



FOR IMMEDIATE RELEASE

Kyowa Hakko Fiscal 2006 Operating Income up 20.2%

Tokyo, April 27, 2007 --- Kyowa Hakko Kogyo Co. Ltd. (Kyowa Hakko) today announced its consolidated financial results for the year ended March 31, 2007 (Fiscal 2006). Consolidated operating income was ¥30.6 billion, an increase of 20.2% compared to fiscal 2005, and ahead of the company's October 2006 forecast of ¥29.0 billion. Fiscal 2006 consolidated net sales were ¥354.2 billion, up 0.2%, while recurring income increased 9.5% to ¥30.9 billion. Consolidated net income was affected by extraordinary losses, including losses on the sale of subsidiaries' shares and asset impairment losses, and declined by 22.0% to ¥12.6 billion.

Despite the effects of pharmaceutical price cuts averaging 6.7%, operating income in the Pharmaceuticals segment grew by 10.6%. In the Bio-Chemicals segment higher prices of raw materials and fuels resulted in an increase in operating income of only 0.7%, while in the Chemicals segment, domestic and overseas product markets were generally strong and operating income was up 77.2%.

R&D spending in fiscal 2006 was up 1.4% on fiscal 2005 to ¥33.3 billion, which represented 9.4% of net sales.

For the fiscal year ending March 31, 2008 (fiscal 2007) Kyowa Hakko forecasts a 7.3% increase in net sales, and a 10.8% increase in operating income, while recurring income and net income are forecast to grow by 10.0% and 96.9% respectively.

Commenting on the results, Dr. Yuzuru Matsuda, President of Kyowa Hakko said, 'We have achieved strong profit growth in fiscal 2006, despite significant price cuts in our core pharmaceutical products and tough competition in our Bio-Chemicals business. In fiscal 2007, we expect to achieve further growth in both sales and profits, driven by strong performances in Pharmaceuticals and Bio-Chemicals. We aim to create sustained growth in shareholder value and will continue to pursue our medium-term plan strategy of investing in growth while implementing broad-ranging cost reductions.'

I. Fiscal 2006 Results

Results for the fiscal year ended March 31, 2007

(Billions of Yen)

	FY ended March 31, 2007	FY ended March 31, 2006	YOY Change (%)
Net sales	354.2	353.4	+0.2%
Operating income	30.6	25.5	+20.2%
Recurring income	30.9	28.2	+9.5%
Net income	12.6	16.2	-22.0%
Net income per share (¥)	31.32	38.68	-19.0%

Segmental results for the fiscal year ended March 31, 2007

Sales

(Billions of Yen)

	FY ended March 31, 2007	FY ended March 31, 2006	YOY Change (%)
Pharmaceuticals	131.5	149.5	-12.0%
Bio-Chemicals	67.1	57.4	+16.9%
Chemicals	98.6	85.8	+14.9%
Food	42.5	42.4	+0.4%
Other	48.4	55.3	-12.4%

Operating Income

(Billions of Yen)

	FY ended March 31, 2007	FY ended March 31, 2006	YOY Change (%)
Pharmaceuticals	15.7	14.2	+10.6%
Bio-Chemicals	4.1	4.0	+0.7%
Chemicals	7.9	4.5	+77.2%
Food	1.8	1.6	+14.3%
Other	0.9	1.1	-16.2%

Segmental Performance

In the Pharmaceuticals business, net sales declined 12.0%, to ¥131.5 billion, while operating income increased by 10.6%, to ¥15.7 billion.

Despite strong volume growth in core ethical pharmaceutical products, sales were affected by pharmaceutical price cuts of 6.7% introduced in April 2006 and a large fall in sales of antimycological agent *Itrizole* after the ending of a distribution agreement in March 2006. Sales of *Coniel*, a treatment for hypertension and angina pectoris, were lower than in the previous fiscal year, but sales of *Allelock* (*olopatadine hydrochloride*) an antiallergic agent, *Durotep Patch*, an analgesic for persistent cancer pain, and *Navelbine*, an anticancer agent, each increased. In the licensing-out of technologies and export of pharmaceutical products, sales of antiallergic agent *Olopatadine* continued to perform very well.

In new drug development in Japan, *Bothdel* (*MM-Q01*), the contrast medium for MRI, received approval in April 2006 and sales commenced in September, while the antiepileptic KW-6485 is currently in the NDA application stage. Kyowa Hakko is also carrying out Phase II clinical trials in Japan on KW-6002, an anti-Parkinson's disease treatment and KW-2246, an analgesic for cancer pain, while KW-0761, a therapeutic antibody that utilizes our Potelligent[®] technology, is in Phase I clinical trials as a blood cancer treatment. In addition, inflammatory bowel disease agent *Asacol*, for which we agreed a joint development and sales contract with Zeria Pharmaceutical Co., Ltd. in January 2007, is in Phase III clinical trials.

