2009, we introduced highly-efficient freezers (Fuji Plant, Kyowa Hakko Bio Yamaguchi Production Center), heat pump water heater (Takasaki Plant), vapor recovery and thermal recycle systems and fuel switching for the power generation boiler (Kyowa Hakko Chemical Yokkaichi Plant), and other energy-saving measures as part of our consistent efforts to reduce CO_2 emissions. Although production is expected to increase as we all recover from the global recession, we will renew our commitment to energy conservation to achieve our fiscal 2012 targets.

CO_2 emissions



Energy consumption



Eco Project

The Kyowa Hakko Kirin Group is working to prevent global warming and achieve zero emissions under the Eco Project launched in 1998. In June 2010, the group held its annual Eco Project debriefing session, where 37 participants from 15 business sites of Kyowa Hakko Kirin and its group companies shared their best practices for energy conservation and zero emissions followed by a question and answer session.

Eco Project debriefing session

Replacing existing field salespeople's vehicles by hybrid vehicles

At Kyowa Hakko Kirin, all company vehicles used by MRs have been switched to low-emission types to encourage eco-driving. We also went a step further in 2009 by launching a project to replace about 1,000 field salespeople's vehicles by hybrid vehicles by 2014. When this project is completed, it is expected that CO_2 emissions will be reduced by 1,723 tons annually in comparison with the current fleet consisting mainly of vehicles powered by a 1,500 cc gasoline engine. Twice a month, we also ban field salespeople from using their vehicles as part of our continuing efforts to reduce CO_2 emissions.

Green Office Plan (GOP)

As part of its ISO 14001 activities, the Kyowa Hakko Kirin Group has set the following targets for all administrative divisions at Head Office, plants, research facilities, and sales offices. Due to the increase in administrative personnel and workloads after the merger in October 2008, the power consumption at offices and the use of photocopy paper have increased, while the green purchasing rate has declined. We will continue our efforts to achieve our original targets.

GOP targets

- Reduce power consumption by at least 1% annually.
- Maintain green purchasing rate at 80% or more.
- Reduce the use of photocopy paper by at least 5% over three years.

A poster promoting resource recycling

Promoting green procurement

Under its Green Procurement Policy, the Kyowa Hakko Kirin Group is performing various environmental activities to build a low carbon corporate group throughout the supply chain. In September 2009, we communicated our policy on environmental protection to the 287 main business partners who supply our raw materials, office supplies, and equipment, and conducted a questionnaire survey to investigate their green procurement practices. The results were favorable with 80% of our business partners actively engaged in environmental conservation activities based on their own environmental policies, and 60% of our procured products were found to be environmentally friendly. We fed back the results to our business partners, and are working hard to maintain our global green procurement.

Energy conservation at the Fuji Plant

Since fiscal 2006, the Fuji Plant has worked to conserve energy by replacing freezers, integrating well water pumps, and introducing photovoltaic power generation, resulting in a reduction in energy consumption of 207 kiloliters in oil equivalent/year. The replacement of freezers has not only helped reduce the energy consumption, but also allowed us to switch from a specified chlorofluorocarbon (R11) to a chlorofluorocarbon alternative (R407c) and so we were able to destroy all 1,420 kilograms of the specified chlorofluorocarbon. We are also promoting energy conservation at offices in the plant through activities such as switching off all unnecessary lighting, optimizing the preset temperatures of air conditioners, and powering off PCs. In the future, we will also focus on enhancing employees' energy conservation awareness by displaying a visual map of the energy consumption status on each employee's PC.

A freezer using the chlorofluorocarbon alternative

Energy conservation at the Takasaki Plant

At the Takasaki Plant and the Bio Process Research and Development Laboratories, we replaced six cooling units to shift from hydrochlorofluorocarbon (R22) refrigerants to hydrofluorocarbons (HFCs) refrigerants. To reduce thermal loss during steam delivery, we moved the boiler to a site near the research facilities to achieve an optimal distribution for the steam. A heat pump water heater was introduced in the Service Center where the dining room is located. These efforts have resulted in a reduction in the consumption of electricity and steam by 155 kiloliters in oil equivalent/year. We will continue our efforts to reduce energy consumption by introducing and implementing a range of energy-saving measures.

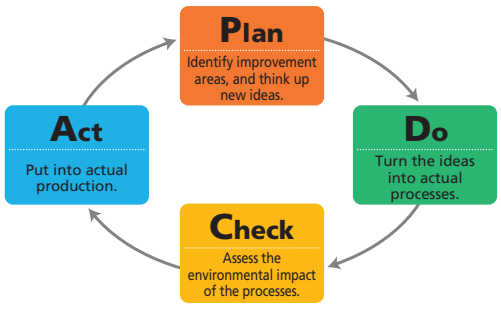
The boiler relocated to near the research facilities

Ensuring environment compatibility and safety in the product development process

Active ingredients of pharmaceuticals (bulk pharmaceuticals) include not just antibody drugs and other bio-derived material, but also organic compounds synthesized through multi-stage chemical reactions. Each stage of a chemical reaction requires—in addition to raw material compounds—the use of organic solvents and reagents, and chemical reactions generate by-products (waste) as well as active ingredients. In addition, heating, cooling, agitation, and other energy-consuming operations need to be performed during the reactions. Kyowa Hakko Kirin is trying to minimize the environmental footprint of bulk pharmaceuticals production by developing a synthesizing process that is safe and effective in assuring the quality of bulk pharmaceuticals, and assessing the environmental impact of the process.

The Plan-Do-Check-Act cycle in the development of production processes

To develop environmentally friendly and safe processes, we identify areas that can be improved, think up new ideas, and conduct many experiments before they are put into operation.



