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For Immediate Release

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**Notification with Respect to the Strategic Alliance Between Kyowa Hakko Group and
Kirin Group Centering Around the Integration of Kyowa Hakko Kogyo Co., Ltd. and
Kirin Pharma Company, Limited**

Kyowa Hakko Kogyo Co., Ltd. (President and CEO, Yuzuru Matsuda, “Kyowa Hakko”), Kirin Pharma Company, Limited (President and Chairman of the Board of Directors, Katsuhiko Asano, “Kirin Pharma”) and Kirin Holdings Company, Limited (President and CEO, Kazuyasu Kato, “Kirin Holdings”) have reached an agreement with respect to a strategic alliance between the Kyowa Hakko Group and the Kirin Group centering around the integration of Kyowa Hakko and Kirin Pharma (the “Strategic Alliance”). Accordingly, Kyowa Hakko, Kirin Pharma and Kirin Holdings have entered into an integration agreement (the “Integration Agreement”), and Kyowa Hakko and Kirin Pharma have entered into a share exchange agreement (the “Share Exchange Agreement”) pursuant to the resolutions of the respective meetings of the Board of Directors held today. In connection with such resolutions, we would like to provide notice of the following:

1. Purpose and Basic Policy with Respect to the Strategic Alliance

In the pharmaceutical business, which is the core business for both the Kyowa Hakko Group and the Kirin Group, the competitiveness of both the domestic and international environments has significantly increased due to changes brought about by reforms in the pharmaceutical industry. Such changes include the revision of medical treatment fees and pharmaceutical price reductions due to changes in the medical system, increased efforts to contain drug costs, challenges presented by large U.S. and European pharmaceutical corporations, increased global competition concerning the research and development of new drugs and the increased costs of research and development in order to discover new pharmaceuticals. In order to overcome this difficult environment and to promote global growth with a sense of speed, both groups decided that, rather than pursuing business development separately, the two companies should strengthen their management base through integration.

Based on this shared awareness, the Kyowa Hakko Group and the Kirin Group agreed on a

fundamental concept of building a new company out of the combination of the respective distinctiveness and strengths of both companies, based on the strength of both companies in biotechnology, with the goal of developing a global top-class research and development-centered life sciences company based in Japan, and have decided to form the Strategic Alliance centering around the integration of Kirin Pharma and Kyowa Hakko (the “Integration”).

With respect to the integration of the pharmaceutical businesses around which the Strategic Alliance centers, antibody drug technology-centered biotechnology is the strength of both Kyowa Hakko and Kirin Pharma. Through the integration of antibody technologies, both companies aim to improve drug development capabilities, expand opportunities to acquire novel antigens through an improved presence in the antibody drug sector and increase development speed and proactive overseas development of antibody drugs through the mutual exploitation of antibody technologies. Furthermore, through the Integration, Kyowa Hakko and Kirin Pharma expect an increase in the scale of research and development and marketing, the establishment of effective business operations systems, and the further strengthening of the profitability and competitiveness of their pharmaceutical business, all of which is believed to result in a strengthening of the operational base.

With respect to industries other than the pharmaceutical business, there are many similarities between the businesses in which the Kyowa Hakko Group and the Kirin Group operate (food, alcohol, health products mail-order business, and others) and both Groups plan to raise corporate value through the promotion of effective business integration and co-operation in each such industry.

The fundamental principle of the Strategic Alliance is the establishment of mutual cooperation across the whole business operation of both the Kyowa Hakko Group and the Kirin Group at the group level. Accordingly, the Kyowa Hakko Group and the Kirin Group aim to enhance synergy, strengthen competitiveness, improve management efficiency, realize further improved growth and maximize corporate value as a result of the advancement, through mutual discussion on an equal footing (regardless of business scale or capital relationship) of strategic business alliance and collaboration, leveraging off of each company’s respective strengths to their best advantage.