Overseas, KW-6002 has completed Phase III clinical trials in North America and Europe as an anti-Parkinson's treatment and application in the U.S. for its approval as a new drug was made in April 2007. In North America, cancer treatment KW-2449 is in Phase I trials, and in Europe therapeutic antibody KW-0761 is in Phase I trials as an antiallergic agent. In September 2006, our U.S. subsidiary Biowa Inc. commenced Phase I clinical trials of BIW-8405, an anti-asthma agent incorporating Kyowa Hakko's Potelligent[®] technology and in December BIW-8405 was outlicensed to MedImmune of the U.S. Meanwhile, in China Phase III clinical trials are underway for *Allelock*, an antiallergic agent, and for additional indications for *Coniel* as a treatment for angina pectoris.

In the Bio-Chemicals business, sales increased 16.9%, to ¥67.1 billion, while operating income increased by 0.7% to ¥4.1 billion. Strong sales of pharmaceuticals and industrial materials including amino acids, nucleic acids, and related compounds reflected increased overseas demand, and increased sales in Japan of raw materials for generic

pharmaceuticals. In healthcare products sales increased, as despite sluggish demand for domestic beverage-use amino acids, mail-order sales in Japan of the *Remake* series grew strongly, while sales in overseas markets of amino acids used as dietary supplements also increased.

In the Chemicals business, sales increased 14.9%, to ¥98.6 billion, while operating income increased by 77.2%, to ¥7.9 billion. Firm domestic demand underpinned an increase in shipment volumes, while core product prices were revised against a background of higher raw materials and fuel prices, leading to a large increase in sales compared to last fiscal year. Export shipment volumes were lower, but strong overseas demand for plasticizer raw materials and solvents led to an increase in sales. By product category, sales of high-purity solvents to the IT industry were strong and specialty chemicals products recorded sales growth in Japan and overseas, driven by a strong performance from core refrigerant oil raw materials.

In the Food business, sales increased 0.4%, to ¥42.5 billion, while operating income decreased 14.3%, to ¥1.8 billion. In seasonings, sales of natural seasonings increased as sales of fermented seasonings to the prepared food and restaurant markets expanded and sales volumes of *Umami* seasonings also increased, leading to higher overall sales.

In the Other business segment, sales decreased 12.4%, to ¥48.4 billion, while operating income decreased 16.2% to ¥0.9 billion.

II. Forecasts for the fiscal year ending March 31, 2008*

(Billions of Yen)

	Fiscal 2007 Forecast	Compared to Fiscal 2006	Reference: Fiscal 2007 medium-term plan target announced May 2005
	Fiscal Year ending March 31, 2008	Change (%)	
Net sales	380.0	+7.3%	350.0
Operating income	34.0	+10.8%	34.0
Recurring income	34.0	+10.0%	--
Net income	25.0	+96.9%	--

Forecast net income per share for the year ending March 31, 2008: ¥62.83.

These forecasts assume average exchange rates for fiscal 2007 of ¥115/US\$ and ¥150/euro.

In fiscal 2007, the final year of its three-year business plan, Kyowa Hakko is looking towards future growth by carrying out active investments while implementing comprehensive cost-cutting measures. We will also increase investment in marketing to expand sales as we strive to build the foundations for future profits.

In fiscal 2007, we expect increased sales and profits compared to fiscal 2006. We forecast net sales will increase by 7.3% to ¥380.0 billion and that operating income will increase by 10.8% to ¥34.0 billion. Recurring income is forecast to grow by 10.0% to ¥34.0 billion and net income to increase by 96.9% to ¥25.0 billion.

In the Pharmaceuticals business, fiscal 2007 net sales and operating income are each forecast to increase as core products including *Allelock* continue to grow, and new product *Patanol* contributes to growth. We also expect increased licensing-out of technologies and export of pharmaceutical products, in particular of *Olopatadine*. In the Bio-Chemicals business, sales volumes are expected to grow as we fully develop our sales strategy for amino acids, Coenzyme Q10, and mail-order sales of the *Remake* series. The consolidation of Daiichi Fine Chemical Co., Ltd. following our planned acquisition of shares in June should also contribute, leading to increased sales and operating income. In the Chemicals business, sales and operating income are forecast to decline as overseas market prices soften somewhat following a long period of strength. In the Food business, as we actively utilize solutions-based marketing and introduce new products, sales volumes of natural seasonings, particularly sauces, and of bread ingredients such as baking improvers are expected to increase, and net sales and operating income are forecast to increase compared to fiscal 2006.

**The above forecasts are based on information available and assumptions made at the time of release of this document about a number of uncertain factors that can affect results in the future. It is possible that actual results are materially different for a wide variety of reasons.*

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