Reducing Waste

In playing its part in developing a "sound material-cycle society," the Kyowa Hakko Kirin Group has been working to minimize waste. We also monitor the entire waste management process under an enhanced waste governance system to ensure that all the waste from across the group is disposed of properly.

Committed to Reducing Waste

Waste governance

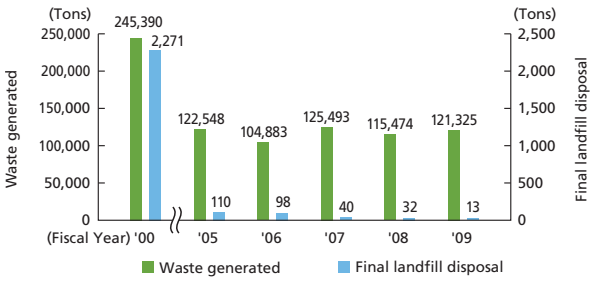
Developing a waste governance system is very important for any company. In addition to conducting audits prior to contracting out waste disposal, companies also need to inspect their contractors regularly as part of their environmental and safety operations. The Kyowa Hakko Kirin Group is developing a governance system that is effective and reliable—and yet that does not excessively increase the workload of the business site—by preparing audit checklists, standardizing the frequency of periodical audits, allowing auditors at one business site to audit another business site, and reviewing disposal outsourcing contracts.

Zero emissions activities

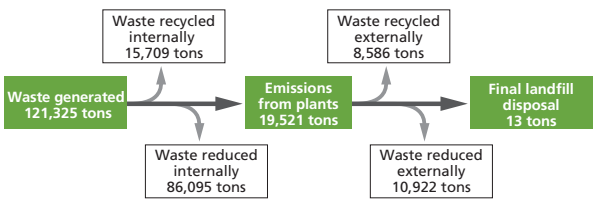
The total waste generated by the group during fiscal 2009 was 121,325 tons. Out of this, the final landfill disposal volume was 13 tons, meeting our goal of 105 tons or below and meaning that we had achieved zero emissions,*1 one of the targets of the Eco Project, for the fifth consecutive year. Fiscal 2009 also saw further development of the waste governance system across the group as each business site reviewed its disposal outsourcing contracts and we audited our contractors.

*1 While "zero emissions" generally means reducing waste to zero, the Kyowa Hakko Kirin Group uses this term to mean maintaining the ratio of final landfill disposal to total waste at 0.1% or less.

Waste generated and final landfill disposal



Recycling/disposal flow of waste (fiscal 2009)



Voice

Our goal is to achieve zero emissions

Tetsuya Nezu
Environment & Safety, Sakai Plant
Production Division
Kyowa Hakko Kirin Co., Ltd.

The Sakai Plant sells waste oil as fuel, and this practice has helped cut waste generated at the plant by more than 50% compared with two years ago. Also, complex waste that is difficult to separate at the plant (plastics, metal, glass), and which used to be disposed of in landfill, is now recycled by waste contractors, resulting in our eliminating landfill disposal in fiscal 2009. We have thus achieved zero emissions, but we are not satisfied with this result. Debris and ceramics are still disposed of in landfill, and because the amounts generated are very small, they are stored at the plant for more than a year before disposal. We will continue our activities to achieve true zero emissions and establish and maintain appropriate disposal practices.

Appropriate disposal of PCBs

Used capacitors, transformers, circuit breakers, and lighting ballasts are stored in locked warehouses provided with measures to prevent chemical seepage, in accordance with the special industrial waste storage standards. Low-level PCB oil stored in the group increased in fiscal 2009 because a number of terminal boxes containing insulating oil were disconnected. Each business site has already applied to the Japan Environmental Safety Corporation (JESCO) for the treatment of PCB waste.

Polychlorinated biphenyl (PCB) waste stored

Capacitors, transformers, circuit breakers	150
Lighting ballasts	4,098
Low-level PCB oil	1,318 liters

(As of March 31, 2010)

Reducing Chemical Releases

There are many different types of chemical substances. Some are useful and enrich people's lives, while some can be harmful to the environment and living creatures if not used or disposed of properly. Chemical substances differ from one another in the way that they should be handled and that their emissions should be controlled. We manage all of the chemical substances used for R&D and production carefully and properly, and endeavor to reduce their emissions.

Commitment to Reducing Chemical Releases

Curbing emissions of 12 important chemical substances

We saw an increase in emissions of the 12 chemical substances designated by the chemical industry as priority substances requiring particular attention and action to reduce emissions from 6.8 tons in fiscal 2008 to 11.2 tons in fiscal 2009. This is because the amount of ethylene oxide handled in the group increased over the previous fiscal year, and its emissions into the atmosphere increased accordingly.

Soil pollution risk management

The Kyowa Hakko Kirin Group makes it a rule to inspect soil for contamination when buying or selling land and when discontinuing the use of regulated substances based on the soil pollution countermeasure regulations established in 2004. There were no circumstances that required soil inspections in fiscal 2009.

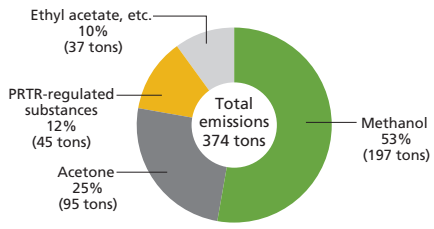
Preventing ozone layer depletion

The Kyowa Hakko Kirin Group has been renewing its large freezers gradually according to a specific plan. In fiscal 2009, emissions of specified chlorofluorocarbons decreased to 0.5 tons, a 65% reduction from the previous fiscal year.

