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**Kyowa Hakko Kirin Co., Ltd**  
**Fiscal 2008 First Half Results**

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**October 30, 2008**

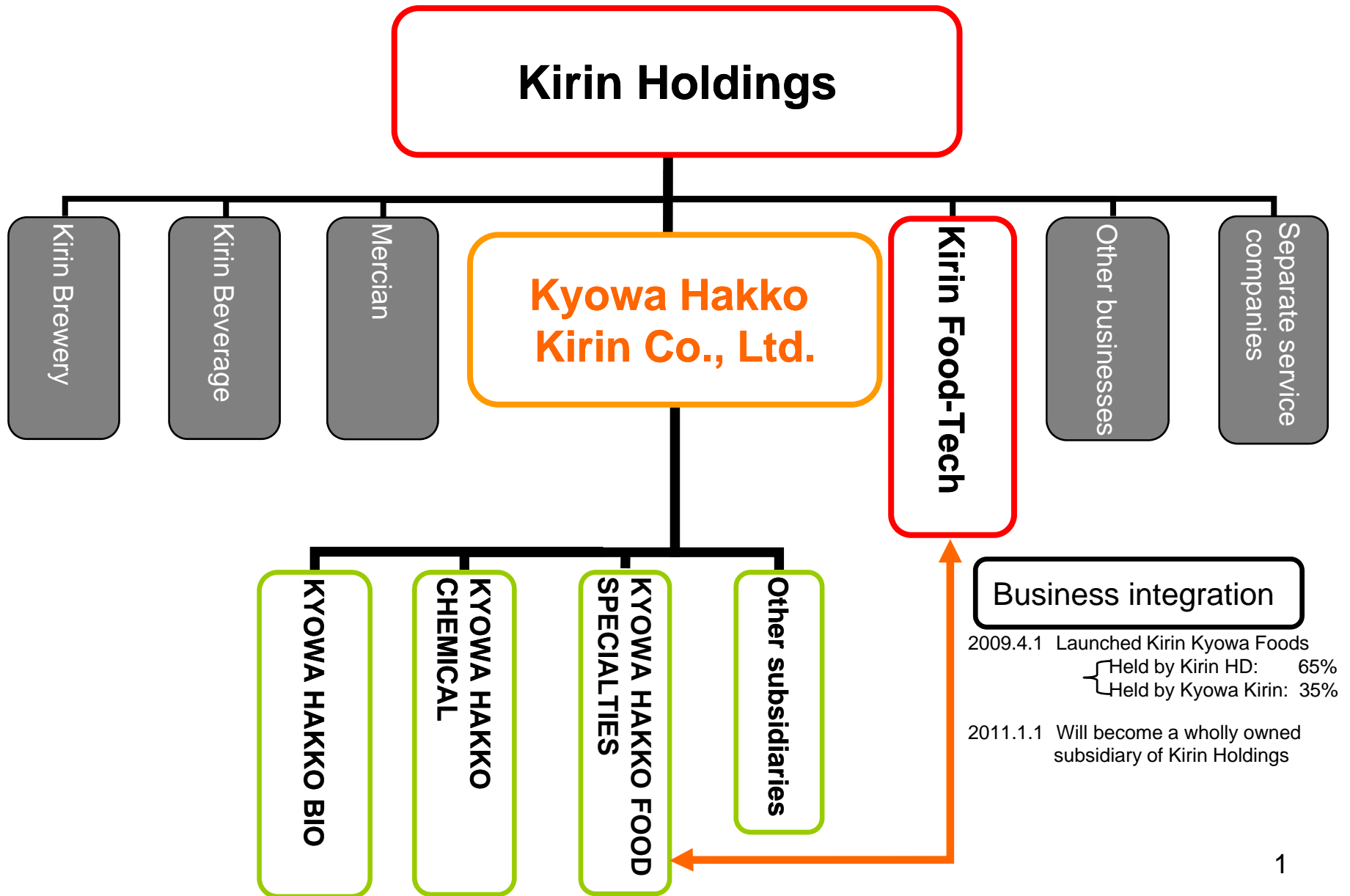
President and Chief Executive Officer

Yuzuru Matsuda

**Kyowa Hakko Kirin Co., Ltd.**

Statements on results, forecasts and R&D status contained in this presentation represent judgments based on information available at the current time. Actual results may differ significantly due to a variety of factors such as economic conditions and exchange rate fluctuations.

● Business structure (200810.1 ~)



## ● Outline of Fiscal 2008 first half results

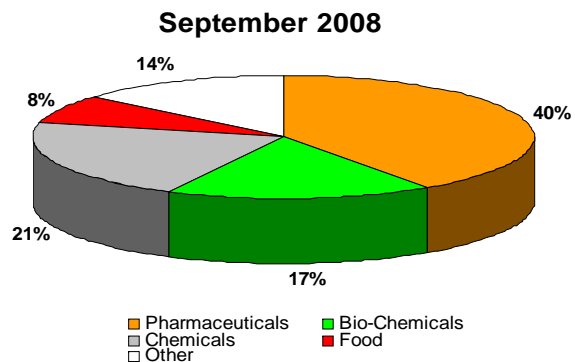
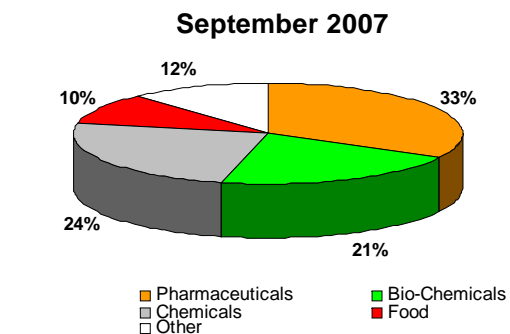
**KYOWA KIRIN**

(¥bn)	Net sales	Operating income	Recurring income	Net income
FY08 H1	247.7	29.1	30.3	8.2
Change	+55.1 (+28.6%)	+10.9 (+59.8%)	+12.2 (+67.9%)	-2.7 (-25.0%)
FY07 H1	192.6	18.2	18.0	11.0

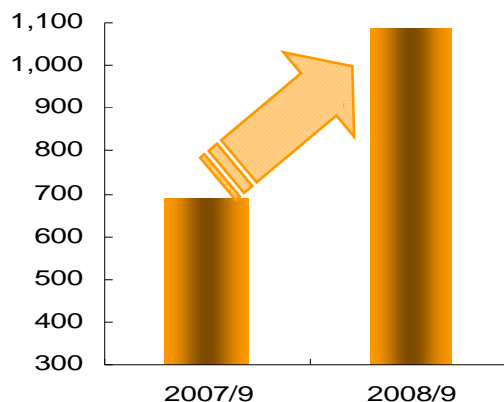
- **Pharmaceuticals** Sales and profits up due to Kirin Pharma integration, receipt of one-off payment from Amgen, etc.
- **Bio-Chemicals** Sales and profits up due to growth in amino acids for intravenous liquids and pharmaceutical raw materials, and increased sales of health care products
- **Chemicals** Sales up due to price revisions following rapid rise in fuel and raw materials prices but increased depreciation expense contributed to lower operating income
- **Food** Sales and profits declined slightly affected by high raw material prices
- **Corporate tax** Adjustment of ¥5.6 billion resulting from recognition of tax on planned sale of Kyowa Hakko Food Specialties
- **Extraordinary loss** Resulting from integration-related expenses, including impairment losses on integration of R&D facilities