2. Contents of the Strategic Alliance

(1) Summary of the Strategic Alliance

The parties intend to realize the following transactions which have been mutually agreed on, conditioned upon obtaining promptly, based on applicable laws and regulations, the approval of the general meeting of shareholders of each company or the approval and other necessary procedures of the relevant domestic/overseas regulatory authorities.

a. Acquisition of Shares of Kyowa Hakko by Kirin Holdings

Prior to the Integration, Kirin Holdings plans to implement the tender offer for the shares of common stock of Kyowa Hakko, at a purchase price of 1,500 yen per share, from Wednesday, October 31, 2007 through Thursday, December 6, 2007 (the “Tender Offer”). Furthermore, the Board of Directors of Kyowa Hakko resolved to approve the Tender Offer at the meeting held on October 22, 2007. The Tender Offer is being conducted so that Kirin Holdings may acquire, in conjunction with the shares of common stock allocated and delivered to Kirin Holdings in the share exchange between Kyowa Hakko and Kirin Pharma (the “Share Exchange”) as described below in “b.”, a total number of shares equivalent to 50.10% of the standard number of shares of Kyowa Hakko (the “Standard Number of Shares”) as of the effective date of the Share Exchange.

(Note 1) The Standard Number of Shares of Kyowa Hakko is the sum of (i) the total number of issued common stock of Kyowa Hakko (including the number of treasury shares of common stock held by Kyowa Hakko) and (ii) any excess of the number of shares of common stock underlying the stock acquisition rights issued by Kyowa Hakko, over the number of treasury shares of common stock held by Kyowa Hakko.

(Note 2) If the total number of tendered shares and other securities is less than 79,849,000 shares, none of the tendered shares or other securities will be purchased by Kirin Holdings. If the total number of shares tendered in the Tender Offer exceeds 111,578,000 shares, none or some of the excess shares may be purchased, and pursuant to the *pro rata* method as defined in Article 27-13, Paragraph 5 of the Financial Instruments and Exchange Law and Article 32 of the Cabinet Office

Ordinance regarding disclosure of tender offer for shares and other securities by non-issuers, Kirin Holdings will make delivery and other settlements with respect to the purchase of shares.

(Note 3) The Tender Offer may be cancelled upon the occurrence of an event which has a material adverse affect on, among others, the operations or the assets of Kyowa Hakko.

For details of the Tender Offer, please refer to the “Notification with Respect to Commencement of Tender Offer for Shares of Kyowa Hakko Kogyo Co., Ltd.”, released today by Kirin Holdings.

If the number of shares purchased through the Tender Offer is less than 111,578,000 shares, conditioned upon approval being obtained at the extraordinary meeting of shareholders which Kyowa Hakko plans to convene promptly after the conclusion of the Tender Offer (the “Extraordinary Meeting of Shareholders of Kyowa Hakko”) for (i) the Share Exchange Agreement with respect to the Share Exchange described in “b.” below, and (ii) other agenda items necessary for the execution of the Integration, Kyowa Hakko will allocate new shares to Kirin Holdings, at 1,500 yen per share, with the stock payment date set for March 25, 2008 (the “Third Party Allocation of New Shares”), in the amount necessary for Kirin Holdings to acquire, in conjunction with the common stock of Kyowa Hakko delivered to Kirin Holdings in the Share Exchange between Kyowa Hakko and Kirin Pharma, a number of shares equivalent to 50.10% of the Standard Number of Shares of Kyowa Hakko as of the effective date of the Share Exchange. If the Third Party Allocation of New Shares is implemented, Kyowa Hakko will obtain approval for the transaction by a special resolution at the Extraordinary Meeting of Shareholders of Kyowa Hakko.

In addition, if the Third Party Allocation of New Shares is implemented, its details shall be provided as soon as they are determined.

b. Share Exchange between Kyowa Hakko and Kirin Pharma and the Integration of the Pharmaceutical Business through Subsequent Merger

After the Tender Offer is completed, to promptly implement the integration of the pharmaceutical businesses, conditioned upon approval being obtained at their respective general meetings of shareholders, Kyowa Hakko and Kirin Pharma will conduct the Share Exchange effective as of April 1, 2008. As a result of the Share Exchange, Kirin Pharma will become a wholly owned subsidiary of Kyowa Hakko, while Kirin Holdings shall become the parent holding company, in conjunction with the shares acquired through the Tender Offer and related transactions, shares equivalent to 50.10% of the Standard Number of Shares of Kyowa Hakko. Through the Share Exchange, Kyowa Hakko will allocate and deliver 8,862 shares of common stock of Kyowa Hakko for one share of common stock of Kirin Pharma held by Kirin Holdings, a total of 177,240,000 shares (Kirin Pharma shall cancel all common shares of treasury shares that Kirin Pharma holds by the day before the effective date of the Share Exchange). Provided, however, that the Share Exchange shall be conducted conditioned upon the occurrence of either (i) the completion of purchase of the number of shares equivalent to the maximum number of shares scheduled to be purchased (111,578,000 shares) by Kirin Holdings in the Tender Offer, or (ii) the completion of the Third Party Allocation of New Shares after the completion of the Tender Offer.