Reducing VOC emissions

The Kyowa Hakko Kirin Group is working hard to reduce emissions of volatile organic compounds (VOCs) by 50% from the fiscal 2003 level by the end of fiscal 2010. The group's VOC emissions decreased from 547 tons in fiscal 2008 to 374 tons in fiscal 2009, achieving a 32% reduction from the previous fiscal year and a 39% reduction from the fiscal 2003 level. Thanks to a project launched in fiscal 2008 to improve distillation process, fiscal 2009 saw a decrease in acetone emissions by 48% to 95 tons, compared with 182 tons in fiscal 2008.

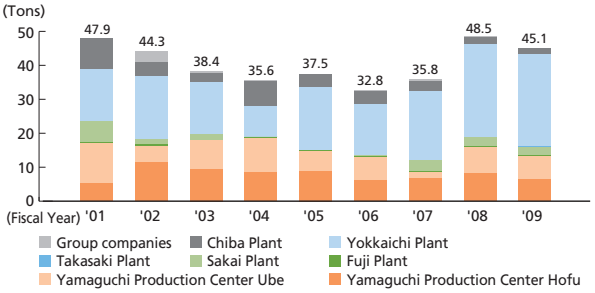
VOC emissions in fiscal 2009



Curbing emissions of PRTR Class 1 chemical substances

The group's emissions of chemical substances designated under the so-called "Pollutant Release and Transfer Register (PRTR) law" (Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof) as Class 1 chemical substances decreased by 7% to 45.1 tons from 48.5 tons in the previous fiscal year. We also measure the emissions of the 481 chemical substances specified by the Japan Chemical Industry Association every year.

Emissions of PRTR Class 1 chemical substances



Emissions of PRTR Class 1 chemical substances in fiscal 2009

Cabinet Order-designated No.	Substance name	Releases into the air (tons)	Releases into water (tons)	Releases into the soil (tons)
11	Acetaldehyde*2	0.8	0.7	0.0
12	Acetonitrile	0.0	0.0	0.0
16	2-aminoethanol	16.7	1.0	0.0
42	Ethylene oxide*2	5.8	0.1	0.0
43	Ethylene glycol	0.1	0.0	0.0
63	Xylene	12.9	0.0	0.0
85	Chlorodifluoromethane*3 (HCFC-22)	0.4	0.0	0.0
95	Chloroform*2	3.5	0.0	0.0
99	Vanadium pentoxide	0.0	0.0	0.0
100	Cobalt and its compounds	0.0	0.8	0.0
172	N,N-dimethylformamide	0.8	0.0	0.0
207	Cupric chloride	0.0	0.0	0.0
217	Trichlorofluoromethane*3 (CFC-11)	0.1	0.0	0.0
223	3,5,5-trimethyl-1-hexanol	0.2	0.0	0.0
227	Toluene	0.7	0.0	0.0
232	Nickel compounds	0.0	0.0	0.0
272	Bis (2-ethylhexyl) phthalate	0.0	0.0	0.0
297	Benzyl chloride	0.1	0.0	0.0
299	Benzene*2	0.3	0.0	0.0
310	Formaldehyde*2	0.0	0.0	0.0
312	Phthalic anhydride	0.2	0.0	0.0
Total		**42.5**	**2.6**	**0.0**
179	Dioxins (mg-TEQ)	15.6	2.4	0.0

*2 Substances that are also included in the 12 chemical substances designated by the chemical industry
*3 Substances that were used as a CFC refill for freezers

Preventing Water Contamination and Air Pollution

Water and air are essential for nurturing and supporting the lives of human beings, flora and fauna, and microorganisms. Water and air pollutions must be prevented to preserve the cycle of life and the cycle of materials. The Kyowa Hakko Kirin Group actively introduces new equipment and develops new processes to purify wastewater and gases generated during its business operations.

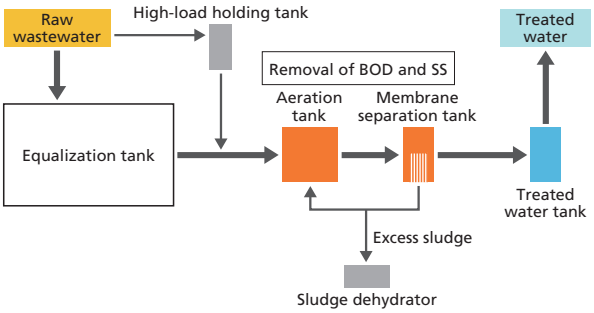
Commitment to Preventing Water Contamination

Wastewater management at Kyowa Hakko Kirin Takasaki Plant

Wastewater generated during research and production of pharmaceuticals contains organic matter, and biochemical oxygen demand (BOD) is generally used as an index of water contamination in the regulation of wastewater discharged from plants. In the case of the Takasaki Plant and the Bio Process Research and Development Laboratories of Kyowa Hakko Kirin, stringent wastewater management is essential, not only because the plant and laboratories form the company's major production and research center, but also because BOD and wastewater volumes fluctuate greatly depending on the production process, making it extremely difficult to maintain stable wastewater treatment. We therefore upgraded the wastewater treatment plant when our antibody drug substance production facility was newly constructed, to assure stable treated water quality and reduced environmental impact. The project involved (1) increasing the capacity of the equalization tank to stabilize the load caused by the fluctuating inflow of raw wastewater; (2) improving the capacity of the aeration tank to optimize BOD/mixed liquor volatile suspended solids (MLVSS) loading;* and (3) changing the solid-liquid separation method from sedimentation separation to membrane separation. Thanks to these alterations, both BOD and suspended solids (SS) are staying safely below their legal limits. To ensure that this wastewater treatment system continues functioning effectively, we also perform planned maintenance on instruments and facilities, monitoring through periodical analysis, wastewater loading simulation, cross-departmental meetings, and environmental assessment of new products.