# Segmental sales changes: Fiscal 2008 interim

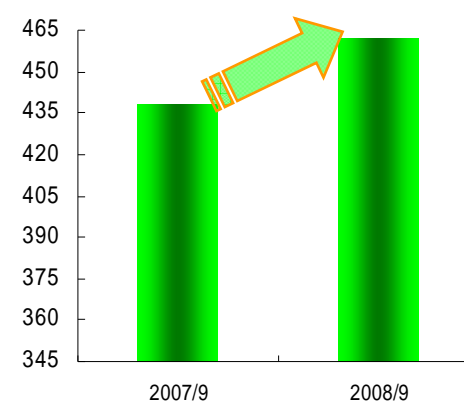
## Sales breakdown



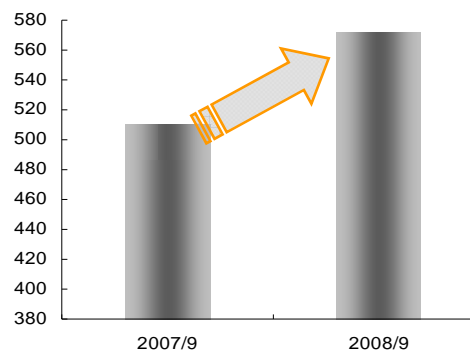
**Pharmaceuticals: + ¥39.8bn**



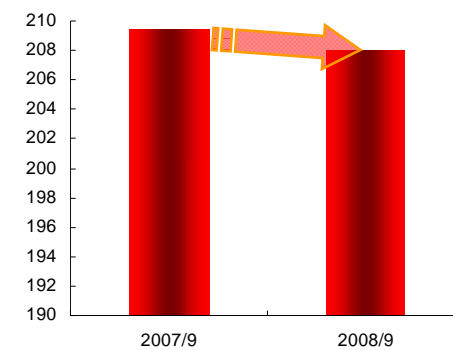
**Bio-Chemicals: + ¥1.9bn**



**Chemicals: + ¥6.1bn**



**Food: - ¥0.1 bn**

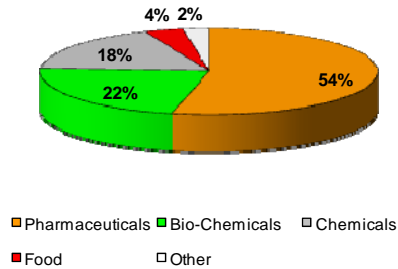


- Pharmaceuticals sales increased driven by integration with Kirin Pharma in addition to a one-time payment from Amgen, the launch of *Coversyl*, and continued growth in *Patanol*
- Bio-Chemicals saw strong sales of amino acids for intravenous liquids and pharmaceutical raw materials but was affected by foreign exchange movements. Health care products showed continued growth
- Chemical product price rises were implemented in response to a higher indicated price for naphtha from ¥58,750/kl in fiscal 07 H1 to around ¥78,000/kl in fiscal 08 H1

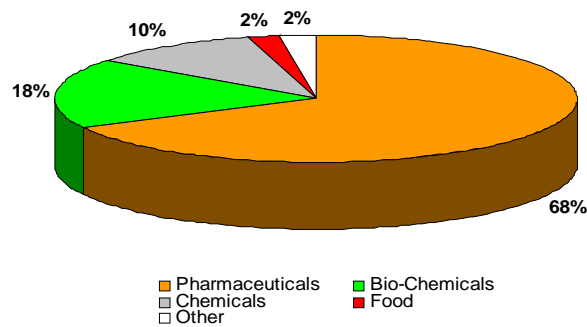
# ● Segmental operating income changes: Fiscal 2008 interim **KYOWA KIRIN**

## ◆ Operating income breakdown

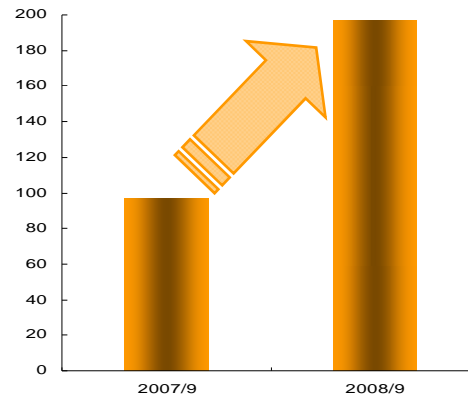
September 2007



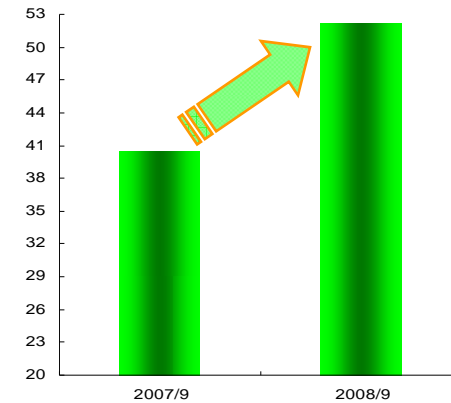
September 2008



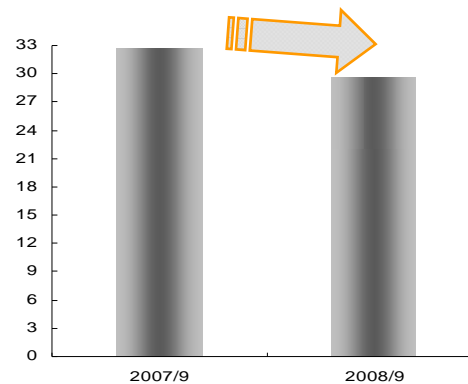
Pharmaceuticals: + ¥9.9bn



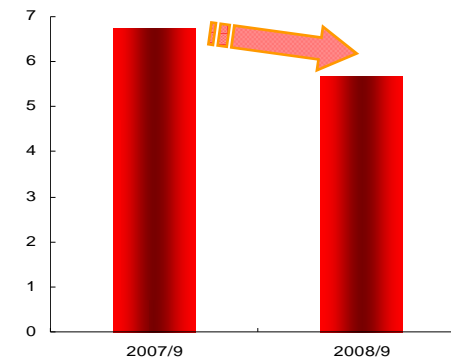
Bio-Chemicals: + ¥1.1bn



Chemicals: - ¥0.3bn



Food: - ¥0.1 bn



## Higher profits in Pharmaceuticals and Bio-Chemicals

- Chemical product prices were raised against a background of higher raw material and fuel prices, but profits declined as capex resulted in higher depreciation expenses

## ● Pharmaceuticals

**KYOWA KIRIN**

(Comparison of simple sum of both company's FY07 and FY08 results)