After the Share Exchange becomes effective, Kyowa Hakko as the surviving company (the “Surviving Company”) and Kirin Pharma as the merging company will merge (the “Merger”) (the effective date of the Merger shall be October 1, 2008). As a result of the Merger, the integration of pharmaceutical business between Kyowa Hakko and Kirin Pharma will be complete. Matters to be provided in the merger agreement (the “Merger Agreement”), other than the above, will be determined before the conclusion of the Merger Agreement with respect to the Merger. In accordance with the Merger, the trade name of the Surviving Company will change and, after approval from the general meeting of shareholders, the trade name of the Surviving Company after the Merger shall become “Kyowa Hakko Kirin Co., Ltd.”.

The reason for implementing the Share Exchange prior to the Merger as described above is to aid the prompt progress of preparations for the Merger by making Kirin Pharma a wholly owned

subsidiary of Kyowa Hakko. For details of the Share Exchange, please refer to the “Notification with Respect to Conclusion of the Share Exchange Agreement Between Kyowa Hakko Kogyo Co., Ltd. and Kirin Pharma Company, Limited”, released today by Kyowa Hakko, Kirin Pharma and Kirin Holdings.

(2) Promotion Structure for the Integration

After the conclusion of the Integration Agreement, the Kyowa Hakko Group and the Kirin Group will establish an integration preparatory committee co-chaired by the Presidents of Kyowa Hakko and Kirin Pharma, and will smoothly and swiftly promote the Integration and business partnership/alliance of the two groups.

(3) Management Structure of the Surviving Company after the Merger

Trade Name of the Surviving Company after the Merger	Kyowa Hakko Kirin Co., Ltd.
President and CEO	Yuzuru Matsuda, (Current President of Kyowa Hakko) (scheduled) Yuzuru Matsuda, the President of the Surviving Company, will also serve as a Director of Kirin Holdings.
Executive Vice President	Tomohiro Mune, (Current Managing Director of Kirin Holdings) (scheduled)
Composition of Directors	7 persons in total (includes Yuzuru Matsuda and Tomohiro Mune) 5 persons from Kyowa Hakko (including one Outside Director) 2 persons from the Kirin Group * The Surviving Company plans to adopt the Managing Officers System (<i>shikko yakuin seido</i>).
Composition of Auditors	5 persons in total (including one part-time Auditor) 4 persons from Kyowa Hakko (including three Outside Auditors (one of whom will be part-time) 1 person from the Kirin Group

(4) Relationship between the Surviving Company and Kirin Holdings after the Merger

After the Integration, the Surviving Company will become a consolidated subsidiary of Kirin Holdings which, as a pure holding company, will hold a majority of the shareholder voting rights of the Surviving Company. The Surviving Company will, while respecting the fundamental principles of the Kirin Group operation, conduct an autonomous business activity based on independence and mobility, ensure the independence of its management as an ongoing public listed company, and continue to promote the maximization of profits for all of its shareholders and the sustained expansion of corporate value. In addition, the Ratio of the Standard Number of Shares of Kirin Holdings in the Surviving Company shall be 50.10% in principle for a period of 10 years from the date of the execution of the Integration Agreement, and after the Integration, Kirin Holdings will cooperate in the strongest reasonable manner to maintain the listing of shares of the Surviving Company on the stock exchange.

(Note) The Ratio of the Standard Number of Shares shall be the sum of (i) the number of shares of common stock of Kyowa Hakko which Kirin Holdings (including its subsidiaries and affiliates but excluding Kyowa Hakko and their subsidiaries and affiliates) holds and (ii) the number of shares of common stock of Kyowa Hakko which will be issued upon exercise of stock acquisition rights held by Kirin Holdings, divided by the Standard Number of Shares of Kyowa Hakko.