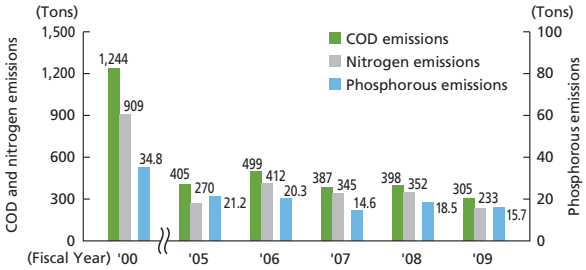
Wastewater treatment plant

Wastewater treatment flow
(membrane separation activated sludge process)



* **BOD/MLVSS loading (kg BOD/kg MLVSS per day):** BOD inflow mass in sludge in the aeration tank

Chemical oxygen demand (COD), nitrogen, and phosphorous emissions from the Kyowa Hakko Kirin Group

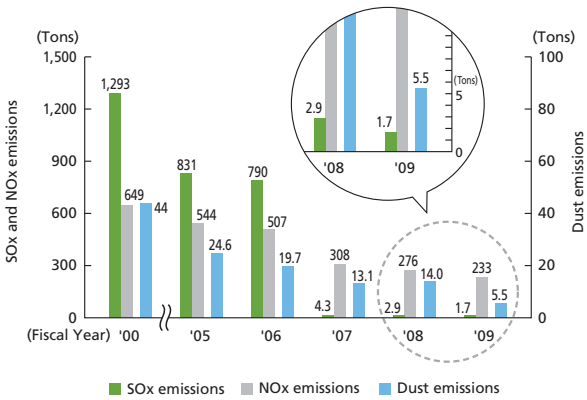


Commitment to Preventing Air Pollution

Emissions reduction at Kyowa Medex Fuji Plant

Kyowa Medex Fuji Plant has launched a project to upgrade its obsolete boiler, which includes switching fuel from heavy oil to liquefied petroleum gas (LPG). This fuel switch is expected to help reduce annual CO_2 emissions by 130 tons, or 13%, from the fiscal 2009 level. Elimination of the use of heavy oil is also expected to reduce the emissions of sulfur oxide (SOx), nitrogen oxide (NOx), dust, and other air pollutants. Annual emissions of SOx and NOx are projected to be reduced by 0.38 tons, or approximately 100%, and by 0.5 tons, or approximately 50%, respectively, from fiscal 2009 levels. We will focus on reducing the use of LPG and electricity in the future in order to upscale our efforts against global warming.

SOx, NOx and dust emissions at the Kyowa Hakko Kirin Group



Protecting the Ecosystem

Water resources are an indispensable element in maintaining the chain of life, and their protection is a key to conserving the ecosystem and biodiversity. Water resources are also essential for fermentation production. The Kyowa Hakko Kirin Group has been working on a water-source protection project to preserve water resources for generations to come.

Water-source Protection Project

As a member of the Kirin Group, we regard environmental protection as one of the most important management issues, and are driving forward a variety of projects to combat global warming, as well as to protect water resources in cooperation with local communities. The Takasaki Plant of Kyowa Hakko Kirin (former Kirin Pharma) started to take part in the Kirin Group's water-source protection project in fiscal 2007, and Kyowa Hakko Kirin Fuji Plant, Kyowa Hakko Bio Yamaguchi Production Center, and Kyowa Hakko Kirin Ube Plant also joined the project in fiscal 2009.

Activities at Kyowa Hakko Kirin Takasaki Plant

Kyowa Hakko Kirin organized the third round of its Kirin Takasaki Water Source Forest Conservation Activities on Saturday, October 3, 2009. Under the guidance of a local nonprofit organization (NPO) and others, we thinned out and pruned away trees and cut the undergrowth, and held a natural bamboo container gardening class for children. This project helped employees to understand the importance of forest conservation, and build good relationships among about 130 participants. In fiscal 2009, the Takasaki Plant also received the "Japan Greenery Research and Development Center Chairman's Prize" at The 28th National Assembly for Encouragement of the Factory with Outstanding Green Space Environment for the plant's efforts for environmental conservation.

Clearing the undergrowth

Voice

We will work harder to make the activities more effective and increase the number of participants

Fumio Shimizu
Administration, Takasaki Plant
Production Division
Kyowa Hakko Kirin Co., Ltd.

As a member of the administrative office for this activity, I was responsible for coordinating schedules with other organizations, planning an event for children, selecting and marking trees for thinning out and pruning away, grouping participants, and transporting and collecting equipment. Although the weather was bad—it was drizzling—for the first time since we started this project, it was fortunate that everything ended with no injuries. The barbeque lunch also became a good opportunity to cultivate relationships with many of the participants. We will continue this activity, calling on even more employees to take part in the project.

Activities at Kyowa Hakko Kirin Fuji Plant

Kyowa Hakko Kirin and Kirin Distillery jointly organized the Kirin Fuji-sanroku Water Source Forest Conservation Activities on Saturday, September 26, 2009. Fifty-five employees and their family members took part in improvement cutting, and enjoyed a craft-making class where children and their parents made beetles, containers, and other objects using twigs and other pieces of wood.