(¥bn)	FY 2007 Interim (Sum of two companies)	FY 2008 Interim	Change
Net sales	103.5	108.7	+5.1
Operating income	16.1	24.0	+7.9
R&D expenses	24.8	23.0	-1.8

\*Figures for FY 2008 Interim operating income is based on before amortization of goodwill related to the integration

### Higher sales and profits

- Factors benefiting net sales and operating income included a one-time payment from the out-licensing of KW-0761\*to Amgen , the launch of *Coversyl* (April 2008) and *REGPARA* (January 2008), and continued growth in *Patanol*
- Factors decreasing net sales and operating income included price revisions and the termination of *Durotep* sales
- Sales of *NESP/ESPO* decreased from the effects of price revisions despite an increase in market share compared to FY07 H1
- FY08 interim R&D expenses were lower than the net total of the two companies for FY07 H1

**Note:** KW-0761 is an antibody drug developed by Kyowa Hakko Kirin that utilizes our original strong-acting antibody technology (POTELLIGENT<sup>®</sup>) 5

## ● Sales of core pharmaceutical products

**KYOWA KIRIN**

(¥ bn)	2007/9	2008/9	Reference: Full year forecast (As of July 31)	Reference: Full year forecast (Revised)
NESP/ESPO	22.5	21.3	46.8	43.0
Coniel	13.2	11.6	22.8	22.9
Allelock	9.5	9.6	23.3	23.1
Patanol	0.8	1.4	5.0	4.9
Gran/Neu-up*	9.5	9.1	18.2	18.3
Depakene	5.2	5.3	10.3	10.7
Navelbine	1.6	1.5	3.3	3.1
Durotep	7.1	—	—	—
Coversyl	—	2.6	4.3	5.0
REGPARA	—	1.9	6.9	4.2
Export and technology out-licensing revenues(*)	11.6	22.8	29.5	29.7

Note: FY07/9 figures for Gran/Neu-up and for export and technology out-licensing revenues are the simple sum of figures for the two companies

(¥bn)	FY06 H1	FY07 H1	FY08 H1	Change from FY07 H1
Net sales	33.3	43.8	45.7	+1.9
Operating income	1.5	4.0	5.2	+1.1

**Sales and profits up due to growth in amino acids for intravenous and continued growth in sales of health care products**

- In industrial and pharmaceutical raw materials sales, sales of amino acids for intravenous liquids supported by increased overseas demand were strong
- Health care products saw increased revenues as sales of health food ingredients in the US and domestic mail order products were strong
- Daiichi Fine Chemical's sales of vitamins decreased as a result of fierce competition



## ● Fiscal 2008 full-year forecasts (consolidated)

**KYOWA KIRIN**

(¥bn)	Net sales	Operating income	Recurring income	Net income
FY 2008 forecast (Compared to forecast announced April 2008)	490.0 (--)	50.0 (-12.3%)	50.0 (-10.7%)	17.0 (-39.3%)
FY 2008 forecast (announced April 2008)	490.0	57.0	56.0	28.0
FY 2007 actual	392.1	39.3	37.9	23.4

### Profit forecasts revised down due to a review of forecasts for renal area products and increased expenses arising from active in-licensing

- In-licensed joint development rights for an antibody drug candidate, and RNAi pharmaceutical product (not included in forecast announced April 2008)
- Acquired joint sales rights to HFT-290 (cancer pain treatment) from Hisamitsu Pharmaceuticals (not included in forecast announced April 2008 )
- *NESP/ESPO, REGPARA* – Reduced sales forecasts
- In the Bio-Chemicals segment sales of amino acids for industrial and pharmaceutical raw materials remained strong but severe price competition in vitamins are expected to result in only a small increase in profits compared to forecast
- In chemical products, carefully monitoring raw material prices will be continued (¥70,000/kl naphtha price assumed for second half of fiscal year)
- Extraordinary profits/losses: Expect to realize profit on sale of food business, but integration related expenses expected to increase

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# Pharmaceuticals


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# R&D pipeline (As of October 2008)

## Kyowa Hakko Kirin

As of October 30, 2008


Category	Code Name	Stage		Indication	Formulation	In-house OR Licensed	Remarks
	Product Name	Japan	Other countries				
Cancer	KRN321 NESP	Phase III		Anemia (After chemotherapy for cancer)	Injection	Kirin-Amgen	☆ Long-acting erythropoiesis stimulating protein. Sales for anemia of CKD patients on dialysis were launched in Japan in July 2007.
	AMG531	Phase III		Thrombocytopenia treatment (Idiopathic thrombocytopenic purpura)	Injection	Kirin-Amgen	Thrombopoiesis stimulating peptibody. The clinical development is being conducted by Amgen development KK under contract.
	KW-2246	Phase II		Cancer pain	Sublingual tablet	Orexo	
	KRN125	Phase II		Neutropenia	Injection	Kirin-Amgen	Long-acting G-CSF
	AGS-003		Phase II in Canada and USA	Renal Cell Carcinomia	Injection	Argos	
	AGS-004		Phase II in Canada	Immunity activation agent (HIV cell therapy)	Injection	Argos	
	KRN654	Phase I/II		Essential thrombocythemia	Injection	Shire	
	KW-0761	Phase I		Anticancer (Hematologic tumor)	Injection	Developed In-house	Humanized monoclonal antibody (The exclusive right to develop and commercialize for treatments other than cancer, and except in Japan, Korea, China and Taiwan, was transferred to Amgen in March 2008)
	KW-2449		Phase I in USA	Anticancer	Oral	Developed In-house	
	KW-2478		Phase I in Europe	Anticancer	Injection	Developed In-house	
	ARQ197	Phase I		Anticancer	Oral	ArQule	
KRN330		Phase I in USA	Anticancer	Injection	Developed In-house	Fully human monoclonal antibody	

 Updated since April 28th, 2008 (Area, Stage, Filed, Approved, Launched etc.)

Notes: In Vietnam, an NDA of Pegfilgrastim (long acting G-CSF) has been filed for neutropenia and, in the Philippines, an NDA of Filgrastim (G-CSF) has been filed for neutropenia.

