

October 22, 2007

For Immediate Release

Company Name: Kyowa Hakko Kogyo Co., Ltd.  
(Stock Code: 4151, First section of the Tokyo Stock Exchange)  
Name of Representative: Yuzuru Matsuda,  
President and CEO  
Direct your queries to: Tetsuro Kuga, Corporate  
Communications Director  
(Tel: +813-3282-0009)

**Notification with Respect to Approval of Tender Offer  
For Shares of Kyowa Hakko Kogyo Co., Ltd.**

The Board of Directors of Kyowa Hakko Kogyo Co., Ltd. (the “Company”) resolved, at a meeting held on October 22, 2007, to announce its approval of the tender offer for the common stock of the Company (the “Tender Offer”) by Kirin Holdings Company, Limited (the “Tender Offeror”), scheduled to be commenced on Wednesday October 31, 2007. The Opinion Report prepared pursuant to Article 27-10 of the Financial Instruments and Exchange Law will be filed with the Kanto Local Finance Bureau on the commencement date of the Tender Offer. In connection with such resolution, we would like to provide notice of the following:

**1. Description of Tender Offeror**

(1) Trade Name	Kirin Holdings Company, Limited	
(2) Business Description	As a holding company, the Tender Offeror 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	February 23, 1907 (Note)	
(4) Address of Head Office	2-10-1 Shinkawa, Chuo-ku, Tokyo	
(5) Name and Title of Representative	Kazuyasu Kato, President and CEO	
(6) Paid-in Capital	102,045 million yen (as of June 30, 2007)	
(7) Major Shareholders and Shareholding Ratio (as of June 30, 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 Bank of Japan Ltd. (Trust account)	3.22%
(8) Relationship between the Tender Offeror and the Company:	Capital relationship:	The Tender Offeror currently owns 1,000 shares of common stock of the Company
	Personal relationships:	None
	Transactional relationships:	None
	Status of relationship with related parties:	None

(Note) On July 1, 2007, the Tender Offeror commenced its operation as a holding company.

## 2. Contents, Basis and Reasons of Opinion with Respect to the Tender Offer

### (1) Contents of Opinion with Respect to the Tender Offer

The Board of Directors of the Company resolved, at a meeting held on October 22, 2007, to announce its approval of the Tender Offer for the common stock of the Company by the Tender Offeror. For details of the Tender Offer, please refer to the Tender Offer Registration Statement which is to be filed with the Kanto Local Finance Bureau on the commencement date of the Tender Offer).

### (2) Basis and Reasons for the Opinion with Respect to the Tender Offer

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 prominent 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 rapid global growth, both Groups decided that, rather than pursuing business development separately, the Company and Kirin Pharma Company, Limited (“Kirin Pharma”) 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 the Company and Kirin Pharma, 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 decided to form a strategic alliance (the “Strategic Alliance”) centering around the integration of the Company and Kirin Pharma (the “Integration”).

With respect to the integration of the pharmaceutical businesses around which the Strategic Alliance centers, anti-body drug technology-centered biotechnology is the strength of both the Company and Kirin Pharma. Through the integration of anti-body technologies, both companies aim to improve drug development capabilities, expand opportunities to acquire novel antigens through an improved presence in the anti-body drug sector and increase development speed of anti-body drugs and proactive overseas business development through the mutual exploitation of anti-body technologies. Furthermore, through the Integration, the Company and Kirin Pharma expect an increase in the scale of research and development and marketing, the establishment of effective business operations systems and 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 their business 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.

Based on the above views, the Company, the Tender Offeror and Kirin Pharma considered and discussed a business and capital partnership between the Kyowa Hakko Group and Kirin Group, and reached a basic understanding that it would contribute to the maximization of the business value of the Kyowa Hakko Group and the Kirin Group if (i) the Tender Offeror will become the consolidated parent company of the Company through the Tender Offeror acquiring shares equivalent to 50.10% of the Standard Number of Shares (Note 1) of the Company through the Tender Offer and a share exchange between the Company and Kirin Pharma (the "Share Exchange"), and (ii) integration of the pharmaceutical businesses will be made through a merger between the Company and Kirin Pharma. Accordingly, the Company, the Tender Offeror and Kirin Pharma entered into an integration agreement as of October 22, 2007 (the "Integration Agreement"). The Tender Offer is being implemented, pursuant to the Integration Agreement, as part of the Strategic Alliance. (Note 2) The purchase price for the shares of common stock of the Company in the Tender Offer shall be 1,500 yen per share (the "Purchase Price"), and the maximum number of shares to be purchased through the Tender Offer has been set at

111,578,000 shares of common stock of the Company (27.95% of the Standard Number of Shares of the Company as of the date of the official announcement of the commencement of the Tender Offer) to enable the Tender Offeror to acquire, in conjunction with the shares of common stock delivered to the Tender Offeror in the Share Exchange described below, the number of shares equivalent to 50.10% of the Standard Number of Shares of the Company. If the total of number of shares tendered in the Tender Offer is less than 79,849,000, the Tender Offeror will purchase none of the shares tendered.