Improvement cutting (removal of undesirable trees)

Activities at Kyowa Hakko Bio Yamaguchi Production Center

Kyowa Hakko Bio Yamaguchi Production Center, along with Kyowa Hakko Kirin Ube Plant, joined the water-source protection project in fiscal 2009. The first round of activities was implemented in Akiyoshidai on Saturday, November 14, 2009, and about 70 employees and their family members took part in operations that included thinning, pruning, and planting seedlings. This activity was introduced to the public at the Yamaguchi Prefecture Forest-making Fiesta.

Participants in the project

Environmental Conservation Activities for Local Communities around Our Business Sites

All Kyowa Hakko Kirin Group companies have been taking the initiative in a variety of activities to protect the ecosystem, including clean-up campaigns, cleaning wild birds' migration sites, and releasing young *amago* (red-spotted *masu* trout) into a river. In fiscal 2009, we also participated in many local events including "Clean Osaka 2009," "30 Million Persons Seto Inland Sea Clean-up Campaign," and "Sakai Clean-up Campaign."

Third-party Review

Going One Step Further with CSR

In order for companies to serve society better, it is important to understand stakeholders' expectations and requests, and reflect them in their corporate activities. As a first step in the dialog on CSR, we have received opinions and advice from four experts.

Mr. Kawakita's review

This review was written based on the contents of this CSR Report and interviews with employees responsible for quality, environmental protection, safety, human resources, and CSR. I can say with confidence that the company has effectively begun the PDCA management cycle for fundamental CSR issues such as reducing environmental impact.

Highly evaluated achievements

- The company has established the clear medium- to long-term goals of reducing global warming gas emissions by 3% from the 2007 level by 2012, and 15% from the 2005 level by 2020 (pages 31 and 32), and has been making efforts to achieve them. I strongly hope that further reduction efforts—which do not simply rely on the introduction and replacement of equipment but on continuous and proactive innovation and improvements by employees at each business site—will be made across the company.
- To ensure the appropriate management of reagents and other chemical substances used for pharmaceutical R&D, the company has integrated the database for chemical substances prohibited under Japanese and overseas legislation and the company's chemical substance management system into the experiment planning support system. This integration helps both reduce risks in R&D and increase operational efficiency. I hope that this system will be sold to and used by other companies as well.

Efforts that have shown progress but require more commitment

- The company has been taking inventory of existing CSR issues at its main business divisions under the medium-term strategy starting from fiscal 2010. While this is worthy of admiration, I also strongly hope to see the company introduce those issues identified as indicators for a balanced scorecard (BSC) by the end of this fiscal year, and manage the indicators as targets for daily activities at each business site.
- The company has publically committed itself to "respect for diversity" in its human resource management system (pages 19 and 20) and has conducted interviews with more than 200 employees in support of this aim. While this is worthy of admiration, I would also like to see the company manage its human portfolio across the entire group within and outside Japan, and maximize and utilize human diversity to develop an organization that can meet the diverse needs of global markets.

Points where further efforts are expected

- CSR promotion organization (page 15): I strongly hope that the CSR promotion organization will evolve into an organization that, as stated earlier, encourages employees at each business site to perform CSR practices as proactive bottom-up initiatives in their daily activities, and share these practices with other parts of the company. I would also like to see further progress in activities overseas.
- The figures related to environmental impact (pages 31 to 35): I would recommend that the company clarify specific reasons behind the figures, rather than just showing the results and trends, to visualize what efforts and improvements are necessary at each business site. It is particularly important to distinguish changes in the figures attributable to legal compliance that has led the company to obtaining more accurate figures, from changes in the figures resulting from CSR activities.
- Business continuity plan (BCP): Particularly for the R&D division, I would recommend that the company recheck and make sure that the safety management system for laboratory animals and chemical substances is secure against possible damage to the premises, and that the company explain the system to local communities.
- Procurement of raw materials: I would recommend that the company not only focus on safety and efficacy but also pay greater attention to reducing environmental impact during the collection, production, and refining processes, as well as to the human rights of people who are engaged in the processes and live around the sites. In particular, to preserve biodiversity at raw-material/sample collection sites it is important to give the appropriate consideration to and take the necessary action for access and benefit-sharing (ABS) for local residents.
- Employment of people with disabilities (page 19): I would recommend that group-wide efforts be made to expedite the development of jobs for people with disabilities through a wide and detailed study of the best practices of other companies, so that the group can achieve the statutory employment ratio for employees with disabilities as soon as possible. At the same time, encouraging the formation of a community in which employees with disabilities can advise and support each other would also be effective in helping them retain their employment as long as possible.

Mr. Hideto Kawakita
CEO, International Institute for Humans, Organization and the Earth (IIHOE)

IIHOE: A nonprofit organization founded in 1994 for the purpose of promoting "democratic and balanced development of all the lives on the Earth." While its main mission is to provide management support to other NPOs and social entrepreneurs, IIHOE also offers CSR support to many major companies.
http://blog.canpan.info/iihoe/ (Japanese only)

Society **Mr. Terayama's review**

Pursue bio-pharmaceuticals for the welfare of society

It is time for Japanese companies to free themselves from the nightmare of the lost decade and prove through example and in practice that they have the technologies and management knowhow that can bring happiness to people around the world. I am not talking about finance or the information technology (IT) sector. I am talking about companies like Kyowa Hakko Kirin, a company that excels in the area of bio-pharmaceuticals. In my view, Kyowa Hakko Kirin is in a position to develop a new Japanese-style business model, and present to the world best practices in the implementation of "selection and concentration."