## ● R&D pipeline (As of October 2008)

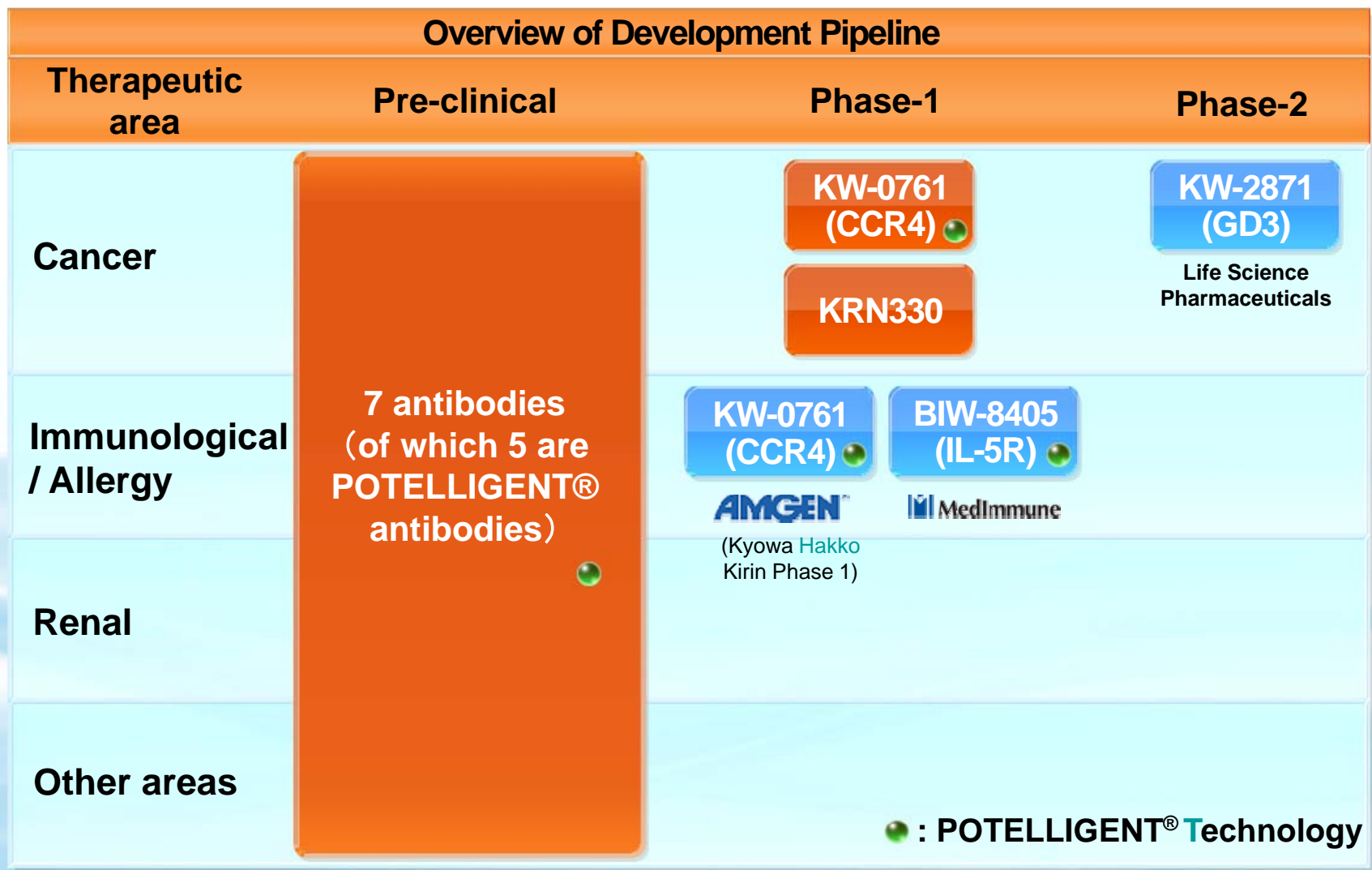
Category	Code Name	Stage		Indication	Formulation	In-house OR Licensed	Remarks
	Product Name	Japan	Other countries				
Kidney	PB94 PHOSBLOCK (RENEGAL)		Filed in China (June 2008)	Hyperphosphatemia	Oral	Chugai	Launched in Japan
	KRN321 NESP	Phase III	Phase II in China	☆ Anemia (for CKD patients not on dialysis)	Injection	Kirin-Amgen	☆ Long-acting erythropoiesis stimulating protein. Sales for anemia of CKD patients on dialysis were launched in Japan in July 2007.
Immunity / Allergy	KW-4679 ALLELOCK		Filed in China (July 2008)	Antiallergic	Oral	Developed In-house	Launched in Japan
	Z-206 ASACOL	Phase III		Inflammatory bowel disease (Crohn's disease)	Oral (pH dependant controlled- release formulation)	Zeria Pharma	Jointly developed with Zeria Pharma.
	NU206		Phase I in Australia	Inflammatory bowel disease	Injection	Nuvelo	
CNS	KW-6002	Phase II b	Filed in USA (April 2008)	Parkinson's disease	Oral	Developed In-house	☆ Clinical trials for Mono-Therapy: Phase II a, in Japan
	KW-6500	Phase II		Parkinson's disease	Injection	Britannia Pharma	
Cardiovascular	KW-3049 CONIEL		Filed in China (Sept. 2008)	☆ Angina	Oral	Developed In-house	☆ Launched for Hypertension in China in December 2004: (Launched in Japan)
Others	KN3357	Phase I		Blood coagulation factor inhibitor (Disseminated intravascular coagulation)	Injection	Developed In-house	Recombinant antithrombin product
	KW-7158	Phase IIa		Bowel disease (Irritable bowel syndrome)	Oral	Developed In-house	Development program for Overactive / Urinary incontinence was discontinued in September 2006

 Updated since April 28th, 2008 (Area, Stage, Filed, Approved, Launched etc.)

