



FOR IMMEDIATE RELEASE

Kyowa Hakko Fiscal 2007 Operating Income up 28.3%: Sales and Operating Income Exceed Plan Targets

Tokyo, April 28, 2008 --- Kyowa Hakko Kogyo Co. Ltd. (Kyowa Hakko; TSE 4151) today announced its consolidated financial results for the year ended March 31, 2008 (Fiscal 2007). Consolidated net sales were ¥392.1 billion, up 10.7% and consolidated operating income was ¥39.3 billion, an increase of 28.3% compared to fiscal 2006. Recurring income increased 23.0% to ¥37.9 billion and net income increased 84.9% to ¥23.4 billion.

Operating income in the Pharmaceuticals segment grew by 26.8%, supported by higher sales of anti-allergic and other products, while in the Bio-Chemicals segment strong demand for amino acids overseas and the consolidation of Daiichi Fine Chemical resulted in a large increase in operating income of 135.6%. In the Chemicals and Food segments operating income decreased by 10.6% and 13.9% respectively as they were each affected by the sustained high prices of raw materials and other factors.

R&D spending in fiscal 2007 was up 2.3% on fiscal 2006 to ¥34.1 billion, which represented 8.7% of net sales, 0.7 percentage points lower than in the previous fiscal year.

For the fiscal year ending March 31, 2009 (fiscal 2008) Kyowa Hakko forecasts a 25.0% increase in net sales, and a 44.7% increase in operating income, while recurring income and net income are forecast to grow by 47.4% and 19.3% respectively.

Commenting on the results, Yuzuru Matsuda, President and CEO of Kyowa Hakko said, 'Fiscal 2007 was the final year of our three-year, medium-term business plan during which we sought to strengthen competitiveness through strategic initiatives to invest aggressively for future growth and to expand sales of our existing businesses and implemented broad-ranging cost reductions. We have significantly exceeded our plan targets for sales and operating income driven by strong performances in Pharmaceuticals and Bio-Chemicals and Chemicals.

Today we have also announced details of our new three-year business plan that details the strategic initiatives that we will pursue and our new targets for growth in sales and profits following integration with Kirin Pharma to form Kyowa Hakko Kirin.'

I. Fiscal 2007 Results

Results for the fiscal year ended March 31, 2008

(Billions of Yen)

	FY ended March 31, 2008	FY ended March 31, 2007	YOY Change (%)
Net sales	392.1	354.2	+10.7%
Operating income	39.3	30.6	+28.3%
Recurring income	37.9	30.9	+23.0%
Net income	23.4	12.6	+84.9%
Net income per share (¥)	59.03	31.32	+88.5%

Segmental results for the fiscal year ended March 31, 2008

Sales

(Billions of Yen)

	FY ended March 31, 2008	FY ended March 31, 2007	YOY Change (%)
Pharmaceuticals	138.3	131.5	+5.2%
Bio-Chemicals	86.8	67.1	+29.3%
Chemicals	108.0	98.6	+9.5%
Food	43.3	42.5	+1.7%
Other	48.9	48.4	+1.1%

Operating Income

(Billions of Yen)

	FY ended March 31, 2008	FY ended March 31, 2007	YOY Change (%)
Pharmaceuticals	19.9	15.7	+26.8%
Bio-Chemicals	9.6	4.1	+135.6%
Chemicals	7.1	7.9	-10.1%
Food	1.5	1.8	-13.9%
Other	0.8	0.9	-13.4%

Segmental Performance

In the Pharmaceuticals business net sales increased 5.2% to ¥138.3 billion, while operating income increased 26.8% to ¥19.9 billion.

Results benefited from higher sales of products such as *Allelock*, an antiallergic agent, *Patanol*, an antiallergic ophthalmic solution, and *Depakene*, an anti-epileptic agent, despite a decline in sales of products such as *Coniel*, a treatment for hypertension and angina pectoris. The antiepileptic *Topina*, which was launched in September 2007, also contributed to the growth in sales. In the licensing-out of technologies and export of pharmaceutical

products, sales of antiallergic agent *Olopatadine hydrochloride* that are outlicensed to Alcon, Laboratories, Inc. continued to perform very well.

In new drug development in Japan, KW-2246, an analgesic for cancer pain, completed Phase II clinical trials. Kyowa Hakko is also carrying out Phase II clinical trials on KW-6002, an anti-Parkinson's disease treatment, KW-6500, also an anti-Parkinson's disease treatment, and KW-7158, a candidate treatment for irritable bowel syndrome. KW-0761, a therapeutic antibody that utilizes our Potelligent[®] technology, is in Phase I clinical trials as a blood cancer treatment, and KW-3357, an agent for inhibiting blood coagulation, and ARQ 197, an anticancer agent for the treatment of malignant tumors that was inlicensed from U.S. drug development company ArQule in April 2007, are also in Phase I clinical trials. In addition, inflammatory bowel disease agent *Asacol*, which Kyowa Hakko is jointly developing with Zeria Pharmaceutical Co., Ltd., has completed Phase II clinical trials and preparations have been made for application for its approval as a new drug.