The path of the Japanese pharmaceutical industry over the past 25 years overlaps the rise and fall of the Japanese economy. Japanese major pharmaceutical companies, which were famous for their low-molecular drugs for lifestyle-related diseases, were late in developing bio-pharmaceuticals, which were to become a next-generation revenue earner. As generic drug manufacturers began to enter the competition by selling patent-expired drugs, the major Japanese pharmaceutical companies have been struggling to cope with the rapidly rising market share of their competitors from emerging countries. Besides, I have never heard of a Japanese company taking the initiative in the global reorganization of the industry. But this is not the case only with the pharmaceutical industry. Companies in the two largest exporting industries, electronics and automobiles, which have hitherto formed the foundation of the Japanese economy, have also been placed in the same kind of predicament.

Kyowa Hakko Kirin, a member of the Kirin Group and a company with "*hakko*" (fermentation) in its name, possesses not only unique technologies that are indispensable around the world for the development of antibody drugs, as well as its own R&D power, which has enabled the company to develop several antibodies that are expected to be effective in curing cancer. Kyowa Hakko Kirin has thus set an example in the implementation of "selection and concentration." Japan has a long history of fermented foods that cannot be found in Western countries, and Japanese companies can utilize this long fermentation tradition, as well as dauntless teamwork which they have traditionally been so good at, to become a pioneer in the conquest of cancer. If Kyowa Hakko Kirin wins the global competition through its bio-pharmaceuticals developed based on its patient, long-term perspective, Japanese companies, which are losing confidence, will reconsider the merits of Japanese-style management.

Japan has seen only dismal news recently. However, for the medical and pharmaceutical industries, an ageing society also means a growing market where many customers are anxiously waiting for new bio-pharmaceuticals. I would like Kyowa Hakko Kirin to show—at its core business—the real power of a Japanese company that is not pursuing short-sighted profit-making. Kyowa Hakko Kirin, which does not rely on economies of scale but concentrates its resources on the area that it excels in, is in a position to be able to do so.

Mr. Shoichi Terayama

Chief Editor, *Nikkei Business* magazine

Graduated from the Faculty of Economics at the University of Tokyo in 1987. Joined Nikkei Business Publications, Inc. in 1989. Worked at Nikkei BP's New York Bureau between 1992 and 1994, and was on loan to Rating and Investment Information, Inc. between 1998 and 2000. After pursuing his career as a writer and analyst in the areas of automobiles, electronics, distribution, steel, aviation, communications, and others, Mr. Terayama was appointed Deputy Chief Editor of the *Nikkei Business* magazine in 2003, and Chief Editor of the magazine in 2008.

Human rights Diversity **Ms. Horii's review**

Implement measures to put HR Philosophy into practice

In "Sharing Values, Aims, and Ideals; Team Kyowa Hakko Kirin," Kyowa Hakko Kirin's credo created together with more than 1,000 employees, there is a remarkable statement that reads: "Let us take our energy, enthusiasm, and pioneering spirit to join as one. Through our combined strength, we can yield unimaginable solutions. This is what we want to show the world." To achieve this vision, promoting "diversity and inclusion" is an indispensable process for Kyowa Hakko Kirin. As far as I see it, what underlies this statement is a culture that recognizes and accepts the value of each employee, and allows every employee to fully display their unique strengths. The HR Philosophy, which was established based on this statement, emphasizes the "development of professionals" who believe in themselves and utilize their improved skills for the company's growth, "respect for diversity" of these talented professional employees, and the company's responsibility to "clarify its mission and give fair treatment." I think that this philosophy is very profound.

The only thing that Kyowa Hakko Kirin now needs to do is to put this philosophy into practice. This report does not clarify specific activities to achieve this philosophy. Although the above-mentioned three goals of the philosophy are closely related with each other, each goal requires a change in the corporate culture and therefore will take a long time to achieve. To achieve diversity, there is a need to turn the company into a team of independent, autonomous individuals with a strong sense of professionalism. There is also a need to establish a corporate vision that will inspire each employee to make a contribution. Then there is a need for the company to define work goals for each employee with mutual agreement that clarify their authority and responsibilities, and to evaluate their achievement levels accurately. All these issues and steps differ greatly from the existing values of Japanese companies. The most important point is to focus on a change in employees' awareness, rather than establishing rules and other institutional arrangements. The company may need to undergo difficult—or even painful at times—processes, such as changes in the corporate culture, the recognition and visualization of tacit knowledge present in the company, and identification of the unconscious values held by employees that dictate their behavior. For this reason, the management's strong determination is essential.

It is my hope that the company will formulate and implement an action plan to fulfill the HR Philosophy as soon as possible.

Ms. Kimiko Horii

President, NPO Global Enhancement of Women's Executive Leadership (GEWEL)

Graduated from the University of Tokyo. After working for Japan Airlines and a foreign-affiliated manufacturing company, joined Avon Products, Inc. and remained there for 22 years. Worked in various departments such as sales planning, new business development, sales promotion, and management planning before promoted to National Sales Director. As the leader of about 700 sales representatives, Ms. Horii contributed greatly to the company's growth amid a difficult business environment. Currently President of NPO Global Enhancement of Women's Executive Leadership (GEWEL).

Third-party Review

Going One Step Further with CSR

Citizens **Dr. Oshima's review**

Maintain good communication with civil society

While a number of company mergers took place under a wave of globalization, Kyowa Hakko and Kirin Pharma merged in 2008 to give birth to a new company, Kyowa Hakko Kirin.