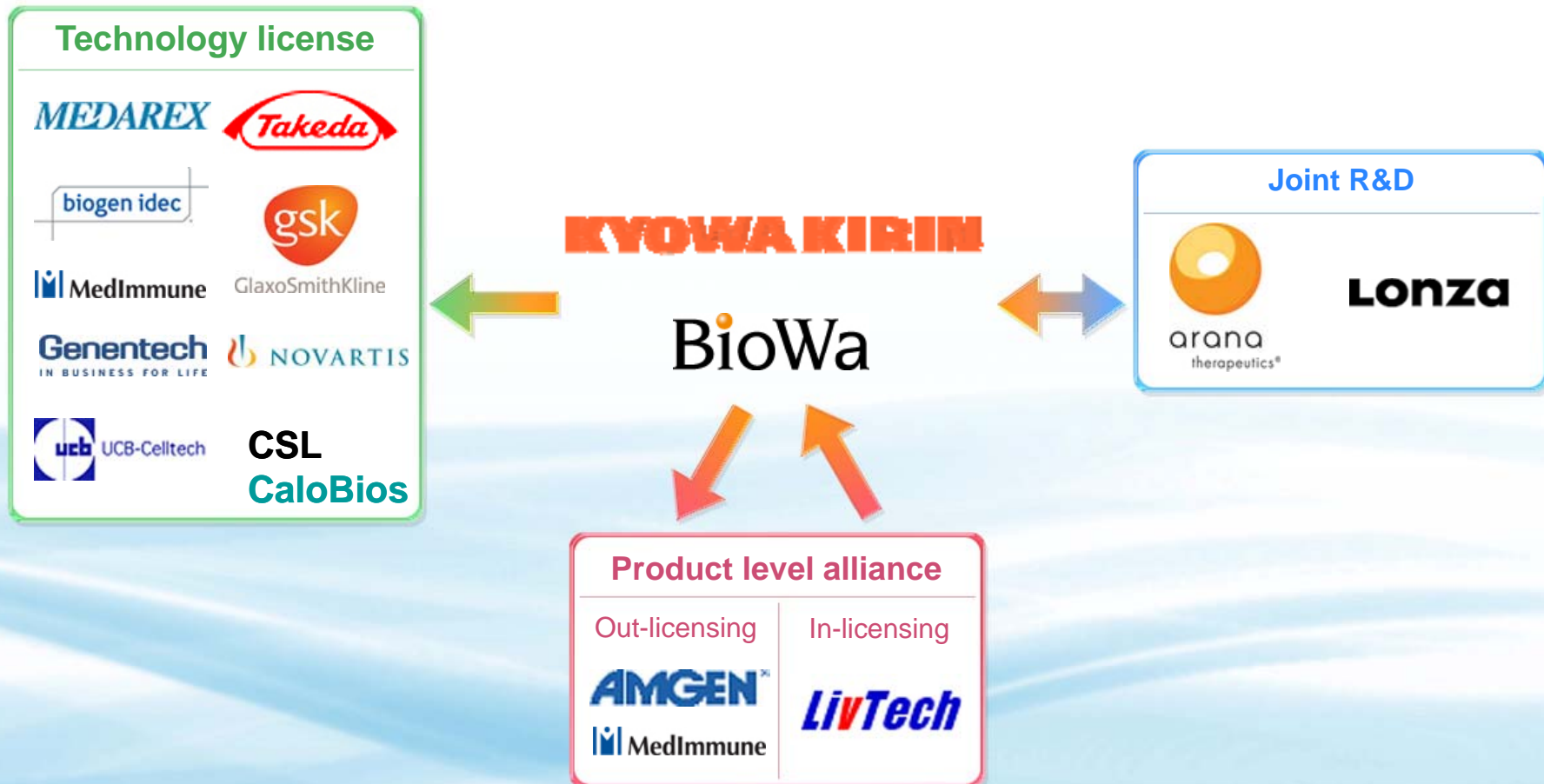
Notes: In Vietnam, an NDA of Pegfilgrastim (long acting G-CSF) has been filed for neutropenia and,  
in the Philippines, an NDA of Filgrastim (G-CSF) has been filed for neutropenia.

● Antibody pharmaceutical pipeline (As of October 2008)










**KYOWA KIRIN**



● **POTELLIGENT® Technology-related licensing KYOWA KIRIN**  
 (As of October 2008)












● Progress in licensing-out (As of October 2008)

		Partner	Pre-clinical	Phase			Remarks
				I	II	III	
Licensing-out	CEP-701	Cephalon					Anticancer (acute myelocytic leukemia)
	KW-3902 (MK-7418)	Merck (NovaCardia)					Congestive heart failure, Renal failure
	LY 2523355 (Eg5 inhibitor)	Eli Lilly					Mitotic Kinesin Eg5 inhibitor
	KW-2871 (Low-fucose antibody)	Life Science*					Anticancer (malignant melanoma)
	KW-0761 (POTELLIGENT antibody)	Amgen					Anti-CCR4 antibody (Kyowa Kirin Phase 1)
	BIW-8405 (POTELLIGENT antibody)	AstraZeneca (MedImmune)					IL-5R antibody
	KRN 951 (AV-951)	AVEO					VEGF receptor inhibitor
	Debio 0719	Debio					LPA receptor inhibitor (Metastatic bone cancer)
	KRN 7000	REGIMMUNE					Immunosuppressant

\* Life Science Pharmaceuticals

● Progress in licensing-in (As of October 2008)

		Partner	Pre-clinical	Phase			Remarks	
				I	II	III		
Licensing -in	KW-6500	Britannia*					Anti-Parkinson's disease (injection)	
	Asacol	Zeria Pharmaceuticals					Inflammatory bowel disease (Crohn's disease) Application filed for ulcerative colitis	
	ARQ197	ArQule					Anticancer	
	ALN-RSV01	Alnylam					RSV anti-infective (RNAi pharmaceutical)	
	ART104	arana					Anticancer (colonic cancer)	
	HFT-290	Hisamitsu Pharmaceuticals	filed					Skin patch for cancer pain
	KRN 654	Shire					Thrombocytosis	
	NU 206	Nuvelo					Inflammatory bowel disease	
	AGS-003	Argos					Renal cell carcinoma (Kidney cell cancer)	
	AGS-004	Argos					Renal cell carcinoma (HIV)	

