

FOR IMMEDIATE RELEASE

Kyowa Hakko Q1 Sales up 32.1%: Forecasts Unchanged

Tokyo, July 31, 2007-- Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko; TSE 4151) today announced its first quarter financial results for the three-month period from April 1, 2008 to June 30, 2008. Consolidated net sales for the period were ¥125.4 billion, an increase of 32.1% compared to the first three months of the previous fiscal year, which was largely due to the new consolidation of Kirin Pharma following the implementation of a share exchange on April 1, 2008, and also the receipt of a large, one-off out-licensing payment in the Pharmaceuticals business.

Operating income increased by 125.6 % to ¥17.0 billion, driven mainly by a large increase in Pharmaceuticals business sales, despite a goodwill amortization expense of ¥2.3 billion accounted for in SG&A expenses resulting from the share exchange with Kirin Pharma accounted for as a reverse acquisition business combination. Likewise, recurring income was up by 124.5% to 18.7 billion, while net income was up by 80.2% to ¥9.5 billion, affected by a ¥1.5 billion extraordinary loss due to impairment losses and other factors.

Commenting on the results, Yuzuru Matsuda, President and CEO of Kyowa Hakko said, 'Underlying sales growth in our core businesses was strong, although our reported sales and profits were affected significantly by the consolidation of Kirin Pharma, the large one-off out-licensing payment from Amgen, and goodwill amortization. We have made a strong start to our new three-year medium term plan and there is no change in our forecasts for full-year sales and profits. Our plans to form a strategic alliance with the Kirin Group and integrate our business with Kirin Pharma to form Kyowa Hakko Kirin in October 2008 are proceeding smoothly and on schedule.'

Summary of operating results for the three months ended June 30, 2008

(Amounts less than ¥100 million have been ignored)

	Billions of yen		%
	Three months to June 30, 2008	Three months to June 30, 2007	
Net sales	125.4	94.9	+32.1%
Operating income	17.0	7.5	+125.6%
Recurring income	18.7	8.3	+124.5%
Net income	9.5	5.3	+80.2%
Net income per share (¥)	¥16.69	¥13.37	+24.8%

Segmental performance

In the Pharmaceuticals business, sales of Kyowa Hakko products were negatively affected by reductions in National Health reimbursement prices in Japan and also by a decline in sales of *Durotep*, an analgesic for persistent cancer pain, due to the ending of a joint sales contract. However, sales of products such as *Allelock*, an antiallergic agent, *Depakene*, an anti-epileptic agent, and *Patanol*, an antiallergic ophthalmic solution, continued to perform well, while *Coversyl*, an ACE inhibitor for treatment of hypertension that was launched in April, 2008, also performed well and contributed to the growth in sales. In addition a one-off contract payment of US\$100m for the outlicensing to Amgen of anti-CCR4 humanized

monoclonal antibody KW-0761 was recorded, resulting in a large increase in sales. At Kirin Pharma, in a severe competitive environment for core anemia products ESPO and NESP we are actively providing information on our products to medical practitioners, while efforts are being made to achieve rapid market penetration of REGPARA Tablets, a treatment for secondary hyperthyroidism during dialysis therapy that was launched in January 2008.

In the Bio-Chemicals business, sales increased compared to the first three months of last fiscal year as sales of core amino acid, nucleic acid, and related compounds for industrial and pharmaceutical use performed well, supported mainly by strong demand in overseas markets, while sales of healthcare products and alcohol were also strong.

In the Chemicals business, domestic demand weakened resulting in a decline in sales volume compared to the first three months of last fiscal year but a further rise in prices of raw materials and fuel led to high product prices in domestic and foreign markets and sales increased.

In the Food business, growth in sales of *umami* seasonings increased but sales of bakery products and ingredients declined, resulting in overall sales similar to the first quarter of last fiscal year.

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%

The above forecasts for fiscal 2008 are unchanged from those announced on April 28, 2008.

**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>

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