Last year's report focused only on the company's active involvement in protecting the global environment, making the purpose of the report rather unclear. However, this year's report explains the company's activities by dividing them into five types depending on the stakeholder they are aimed at—customers, employees, shareholders, society, or the global environment. I found this way of editing the report easy to follow and understand. Some companies are recently pursuing their corporate social responsibility (CSR) by engaging in activities that are not directly related to their primary business, such as encouraging their employees to take part in volunteer activities, or supporting fine art. However, the most important thing that companies need to do for their CSR is to achieve their mission in their business and make appropriate profits. In this regard, this year's report successfully conveys the message that the Kyowa Hakko Kirin Group will continue its growth, and contribute to society, on the basis of three businesses: pharmaceuticals, fermentation technologies, and chemicals.

In the "For Society" section of the report, there are descriptions of dialogs between employees and local communities as an example of how the company is maintaining communication with society. In the "Developing and Maintaining Integrity" section, there is an organizational chart of the CSR Committee and other internal committees. However, the report does not explain the company's policy or the process of how it will maintain a dialog with society and citizens (risk communication, etc.) if an event that threatens the continuation of the company should occur or when dealing with important issues. The company probably needs to establish a cross-committee division responsible for communicating with society so that such communication will be managed directly under the governance manager.

More than 10 years ago, when I was still an experimental scientist, I did joint research with researchers from Kyowa Hakko. We were analyzing the expression of antibody epitopes on the human digestive tract and brain tumors, using glycolipid antibodies under development. I am very pleased to know that Mr. Nobuo Hanai, jointly with whom I wrote three papers, is now among the directors of the company as the Vice President Head Development Division. I hope that the Kyowa Hakko Kirin Group will continue growing as a company serving society.

Dr. Mieko Oshima
President, The Japan Science Society

After retiring from the Research Institute, National Center for Global Health and Medicine, Dr. Oshima became involved in establishing the Tohoku University of Community Service and Science, and was Vice President until 2009. She was also President of the Japan Academy of Koeki Studies, studying the public benefits of medicine, science, and technology. Currently President of the Japan Science Society, President of NPO Life Bio Plaza 21, and emeritus professor at the Tohoku University of Community Service and Science.

Response to Third-party Reviews

Ken Yamazumi
Executive Director of the Board
Executive Vice President

The objective of the Kyowa Hakko Kirin Group's corporate social responsibility (CSR) is to implement the Group Management Philosophy of creating and offering value that will bring health and well-being to people through business activities and contributing to the development of a sustainable society. We consistently paid attention to quality, the environment, safety, and corporate ethics even before we started CSR activities, but by regarding CSR as part of our business activities and as a priority issue for management, we will continue working hard to serve society even better.

To fulfill our CSR, we need to understand society's expectations and requests towards us accurately. I would like to express my sincerest gratitude to Mr. Hideto Kawakita, Mr. Shoichi Terayama, Ms. Kimiko Horii, and Dr. Mieko Oshima for providing us with precious comments from an expert point of view. These comments represent future issues for the group, and we will earnestly examine how we can reflect all these views in our CSR activities in the next fiscal year and thereafter, and report the results of those activities in our future CSR Reports as soon as data are available.

While rating highly our efforts to integrate CSR into our business activities, Mr. Kawakita has also pointed out that we need to promote proactive CSR practices in each division and share these practices across the company, as well as to extend these efforts to encompass our overseas locations. This is exactly the direction we are heading in, and we will continue making steadfast efforts along this direction. As regards biodiversity and access and benefit-sharing (ABS), although we have consistently been paying appropriate attention to these issues, we will review our measures once again to make sure that they are effective. We have already set up an organization in which to discuss how we can improve the employment ratio of employees with disabilities, and will tackle this issue as Mr. Kawakita has suggested through this organization.

Mr. Kawakita's and Ms. Horii's reviews also include suggestions regarding diversity. We have established a framework under the HR Philosophy. All we need to do now is to make it work in real terms. This cannot be achieved by the HR division alone, and requires group-wide efforts as an important corporate management issue. As a newly merged company, we will continue working hard to develop a new corporate culture, maximize diversity, and nurture human resources who can accept and leverage different values. These efforts, I believe, will lead to the creation of bio-pharmaceuticals from a long-term perspective, which Mr. Terayama has suggested we should aim for, and will prove effective in our future drug discovery and development strategies.

Dr. Oshima has pointed out the issue of risk communication. We will continue building stronger trust with society, and if an emergency situation should occur, the Crisis Management Committee organized under the Group Risk Management Committee will work to solve the problem. We will explore an effective way of maintaining dialog with society to further deepen its understanding of our company.

The Kyowa Hakko Kirin Group will continue to be a corporate group that is trusted by and operates in harmony with society by creating innovative new drugs and offering new value that will bring health and well-being to people.

Overview of the Kyowa Hakko Kirin Group

Company Profile (as of December 31, 2009)

Company Name: Kyowa Hakko Kirin Co., Ltd.

Date of Foundation: July 1, 1949
(The trade name changed from "Kyowa Hakko Kogyo Co., Ltd." on October 1, 2008, upon the merger with Kirin Pharma Company, Limited.)

Paid-in Capital: ¥26,745 million

Representative: Yuzuru Matsuda, President and Chief Executive Officer

Head Office: Ohtemachi Bldg., 1-6-1 Ohtemachi, Chiyoda-ku, Tokyo 100-8185, Japan
TEL: +81-3-3282-0007

Number of Employees: 7,436 (consolidated), 4,290 (parent company)

Major Consolidated Subsidiaries: Kyowa Hakko Bio Co., Ltd., Kyowa Hakko Chemical Co., Ltd., Kyowa Medex Co., Ltd.