\* Britannia Pharmaceuticals



□ **Out-licensed to Amgen**

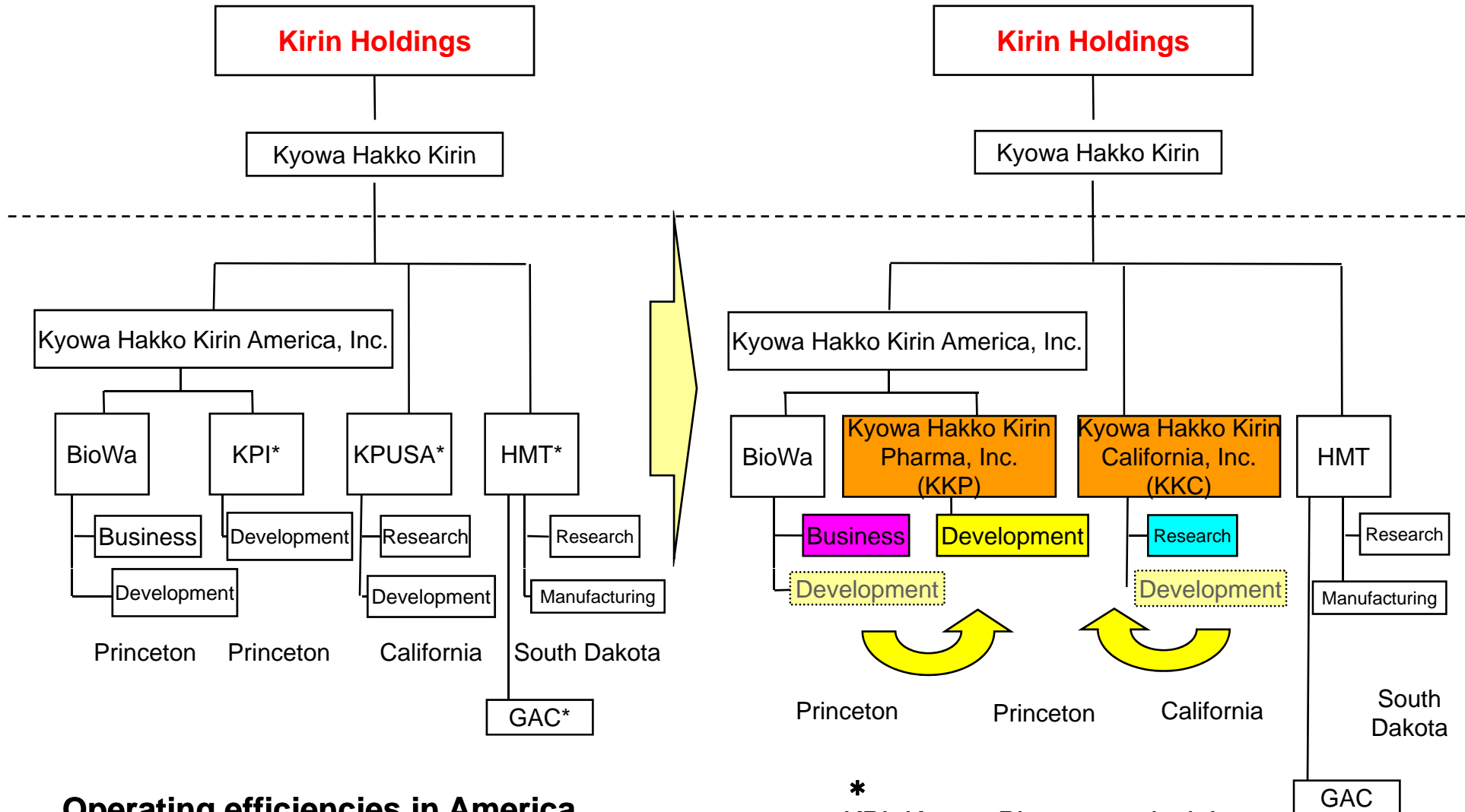
□ **Out-licensing conditions:**

- Granted exclusive license to develop and sell worldwide, except in Japan, Korea, China and Taiwan
- Applies to all applications except anticancer
- Regarding rights to anticancer agents, Amgen retains the option to assume these rights once drug effectiveness has been confirmed through U.S. clinical testing scheduled by Kyowa Hakko Kirin

□ **Financial conditions:**

- Lump-sum payment  
at contract time: US \$100 million
- Milestone : US \$420 million (upon reaching development and sales milestones)
- Royalty:  
amount Double digit percentage royalties on sales

● Reorganization of US subsidiary structure  
(Scheduled for January 1, 2009)

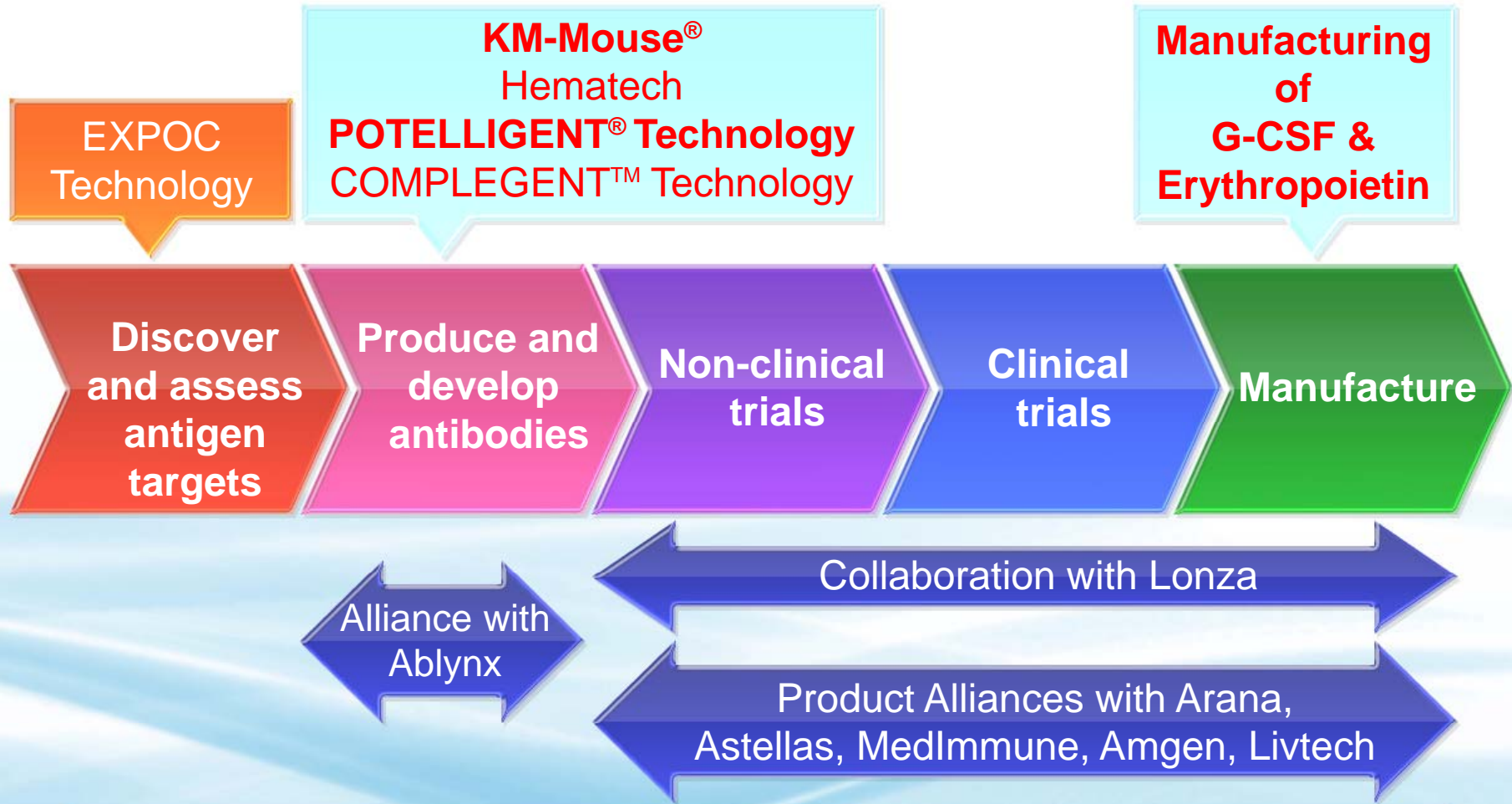


**Operating efficiencies in America**

- KKP to concentrate on functional development (Princeton)
- KKC to specialize in functional research (California)
- BioWa to specialize in the licensing business (Princeton)

