

FOR IMMEDIATE RELEASE

Kyowa Hakko Interim Operating Income up 25.2%

Tokyo, October 29, 2007-- Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko) (TOKYO:4151) today announced its consolidated financial results for the interim period of fiscal 2007 (the six-month period ended September 30, 2007).

Consolidated net sales for the interim period were ¥192.6 billion, 11.3% higher than in the interim period of the previous fiscal year. Consolidated operating income was ¥18.2 billion (up 25.2%) and recurring income was ¥18.0 billion (up 19.4%). Consolidated net income was ¥11.0 billion, an increase of ¥7 billion (177.2%) compared to the interim period of the previous fiscal year, which was affected by an extraordinary loss of ¥6.4 billion.

R&D expenses during the interim period were ¥18.8 billion, an increase of 23.7% compared to the first half of the previous fiscal year, and represented 9.8% of net sales.

Commenting on the results, Yuzuru Matsuda, President and CEO of Kyowa Hakko said, 'Strong performances by core products and our success at implementing broad ranging cost reductions under our mid-term plan strategy, along with a shift in certain R&D and other costs to the second half of the fiscal year, has resulted in strong growth in interim operating income, and our forecasts for the full year remain unchanged.'

We have also recently announced our plans to form a strategic alliance with the Kirin Group and integrate our business with Kirin Pharma, the pharmaceutical business of the Kirin Group, to form Kyowa Hakko Kirin that will become a 50.1% consolidated subsidiary of Kirin Holdings. By leveraging the respective strengths of two of Japan's leaders in antibody drug technology-centered biotechnology, Kyowa Hakko Kirin will aim to provide new medical value and compete globally as a top-class, R&D based life sciences company. Both groups will promote the business collaboration arising from this strategic alliance, enhance competitiveness and management efficiency, and maximize synergy, and will aim to improve their corporate value through further development.

Summary of operating results for the interim period

(Amounts less than ¥1 million have been ignored)

	Billions of yen		%
	Consolidated results for the period ended September 30, 2007	Consolidated results for the period ended September 30, 2006	
Net sales	192.6	173.1	+11.3%
Operating income	18.2	14.5	+25.2%
Recurring income	18.0	15.1	+19.4%
Net income	11.0	3.9	+177.2%
Net income per share	¥27.77	¥9.66	+187.4%

Segmental performance

In the Pharmaceuticals business, a strong performance from core ethical pharmaceutical products led to net sales of ¥68.9 billion, an increase of 5.8% compared to the first half of last fiscal year. However, a lump sum payment to ArQule, Inc. following the in-licensing of anticancer drug ARQ 197 resulted in an increase in R&D expenses leading to operating income of ¥9.7 billion, a decrease of 2.4%.

Sales of *Coniel*, a treatment for hypertension and angina pectoris, were slightly lower than in the first half of the previous fiscal year, but sales of both *Allelock* (*olopatadine hydrochloride*) an antiallergic agent, and *Navelbine*, an anticancer agent, increased. Meanwhile, *Patanol*, an antiallergic ophthalmic solution, launched in October 2006, has penetrated its market and contributed to sales growth.

As regards income from the licensing-out of technologies and export of pharmaceutical products, sales of antiallergic agent *Olopatadine hydrochloride that is outlicensed to Alcon, Inc.* continued to perform very well.

In new drug development in Japan, approval for antiepileptic *Topina* was acquired in July and sales commenced in September 2007. Meanwhile, Phase II clinical trials for KW-6002, a treatment for Parkinson's disease, and KW-2246, an analgesic for cancer pain, as well as Phase I clinical trials for KW-0761 as a blood cancer treatment, and KW-6500, a treatment for Parkinson's disease, are in progress.

Overseas, in the U.S. we filed an NDA for the anti-Parkinson's agent KW-6002 as a adjunct therapy to *levodopa* in April, 2007 and KW-2449, an anticancer agent, is in Phase I trials. In Europe Phase I trials are progressing for therapeutic antibody KW-0761 as an antiallergic treatment and for anticancer agent KW-2478. Meanwhile, in China, we filed an application for the additional indication of angina pectoris for *Coniel*, while *Allelock*, an antiallergic agent, is in Phase III trials.