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

(Note 2) The Tender Offer may be postponed or cancelled upon the occurrence of an event which has a material adverse effect on, among others, the operations or the assets of the Company, prior to the scheduled commencement date of the Tender Offer.

If the number of shares purchased through the Tender Offer is less than 111,578,000 shares, under certain conditions, the Company will allocate new shares to the Tender Offeror, at 1,500 yen per share (the “Third Party Allocation of New Shares”), in the amount necessary for the Tender Offeror to acquire, in conjunction with the shares delivered to the Tender Offeror in the Share Exchange, a number of shares equivalent to 50.10% of the Standard Number of Shares of the Company as of the effective date of the Share Exchange.

After the Tender Offer is completed, to promptly implement the integration of the pharmaceutical businesses, the Company and Kirin Pharma will, subject to the approval being obtained at their respective general meetings of shareholders, conduct the Share Exchange with an effective date as of April 1, 2008. Provided, however, that the Share Exchange shall be implemented conditioned upon 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 the Tender Offeror 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, the Company as 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 between the Company and Kirin Pharma will be complete.

When considering the terms and conditions of the Integration including the Tender Offer, the Company appointed Merrill Lynch Japan Securities Co., Ltd. (“Merrill Lynch”), an independent financial advisor, as an independent third party appraiser, and requested Merrill Lynch to conduct

the share valuation of the Company and to provide related advice. With the advice from Merrill Lynch and Nishimura & Asahi, the Company, the Tender Offeror and Kirin Pharma substantially discussed and negotiated the terms and conditions of the Integration.

The Company obtained the share valuation report from Merrill Lynch on October 22, 2007 (the “Share Valuation Report”) as a reference document to be used when considering the appropriateness of the Purchase Price. In the Share Valuation Report, the share value of the Company was analyzed based upon financial information (including forecast information) provided by the Company and certain other specified assumptions and conditions, using various calculation methods such as discounted cash flow analysis, the comparable companies analysis, the market price analysis, and the comparable transactions analysis.

Taking into consideration the fact that the Tender Offer is one of a series of multiple transactions for the Integration, and after comprehensive consideration of the Share Valuation Report prepared by Merrill Lynch, the contents of the Tender Offer, the current status of the Kyowa Hakko Group, and other factors such as advice from various advisors, the Board of Directors of the Company concluded that the terms and conditions of the Tender Offer were appropriate, and it was unanimously resolved at the meeting of the Board of Directors held on October 22, 2007, to approve the Tender Offer.

The Purchase Price of the Tender Offer is equal to the closing price of 1,202 yen of the common stock of the Target Company quoted on the Tokyo Stock Exchange on October 18, 2007 plus a premium of approximately 24.8 %, and is equal to the average closing price of 1,135 yen (rounded to the nearest yen) of the common stock of the Company quoted on the Tokyo Stock Exchange for the past 3 months ended on October 18, 2007 plus a premium of approximately 32.2%.

### (3) Possible Delisting of the Shares of the Company

In the Tender Offer, a maximum number of shares to be purchased has been set, and the Tender Offer is not intended to result in a delisting of the shares of common stock of the Company. The Company intends to maintain its share listing after the completion of the Tender Offer. After the Tender Offer and the Share Exchange, the Company will become a consolidated subsidiary of the Tender Offeror which will hold a majority of the shareholder voting rights of the Company. The Company will, while respecting the fundamental principles of the Kirin Group’s 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. Therefore, the Ratio of the Standard Number of Shares of the Tender Offeror in the Company (Note 3) 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, the Tender Offeror will cooperate in the strongest reasonable manner to maintain the listing of the shares of the surviving

company established through the Merger. Furthermore, pursuant to the Integration Agreement, the Kirin Group agrees not to acquire any new shares/stock acquisition rights of the Company, or dispose (including sale or disposition as collateral) of shares/stock acquisition rights of the Company which the Kirin Group holds, for a period of 10 years from the date of the execution of the Integration Agreement, except as prescribed, without the consent of the Company.

(Note 3) In this Notice, the Ratio of the Standard Number of Shares shall be the sum of (i) the number of shares of common stock of the Company which the Tender Offeror (including their subsidiaries and affiliates but excluding the Company and its subsidiaries and affiliates) holds and (ii) the number of shares of common stock of the Company which will be issued upon exercise of stock acquisition rights held by the Tender Offeror, divided by the Standard Number of Shares of the Company.

**3. Summary of Profit-Sharing by the Tender Offeror or its Specially Related Parties**

None

**4. Counter-Policies with respect to Basic Policies Regarding the Control of the Company**

None

**5. Inquiries to the Tender Offeror**

None

**6. Request for Extension of Tender Offer Period**

None

[Attachment] Kirin Holdings Company, Limited's Press Release: "Notification with Respect to Commencement of Tender Offer for Shares of Kyowa Hakko Kogyo Co., Ltd."