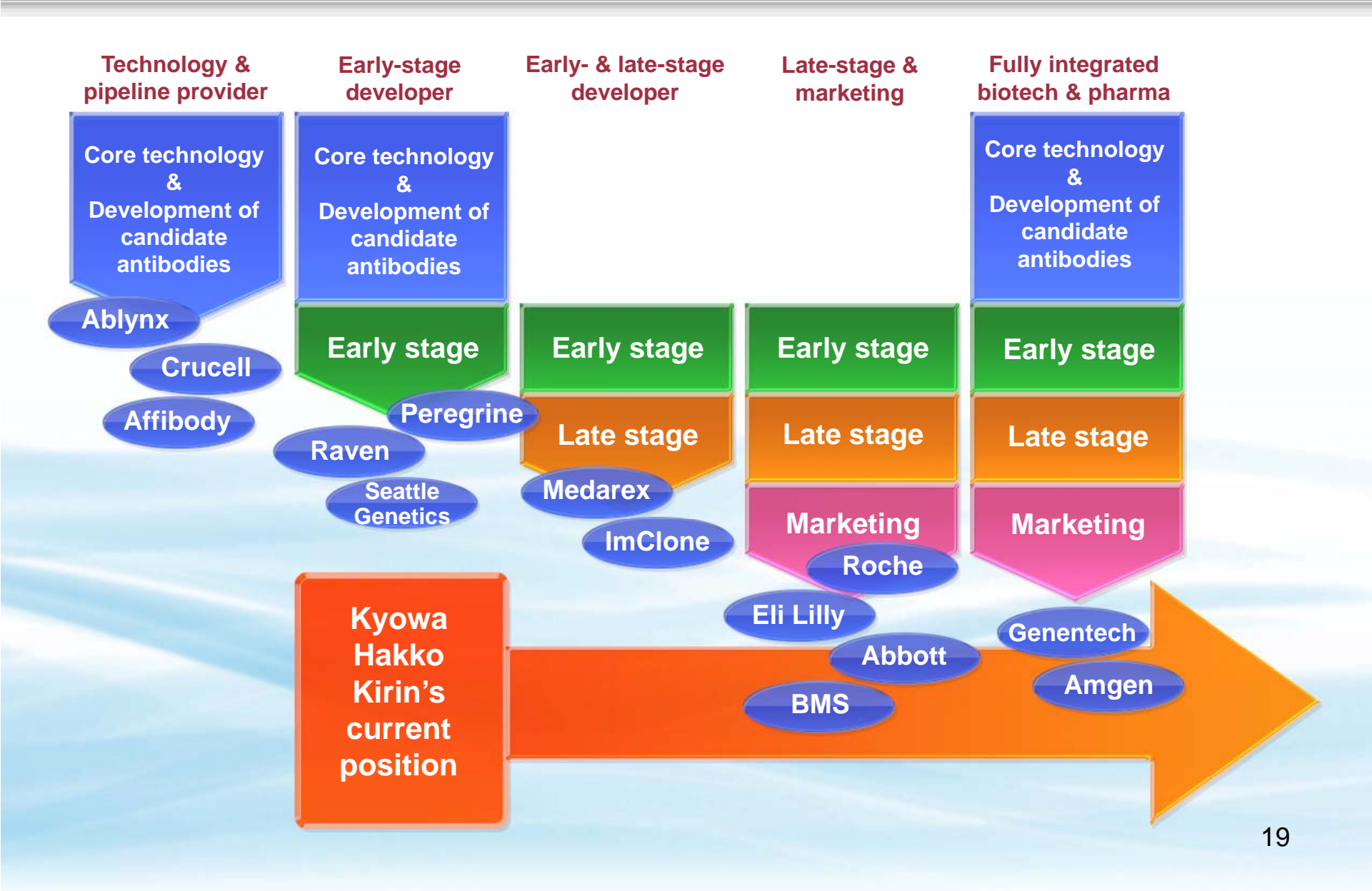
\*  
 KPI: Kyowa Pharmaceutical, Inc.  
 KPUSA: Kirin Pharma USA, Inc.  
 HMT: Hematech, Inc.  
 GAC : Hematech-GAC Venture, LLC

● **Kyowa Hakko Kirin antibody business strategy**



***Strengthen our antibody pipeline through cutting edge antibody core technologies and strategic alliances***

● **Development stages of antibody businesses**



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# Integration of the food businesses

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## ● Integration of the food businesses

**KYOWA KIRIN**

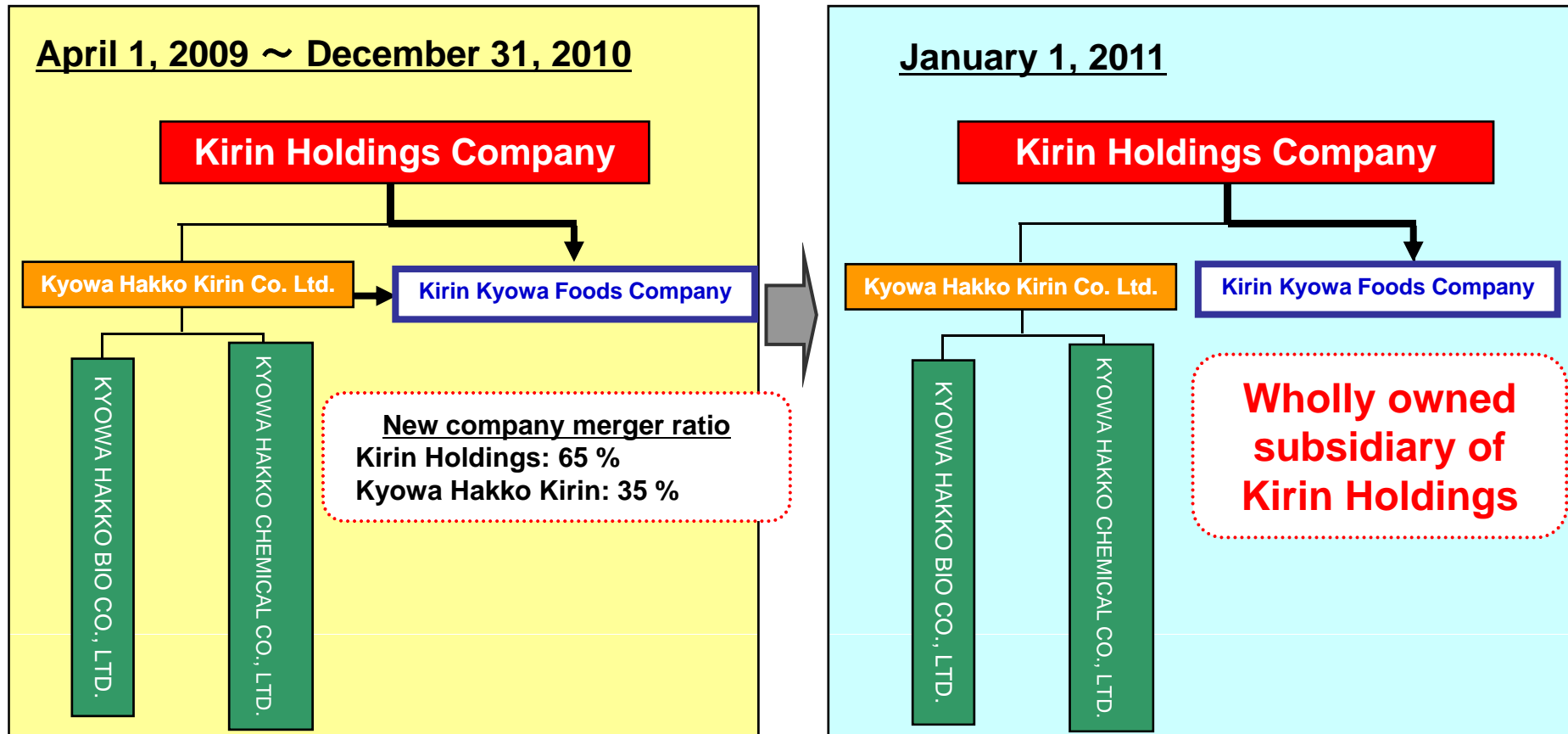
	Kyowa Hakko Food Specialties Co., Ltd.	Kirin Food-Tech Company
<b>Net sales</b>	¥43.3 bn	¥27.2 bn
<b>Capital</b>	¥3.0 bn	¥5.0 bn
<b>Staff</b>	586	261
<b>Business</b>	Manufacturing and sale of seasonings and bakery products and ingredients	Manufacture and sale of seasonings for processing, commercial and household use, and other food additives
<b>Core products</b>	Extract natural seasonings, Amino acid natural seasonings, Fermented seasonings, <i>Umami</i> seasonings, Chinese food sauces, Daiya yeasts, Golden arrow, egg soup	Ribotide, brewer's yeast extract, Curdlan, Inoichiban, Sunett

Figures for Kyowa Hakko Food Specialties Co., Ltd. are consolidated figures as of March 31, 2008. Figures for Kirin Food Tech Company are as of December 31, 2007.