(5) Integration and the Like of Non-Pharmaceutical Businesses of the Surviving Company after the Merger

With respect to non-pharmaceutical businesses of the Kyowa Hakko Group after the Merger, while promoting the Strategic Alliance, the parties plan to promptly establish a business operation system which will contribute to the maximization of the operation base and profitability for each party, and aim to develop each business area.

a. **Bio-Chemicals Business**

Because the business model of the bio-chemicals industry which centers around materials is different from that of the pharmaceutical business, the bio-chemical business will spin off as a subsidiary of the Surviving Company after the Merger and by April 2010, and it will aim to establish an independent management system and growth. With respect to the health products mail-order business and alcohol business in the bio-chemical industry, because the same business exists in the Kirin Group, the parties will consider in detail the integration of both businesses, with the aim to strengthen competitiveness, improve management efficiency and realize further growth. With respect to bio-technology which is to be the basis for the Surviving Company after the Merger, because development and expansion can be expected not only in the pharmaceutical business but also in the bio-chemical business, the bio-chemical business will seek and commercialize state of the art technologies, either together with the pharmaceutical business or in co-operation with it.

b. **Food Business**

Because both Kyowa Hakko and Kirin Food-Tech Company, Limited in the Kirin Group provide ingredients (mainly seasoning) to manufacturers and both are trying to strengthen their home-meal and dining-out businesses, there are substantial similarities between the businesses they operate. The parties plan to consider in detail the integration of both businesses, with the aim of strengthening and expanding the operation base.

c. **Chemical Business**

The parties will aim to enhance sales of high-value added functional products, such as environmentally-friendly products which meet the post-Merger vision of the Surviving Company, while making efforts to stabilize profitability and enhance competitiveness through alliance with other companies, among others.

3. Effects to be Expected from the Integration

(1) **Sales and Marketing Synergies**

- Strengthening of domestic sales through the best positioning of the strategic MRs
- Improvement of presence in the domestic market centering around cancer, renal and immune disorder areas
- Strengthening of overseas development by utilizing the existing infrastructure of both parties in Asian countries and territories

(2) **Research and Development Synergies**

- Improvement of the ability to discover new pharmaceuticals in the areas of cancer, renal and immune disorder diseases mainly through therapeutic antibody technology
- Acceleration and improvement of efficiency in development through the combination of the respective strength of each company
- Realization of effective licensing alliance
- Expanding and complementing of the development pipeline

(3) **Cost Synergies**

- Reduction of labor costs and outsourcing costs through the integration of departments
- Reduction of necessary costs by sharing and integrating information and knowledge base
- Reduction of operational costs through the integration of offices and infrastructure
- Reduction of depreciation costs through the unification of overlapping investment

4. Schedule of the Strategic Alliance

October 22, 2007	<p>Meetings of the Boards of Directors of Kyowa Hakko, Kirin Holdings and Kirin Pharma</p> <p>Kirin Holdings: approval of the Integration Agreement and resolution to commence the Tender Offer;</p> <p>Kirin Pharma: approval of the Integration Agreement and the Share Exchange Agreement; and</p> <p>Kyowa Hakko: approval of the Integration Agreement and the Share Exchange Agreement and resolution of approval of the Tender Offer.</p> <p>Execution of the Integration Agreement and the Share Exchange Agreement</p>
Wednesday, October 31, 2007 (scheduled)	Commencement of the Tender Offer by Kirin Holdings
Thursday, December 6, 2007 (scheduled)	Last day of the Tender Offer Period by Kirin Holdings
Late December, 2007 (scheduled)	Record date for the Extraordinary Meeting of Shareholders of Kyowa Hakko
Monday, December 31, 2007	Record date for the Ordinary General Meeting of Shareholders of Kirin Pharma
Late February, 2008 (scheduled)	Extraordinary Meeting of Shareholders of Kyowa Hakko (approval of the Share Exchange Agreement and the Third Party Allocation of New Shares)
Tuesday, March 25, 2008 (scheduled)	Stock payment date for the Third Party Allocation of New Shares
Late March, 2008 (scheduled)	Ordinary General Meeting of Shareholders of Kirin Pharma (approval of the Share Exchange Agreement)
Tuesday, April 1, 2008 (scheduled)	Effective date of the Share Exchange
Late April, 2008 (scheduled)	<p>Meetings of the Boards of Directors of Kyowa Hakko and Kirin Pharma, respectively (approval of the Merger Agreement)</p> <p>Conclusion of the Merger Agreement with respect to the Merger</p>
Late June, 2008 (scheduled)	Ordinary General Meeting of Shareholders of Kyowa Hakko (approval of the Merger Agreement)
Wednesday, October 1, 2008 (scheduled)	Effective date of the Merger

(Note 1) If compelling circumstances arise in the course of proceedings, changes to the schedule may occur upon consultation among the three companies.

