

FOR IMMEDIATE RELEASE

Kyowa Hakko Three-month Net Sales up 10.8%; Raises profit forecasts

Tokyo, July 27, 2007-- Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko) (TOKYO:4151) today announced its first quarter financial results for the three-month period ended June 30, 2007. Consolidated net sales were 94.9 billion Yen, an increase of 9.2 billion Yen, or 10.8% from the first quarter of the previous fiscal year and ahead of initial plans for the fiscal year, driven mainly by a strong performance from the Pharmaceuticals business. Operating income decreased by 7.3% to 7.5 billion Yen, due to a significant rise in R&D expenses, including a one-time payment for the in-licensing of anti-cancer drug ARQ197 and despite an increase of 4.3 billion Yen in gross profit. Net income was 5.3 billion Yen up 159.0% compared to the first quarter of last fiscal year which recorded extraordinary losses of 3.4 billion Yen.

Commenting on the results, Yuzuru Matsuda, President of Kyowa Hakko said, 'We are very pleased with the strong performances in our Pharmaceuticals and Chemicals businesses that have helped us achieve better than expected results. As a result, we have revised upwards our interim and full-year forecasts for fiscal 2007 and we remain firmly on track for achieving the growth outlined in our medium-term business plan.'

Summary of operating results for the three months ended June 30, 2007

(Amounts less than 100 million Yen have been ignored)

	<i>Billions of yen</i>		%
	Three months to June 30, 2007	Three months to June 30, 2006	Change
Net sales	94.9	85.6	+10.8%
Operating income	7.5	8.1	-7.3%
Recurring income	8.3	8.4	-0.8%
Net income	5.3	2.0	+159.0%
Net income per share	13.37	4.86	+175.1%

Segmental performance

In the Pharmaceuticals business, sales increased compared to the first quarter of last fiscal year due to strong sales of *Allelock* (Olopatadine hydrochloride), an antiallergic agent, and were supported by sales of *Patanol*, an antiallergic ophthalmic solution launched in October 2006. In exports and out-licensing, sales of Olopatadine hydrochloride increased.

In the Bio-Chemicals business, sales increased significantly as a result of strong sales of core amino acids, nucleic acids, and related compounds primarily overseas, and as Daiichi Fine Chemical Co., Ltd. was consolidated from the first quarter of this fiscal year.

In the Chemicals business, sales volumes remained broadly unchanged but sales increased as the sharp rise in fuel and raw material prices led to generally strong product prices in domestic and foreign markets.

In the Food business, sales increased largely as a result of growth in sales of bakery products and ingredients.

Forecasts for the fiscal year ending March 31, 2008*

	<i>Billions of Yen</i>	%
	FORECAST Fiscal Year ending March 31, 2008	Change compared to the previous fiscal year
Net sales	395.0	11.5%
Operating income	36.0	17.3%
Recurring income	36.0	16.5%
Net income	26.0	104.8%
Net income per share	65.35	108.7%

Results for the first three months of fiscal 2007 were ahead of plan, driven in particular by strong performances from the Pharmaceuticals and Chemicals businesses. As a result, our forecasts for fiscal 2007 that were announced with the full year results for fiscal 2006 on April 27, 2007, have been revised upwards.

**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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For further information please access: <http://ir.kyowa.co.jp/english/index.cfm>

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.