- **Aiming to increase our presence in the food ingredients for industrial use area through fermentation-related technologies developed by both companies**
- **Significant scope to grow business value in the Asia/Oceania region**
- **Aiming for dramatic growth in food and health as outlined in Kirin Group's long-term business framework "Kirin Group Vision 2015"**

## ● Integration of the food businesses

**KYOWA KIRIN**



### Step 1: April 1, 2009

Kyowa Hakko Food Specialties Co., Ltd. and Kirin Food-Tech Company will merge to form Kirin Kyowa Foods Company. Kirin Holdings will hold 65%, and Kyowa Hakko Kirin will hold 35%. Kirin Kyowa Foods Company will become an equity method affiliate of Kyowa Hakko Kirin Co., Ltd.

### Step 2: January 1, 2011

Kirin Holdings will acquire the entire 35% held by Kyowa Hakko Kirin Co., Ltd. and Kirin Kyowa Foods Company will become a wholly owned subsidiary of Kirin Holdings

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**APPENDIX**

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● **Pharmaceuticals: Major factors effecting results**

**KYOWA KIRIN**

(All listed factors are on a non-consolidated basis unless otherwise noted)

FY 2007 H1	Net sales	FY 2008 H1
<b>¥68.9 bn</b>	<b>+¥39.8 bn</b>	<b>¥108.7 bn</b>
Positive factors	Consolidation of Kirin Pharma Onetime contract payment from Amgen Launched <i>Coversyl</i> , growth in sales of <i>Patanol</i> , etc.	
Negative factors	Effects of price revisions Termination of <i>Durotep</i> sales	
Operating income		
<b>¥9.7 bn</b>	<b>+¥9.9 bn</b>	<b>¥19.6 bn</b>
Positive factors	Consolidation of Kirin Pharma Onetime contract payment from Amgen Launched <i>Coversyl</i> , growth in sales of <i>Patanol</i> , etc.	After amortization of integration-related goodwill: ¥4.3 bn
Negative factors	Effects of price revisions	

## ● Bio-Chemicals : Major factors effecting results **KYOWA KIRIN**

(All listed factors are on a non-consolidated basis unless otherwise noted)

FY 2007 H1	Net sales	FY 2008 H1
<b>¥43.8 bn</b>	<b>+¥1.9 bn</b>	<b>¥45.7 bn</b>
Positive factors	Increased bulk sales of raw materials for pharmaceutical and industrial use Increased mail-order sales of <i>Remake</i> series	
Negative factors	Effects of foreign exchange	
	Operating income	
<b>¥4.0 bn</b>	<b>+¥1.1 bn</b>	<b>¥5.2 bn</b>
Positive factors	Increased bulk sales of raw materials for pharmaceuticals (トル) and industrial use Increased mail-order sales of <i>Remake</i> series	After amortization of integration-related goodwill: ¥0.3 bn
Negative factors	Effects of foreign exchange	

(¥bn)	FY06 H1	FY07 H1	FY08 H1	Change from FY07 H1
Net sales	45.8	51.0	57.2	+6.1
Operating income	1.6	3.2	2.9	-0.3

Price revisions were implemented against a background of higher raw material and fuel prices

- Domestic: Sales increased with the implementation of product price revisions and despite sales volumes being lower than FY 2007 H1
- Exports: Sales were up as prices remained high in overseas markets for core products and sales volumes also increased
- Specialty chemicals: Sales of raw materials for refrigerant lubricants continued to grow
- Depreciation expense: Depreciation expenses increased following investments in production and research facilities

**Naptha price trends**

FY 2007 H1	FY 2008 H1 (Forecast)
¥58,750/kl	¥78,000/kl

## ● Chemicals: Major factors effecting results

**KYOWA KIRIN**

(All listed factors are on a non-consolidated basis unless otherwise noted)

FY 2007 H1	Net sales	FY 2008 H1
<b>¥51.0 bn</b>	<b>+¥6.1 bn</b>	<b>¥57.2 bn</b>
Positive factors	(Domestic) Price revisions of basic chemical products (Exports) Firm market, growth in specialty chemicals	
Negative factors	Withdrawal of certain products (bulk acetone)	
	Operating income	
<b>¥3.2 bn</b>	<b>-¥0.3 bn</b>	<b>¥2.9 bn</b>
Positive factors	(Domestic) Price revisions of basic chemical products (Exports) Firm market, growth in specialty chemicals	After amortization of integration-related goodwill: ¥0.02 bn
Negative factors	Increase in depreciation expenses	

(¥bn)	FY06 H1	FY07 H1	FY08 H1	Change from FY07 H1
Net sales	20.9	20.9	20.8	-0.1
Operating i n c o m e	0.8	0.6	0.5	-0.1

Achieved results in line with as previous fiscal year amidst an environment of high fuel and raw material prices.

- Natural seasonings: Sales of fermented seasonings grew despite the impact from an environment of high raw material prices
- *Umami* seasonings: Sales increased as a result of price revisions in response to the effects of high raw material prices and an increase in sales volumes
- Bakery products and ingredients: Flavor enhances performed well but sales decreased as a result of the termination of sales of certain products in response to the effects of high prices for raw materials and other factors

## ● Food: Major factors effecting results

**KYOWA KIRIN**

(All listed factors are on a non-consolidated basis unless otherwise noted)

FY 2007 H1	Net sales	FY 2008 H1
<b>¥20.9 bn</b>	<b>-¥0.1 bn</b>	<b>¥20.8 bn</b>
Positive factors	Increased sales volumes of fermented seasonings and <i>Umami</i> seasonings	
Negative factors	Decreased sales volumes of bakery products and ingredients	
	Operating income	
<b>¥0.6 bn</b>	<b>-¥0.1 bn</b>	<b>¥0.5 bn</b>
Positive factors	Revised prices for <i>Umami</i> seasonings Review of bakery ingredient and product line-up	After amortization of integration-related goodwill: ¥0.1 bn
Negative factors	Input costs increased	

# **KYOWA KIRIN**