(Note 2) An announcement of the organizational structure, directors and officers and mid-term management plans of the Surviving Company after the merger is scheduled to be made in late April, 2008.

(Note 3) The Third Party Allocation of New Shares to Kirin Holdings will not be implemented if the maximum number of shares scheduled to be purchased (111,578,000 shares) is purchased through the Tender Offer.

5. Outlook

The outlook for the business results, as well as the value of the goodwill and the years of depreciation have not been determined at this time. The outlook will be disclosed as soon as it is determined.

6. Outline of the Relevant Parties

(1)	Trade Name	Kyowa Hakko Kogyo Co., Ltd.	Kirin Pharma Company, Limited	Kirin Holdings Company, Limited
(2)	Business Description	Production and sales of pharmaceutical products for medical professionals, raw materials for pharmaceutical/industrial use, healthcare products, products for the agriculture and livestock industry and the fishing industry, alcohol, etc.	Production and sales of pharmaceutical products	As a holding company, Kirin Holdings controls and manages the business activities of its business corporations (which engage in businesses such as alcohol, beverages and pharmaceutical products).
(3)	Date of Incorporation	July 1, 1949	April 25, 1958 (Commencement of operation on July 1, 2007)	February 23, 1907 (Commencement of operation on July 1, 2007)
(4)	Address of Head Office	1-6-1 Otemachi, Chiyoda-ku, Tokyo	6-26-1 Jingumae, Shibuya-ku, Tokyo	2-10-1 Shinkawa, Chuo-ku, Tokyo
(5)	Name and Title of Representative	Yuzuru Matsuda President and CEO	Katsuhiko Asano President and Chairman of Board of Directors	Kazuyasu Kato President and CEO
(6)	Paid-in Capital	26,745 million yen (as of March 31, 2007)	3,000 million yen (as of July 1, 2007)	102,045 million yen (as of June 30, 2007)
(7)	Number of Issued Shares	399,243,555 shares (as of March 31, 2007)	30,000 shares (as of July 1, 2007)	984,508,387 shares (as of June 30, 2007)
(8)	Total Asset	378.8 billion yen (consolidated) (as of March 31, 2007)	76.6 billion yen (non-consolidated) (as of July 1, 2007)	2,018.9 billion yen (consolidated) (as of June 30, 2007)
(9)	Net Asset	244.0 billion yen (consolidated) (as of March 31, 2007)	63.0 billion yen (non-consolidated) (as of July 1, 2007)	1,092.1 billion yen (consolidated) (as of June 30, 2007)
(10)	Fiscal Year End	March 31	December 31	December 31
(11)	Number of Employees	5,756 (consolidated) (as of March 31, 2007)	1,270 (non-consolidated) (as of July 1, 2007)	23,700 (consolidated) (as of June 30, 2007)
(12)	Major business partners	Mediceo Paltac Holdings Co., Ltd. Suzuken Co., Ltd. Alfresa Corporation	Alfresa Corporation Toho Pharmaceutical Co., Ltd. Suzuken Co., Ltd.	N/A
(13)	Major Shareholders and Shareholding Ratio	The Master Trust Bank of Japan Ltd. (Trust Account): 6.33% The Dai-ichi Mutual Life Insurance Company: 6.17% Japan Trustee Services Bank, Ltd. (Trust Account): 5.60% The Norinchukin Bank: 4.52% Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account for Mizuho Bank, Ltd. Asset Management Re-entrust	Kirin Holdings: 100% (Excluding treasury stock) (as of July 1, 2007)	Moxley and Company: 4.86% Meiji Yasuda Life Insurance Company: 4.43% The Master Trust Bank of Japan, Ltd. (Trust account): 3.57% The Bank of Tokyo-Mitsubishi UFJ, Ltd.: 3.56% Japan Trustee Service

		Services: 2.02% (as of March 31, 2007)		Bank of Japan Ltd. (Trust account): 3.22% (as of June 30, 2007)
(14)	Major Banks	Mizuho Corporate Bank, Ltd. The Norinchukin Bank	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15)	Relationship with the New Company	Capital relationship	Kirin Holdings owns 1,000 shares of common stock of Kyowa Hakko	
		Personal relationship	None	
		Transaction relationship	None	
		Status of relationship with related parties	None	