Overseas, the U.S. Food and Drug Administration (FDA) informed Kyowa Hakko in February 2008 that it could not grant approval as of that time for anti-Parkinson's disease treatment KW-6002, for which Kyowa Hakko has applied for approval as a new drug in the United States. Kyowa Hakko has decided to consider its development policy for this treatment while proceeding with discussions with the FDA. In addition, Kyowa Hakko decided in March 2008 to outlicense KW-0761, which is in Phase I trials as a therapeutic antibody in Europe, to major U.S. biotechnology company Amgen. Furthermore, Phase I clinical trials are underway in the United States for anti-cancer treatment KW-2449 and in Europe for anti-cancer treatment for malignant tumors KW-2478. Meanwhile, in China, application was made in July 2007 for approval for additional indications for *Coniel* as a treatment for angina pectoris, and Phase III clinical trials are underway for *Allelock*, an antiallergic agent.

In the Bio-Chemicals business, net sales increased 29.3% to ¥86.8 billion, while operating income increased 135.6% to ¥9.6 billion. The major increase in sales was attributable to stronger overseas demand for raw materials for pharmaceuticals and industrial use, particularly amino acids, nucleic acids and related compounds, as well as increased sales in Japan of raw materials for generic pharmaceuticals. The inclusion of Daiichi Fine Chemical as a consolidated subsidiary also contributed. In healthcare products, sales increased from the previous fiscal year, due to steady growth in sales in overseas markets of amino acids used as dietary supplements and in mail-order sales in Japan of the *Remake* series, although Kyowa Hakko did not escape the impact of sluggish growth in the Japanese health food industry.

In the Chemicals business, net sales increased 9.5% to ¥108.0 billion, while operating income decreased 10.1% to ¥7.1 billion. In Japan, firm demand from the car industry and others underpinned a slight increase in shipment volumes, while core product prices were revised against a background of higher raw materials and fuel prices accompanying

continued high crude oil and naphtha prices, leading to a large increase in sales compared to last fiscal year. Export shipment volumes were lower, despite prices trending higher in overseas markets, as production of certain products declined due to difficulties at production facilities, and export sales also declined slightly. By product category, sales volumes of high-purity solvents increased, driven by sales to the electronics materials industry. Sales in Japan and overseas of specialty chemicals products were slightly higher than in the previous fiscal year, supported by steady growth in core refrigerant oil raw materials.

In the Food business, sales increased 1.7% to ¥43.3 billion, while operating income decreased 13.9% to ¥1.5 billion. In seasonings, sales of natural seasonings were broadly in line with the previous fiscal year, supported by expanding sales of fermented seasonings and despite sluggish sales of extract seasonings amidst a difficult environment of sharply rising prices of raw materials and other factors. Increased demand for *Umami* seasonings also contributed to higher sales.

In bakery products and ingredients, sales were higher than in the previous year supported by sales of products such as core yeasts and flavor enhancers and despite the suspension of sales of certain products due to factors such as the rapidly increasing prices of raw materials. Processed foods also contributed to growth in sales, partly due to an increase in sales of OEM products.

In the Other business segment, sales increased 1.1% to ¥48.9 billion, while operating income decreased 13.4% to ¥0.8 billion.

II. Forecasts for the fiscal year ending March 31, 2009*

	<i>Billions of Yen</i>	%
	FORECAST	Change compared to the
	Fiscal year ending March 31, 2009	previous fiscal year
Net sales	490.0	+25.0%
Operating income	57.0	+44.7%
Recurring income	56.0	+47.4%
Net income	28.0	+19.3%
Net income per share (¥)	48.72	-17.5%

These forecasts assume average exchange rates for fiscal 2008 of ¥110/US\$ and ¥160/euro.

In fiscal 2008, we expect large increases in sales and profits, mainly due to integration with Kirin Pharma. Our forecasts for operating income, recurring income and net income reflect a ¥9.5 billion expense for the amortization of goodwill. The forecast dividend for fiscal 2008 is ¥20 per share (¥10 interim dividend, ¥10 final dividend).

In the Pharmaceuticals business, despite the challenging environment resulting from reductions in prescription pharmaceuticals prices that were implemented in April we are

forecasting that fiscal 2008 net sales and operating income will each increase significantly, as a result of factors such as Kyowa Hakko's integration with Kirin Pharma. Furthermore, we expect revenues due to benefit from growth in sales of core products *Allelock* and *Patanol*, the commencement of sales of *Coversyl*, an ACE inhibitor for treatment of hypertension in-licensed from Daiichi Sankyo, and a one-off contract payment for the outlicensing of KW-0761 to Amgen, although we expect sales of *Durotep*, an analgesic for persistent cancer pain, to decline due to the completion of the term of a joint sales contract.

In the Bio-Chemicals business, we are forecasting an increase in sales due to expected growth in the health care domain, particularly in amino acids, for which we are pursuing an active sales expansion strategy, and in mail-order sales of the *Remake Series*. However, we are forecasting a slight decrease in operating income, as we expect an increase in SG&A expenses such as R&D expenses and amortization of goodwill. In the Chemicals business, we are forecasting an increase in sales, as we expect product prices to remain high against the backdrop of high prices for raw materials and fuel. However, we are forecasting a decrease in operating income, due partly to an expected increase in depreciation expenses. In the Food business, we are forecasting an increase in sales volumes of natural seasonings for the prepared food and restaurant markets, but we expect sales to be almost the same level as last fiscal year, partly as a result of a revision in the items we sell, and we expect operating income to decrease, partly due to amortization of goodwill.

**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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