In the Bio-Chemicals business, sales increased 31.3%, to ¥43.8 billion, while operating income increased 157.4%, to ¥4.0 billion. Sales of pharmaceuticals and industrial use raw materials, mainly amino acids, nucleic acids, and related compounds, demonstrated strong growth driven primarily by increased overseas demand for amino acids for pharmaceutical use raw materials and intravenous liquids, and also by the effects of foreign exchange rates. In addition, Daiichi Fine Chemical, which became a consolidated subsidiary in June of this year, benefited from an improved vitamin market and contributed to a strong performance.

In healthcare products, sales increased over the first half of last fiscal year supported by factors such as steadily expanding mail-order sales of the *Remake* series.

Sales of agrochemicals and products for the livestock and fisheries industry decreased due to the effects of severe competition and the effects of low pricing. However, sales of alcohol increased as efforts to expand sales of industrial-use alcohol bore fruit.

In R&D, focus was placed on research to raise the productivity of amino acid fermentation production as well as on the integration of Kyowa Hakko's existing fermentation technology with Daiichi Fine Chemical's synthesis technology in order to develop high value-added pharmaceutical raw materials and intermediates.

In the Chemicals business net sales increased 11.4%, to ¥51.0 billion, while operating income increased by 93.6%, to ¥3.2 billion. In Japan, firm demand underpinned an increase in shipment volumes, while revisions of core product prices were implemented as a significant rise in the naphtha and crude oil markets led to a background of higher raw materials and fuel prices. As a result, sales showed a large increase compared to the first half of the previous fiscal year. Export shipment volumes were lower than in the first half of the previous fiscal year, despite high prices in overseas markets, as production of certain products declined due to difficulties at production facilities, and export sales also declined slightly. By product category, export shipment volumes of high-purity solvents to the IT industry were slightly lower than in the first half of last fiscal year due to market inventory adjustments. Sales of specialty chemicals products were higher than in the first half of last fiscal year in Japan and overseas, supported by steady growth in core refrigerant oil raw materials.

In the Food business, sales decreased 0.2%, to ¥20.9 billion, while operating income decreased 22.1%, to ¥0.6 billion. In seasonings, sales were lower than in the first half of last fiscal year partly due to the effects of adjustments to production of seasonal products due to unseasonable weather and sluggish sales of extract seasonings due to intensifying competition. Sales of *Umami* seasonings also decreased slightly as price rises following a sharp rise in the price of raw materials led to a decline in sales volumes. In bakery products and ingredients, sales of products such as core yeasts and flavor enhancers grew and sales of premixes recovered leading to an increase in sales over the first half of last fiscal year. In processed foods, sales were slightly lower than in the first half of last fiscal year, partly as a result of a decrease in OEM products.

In the Other business segment, sales increased 1.8%, to ¥24.6 billion, while operating income decreased 1.1% to ¥0.4 billion.

Forecasts for the fiscal year ending March 31, 2008*

	<i>Billions of Yen</i>	%
	FORECAST	Change compared to the
	Fiscal Year ending March 31, 2008	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%

These forecasts assume average exchange rates for fiscal 2007 of ¥117/US\$ and ¥158/euro.

In fiscal 2007, the final year of its three-year business plan, Kyowa Hakko is pursuing 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 forecast increases in both net sales and operating income.

In the Pharmaceuticals business, fiscal 2007 net sales and operating income are each forecast to increase as sales volumes of core products, including *Allelock* and *Patanol*, continue to grow. We also expect increased licensing-out of technologies and export of pharmaceutical products, in particular of *Olopatadine hydrochloride*. In the Bio-Chemicals business, core amino acids and nucleic acids and related compounds are performing well, particularly in overseas markets and Daiichi Fine Chemical, newly consolidated from this fiscal year, is also making a large contribution, as a result both net sales and operating income are forecast to increase. In the Chemicals business, while we expect a large increase in sales as higher raw materials and fuel prices lead to higher product prices, operating income is forecast to decline as difficulties at production facilities lead to lower shipment volumes. In the Food business, sales are forecast to increase as we actively utilize solutions-based marketing and introduce new products resulting in higher sales volumes of natural seasonings, particularly sauces. However operating income is expected to decline partly due to higher raw materials prices.

**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.*

* * *

Contact: Mr. Kenshiro Honda

Tel: 81 3 3282 0969

Corporate Communications Department

kenshiro.honda@kyowa.co.jp

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.