Main Businesses: Pharmaceuticals (manufacture and sale of ethical drugs and *in vitro* diagnostics)
Bio-chemicals (manufacture and sale of pharmaceutical and industrial raw materials, health care products, agrochemicals, products for livestock and fishery industries, and alcohol)
Chemicals (manufacture and sale of solvents, plasticizer raw materials, and specialty chemicals)
Other (wholesaling, transportation)

Business Locations (as of April 1, 2010)

Plants

Domestic

Kyowa Hakko Kirin Co., Ltd.
Fuji Plant, Takasaki Plant, Sakai Plant, Yokkaichi Plant, Ube Plant

Kyowa Hakko Bio Co., Ltd.
Yamaguchi Production Center (Hofu, Ube), Healthcare Tsuchiura Plant

Kyowa Hakko Chemical Co., Ltd.
Chiba Plant, Yokkaichi Plant

Kyowa Medex Co., Ltd.
Fuji Plant

Daiichi Fine Chemical Co., Ltd.
Headquarters Plant (Takaoka, Toyama)

Overseas

Kyowa Hakko Kirin Co., Ltd.
Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. (Shanghai, China)

Kyowa Hakko Bio Co., Ltd.
Biokyowa Inc. (Missouri, U.S.A.)
Shanghai Kyowa Amino Acid Co., Ltd. (Shanghai, China)

R&D Network

Domestic

Kyowa Hakko Kirin Co., Ltd.
Fuji Research Park (Fuji Plant, Shizuoka), Tokyo Research Park (Machida, Tokyo), Bio Process Research and Development Laboratories (Takasaki Plant, Gunma), Drug Formulation Research and Development Laboratories (Fuji Plant, Shizuoka), Chemical Process Research and Development Laboratories (Sakai Plant, Osaka)

Kyowa Hakko Bio Co., Ltd.
Technical Research Laboratories (Yamaguchi Production Center, Yamaguchi), Tsukuba Development Center (Tsukuba, Ibaraki)

Kyowa Hakko Chemical Co., Ltd.
Yokkaichi Research Laboratories (Yokkaichi Plant, Mie)

Kyowa Medex Co., Ltd.
Research Laboratories (Fuji Plant, Shizuoka)

Overseas

Kyowa Hakko Kirin Co., Ltd.
Kyowa Hakko Kirin (Hong Kong) Co., Ltd. (Hong Kong, China), Jeil-Kirin Pharm. Inc. (Seoul, Korea), Kyowa Hakko Kirin Pharma, Inc. (New Jersey, U.S.A.), Kyowa Hakko Kirin California, Inc. (California, U.S.A.), Kyowa Hakko Kirin UK Ltd. (near London, U.K.), Hematech, Inc. (South Dakota, U.S.A.), Kirin Amgen, Inc. (California, U.S.A.)

Sales Network

Domestic

Kyowa Hakko Kirin Co., Ltd.
13 branches throughout Japan

Kyowa Hakko Bio Co., Ltd.
Tokyo, Osaka, Kyushu

Kyowa Hakko Chemical Co., Ltd.
Tokyo, Osaka

Kyowa Medex Co., Ltd.
Tokyo, Osaka

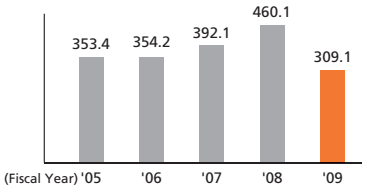
Overseas

Kyowa Hakko Kirin (Hong Kong) Co., Ltd. (Hong Kong, China), Jeil-Kirin Pharm. Inc. (Seoul, Korea), Kyowa Hakko Kirin (Taiwan) Co., Ltd. (Taipei, Taiwan), Kyowa Hakko Kirin UK Ltd. (near London, U.K.), Kyowa Hakko Kirin (Singapore) Pte. Ltd. (Singapore), Kyowa Hakko Kirin Italia S.r.l. (Milan, Italy), Kyowa Hakko (Hong Kong) Co., Ltd. (Hong Kong, China), Kyowa Hakko U.S.A., Inc. (New York, U.S.A.), Kyowa Hakko Europe GmbH (Düsseldorf, Germany), Kyowa Hakko Bio Italia S.r.l. (Milan, Italy), Kyowa Hakko Industry (Singapore) Pte. Ltd. (Singapore)

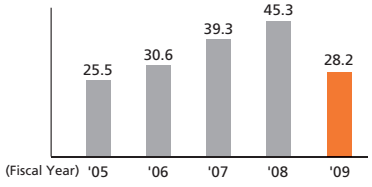
Financial Highlights (Kyowa Hakko Kirin's consolidated financial results)

* Due to the change in the fiscal year end, the data for fiscal 2009 shown below covers a period of only nine months from April 1 to December 31, 2009.

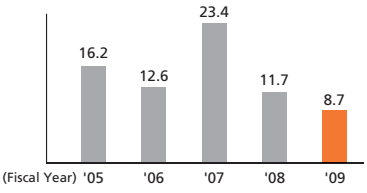
Net sales (Billions of yen)



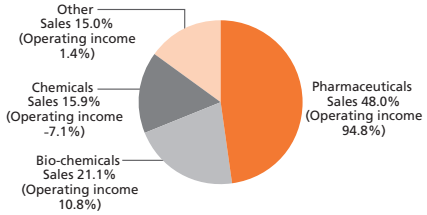
Operating income (Billions of yen)



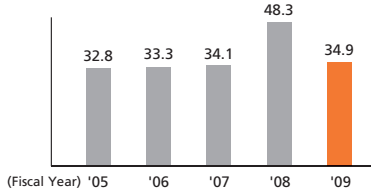
Net income (Billions of yen)



Sales and operating income composition by business (fiscal 2009)



R&D expenses (Billions of yen)



R&D expenses to net sales ratio (%)