



Kyowa Hakko Kogyo Co., Ltd.

Consolidated Financial Summary

Fiscal 2007 Third Quarter

(April 1, 2007 – December 31, 2007)

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.



SUMMARY OF FINANCIAL STATEMENTS (Consolidated)
Third Quarter Performance Update for the Fiscal Year Ending March 31, 2008

Kyowa Hakko Kogyo Co., Ltd.

January 30, 2008

Stock Code:	4151	Listed
URL:	www.kyowa.co.jp/eng/index.cfm	exchanges: Tokyo, 1 st section
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1. Results for the nine months ended December 31, 2007

(Amounts less than 1 million yen have been ignored)

(1) Consolidated Business Performance

	April 1, 2007 to December 31, 2007		April 1, 2006 to December 31, 2006		Millions of yen
		Change %		Change %	April 1, 2006 to March 31, 2007
Net sales	297,681	11.0	268,113	(1.5)	354,274
Operating income	32,405	20.6	26,873	17.5	30,698
Recurring income	32,750	18.7	27,597	6.2	30,901
Net income	24,084	106.3	11,671	(20.4)	12,694
Net income per share (¥)	¥60.55	--	¥28.63	--	¥31.32
Fully diluted net income per share (¥)	¥60.51	--	¥28.61	--	¥31.31

Note: "Change %" indicates the percentage change compared to the comparable period of the previous fiscal year.

(2) Consolidated Financial Position

	As of December 31, 2007	As of December 31, 2006	As of March 31, 2007
Total assets (millions of yen)	403,088	374,582	378,870
Net assets (millions of yen)	260,841	243,153	244,082
Equity ratio (%)	64.1%	64.3%	63.8%
Net assets per share (¥)	¥649.69	¥605.02	¥607.49

(3) Consolidated Cash Flows

	April 1, 2007 to December 31, 2007		April 1, 2006 to December 31, 2006		Millions of yen
					April 1, 2006 to March 31, 2007
Cash flow from operating activities	19,211		16,265		23,380
Cash flow from investing activities	(6,826)		(4,821)		(8,493)
Cash flow from financing activities	(13,542)		(24,109)		(24,417)
Cash and cash equivalents at end of period ..	35,219		33,364		36,613

2. Consolidated Forecasts for the Fiscal Year Ending March 31, 2008 (April 1, 2007 to March 31, 2008)

Millions of yen, rounded down

	FY ending March 31, 2008	
		Change (%)
Net sales	395,000	11.5%
Operating income	38,000	23.8%
Recurring income	38,000	23.0%
Net income	26,000	104.8%
Net income per share (¥)	¥65.35	108.7%

Note: "Change %" indicates the percentage change compared to the previous fiscal year results.



3. Other

- 1) Transfer of important subsidiaries during the period (Transfers of a specific subsidiary resulting in changes in the scope of consolidation):

On June 1, 2007 all issued shares of Daiichi Fine Chemical, a wholly owned subsidiary of DAIICHI SANKYO COMPANY, LIMITED, were acquired and the company was made into a subsidiary. Also, on June 1, 2007, Daiichi Fine Chemical was deemed a specified subsidiary of Kyowa Hakko as Daiichi Fine Chemical's capital exceeded 10% of Kyowa Hakko's capital following the allocation of new shares in Daiichi Fine Chemical to Kyowa Hakko.

- 2) Utilization of simplified method of accounting:

Simplified accounting methods were employed.

No adjustments were made for cost variance.

- 3) Changes to accounting methods during the fiscal year:

The depreciation methods used by Kyowa Hakko and its domestic consolidated subsidiaries for tangible fixed assets acquired after April 1, 2007 have been changed following changes to the Corporation Tax Law. The effect of this change for the nine-months ended December 31, 2007 was to reduce operating income by ¥314 million, and reduce recurring income and income before income taxes by ¥314 million.

The above forecasts are based on the information available and assumptions made at the time of release of this document about a number of uncertain factors that may affect results in the future. Actual results can differ materially from these projections for a wide variety of reasons. For more information regarding our business forecasts, please refer to page 4, "3. Forecasts for the fiscal year ending March 31, 2008".



Operating Results and Financial Position

1. Summary of Business Performance

Consolidated net sales for the nine-month period from April 1, 2007 to December 31, 2007 rose ¥29.5 billion to ¥297.6 billion, an increase of 11.0% compared to the first nine months of the previous fiscal year. Business performance, particularly in the Chemicals business, was ahead of plans for the fiscal year.

In the Pharmaceuticals business, sales increased compared to the first nine months of last fiscal year primarily driven by a strong performance from our core products. Sales of *Coniel*, a treatment for hypertension and angina pectoris, were lower than those in the first nine months of the previous fiscal year, however, sales of products such as *Allelock (olopatadine hydrochloride)*, an antiallergic agent and *Navelbine*, an anticancer agent, grew. Sales of *Patanol*, an antiallergic ophthalmic solution, which was launched in October 2006, also performed well. Income from the licensing-out of technologies and export of pharmaceutical products continued to perform very well, as sales of antiallergic agent *Olopatadine hydrochloride* that are outlicensed to Alcon, Inc. increased.

In the Bio-Chemicals business, sales increased compared to the first nine months of last fiscal year due to strong sales of core amino acid, nucleic acid, and related compounds mainly in overseas markets and growth in sales of healthcare products. Sales of vitamins and other products of Daiichi Fine Chemical, which became a consolidated subsidiary this fiscal year, also performed well.

In the Chemicals business, sales were much higher compared to the first nine months of last fiscal year as rising prices of fuel and raw materials led to generally high product prices in domestic and foreign markets.

In the Food business, growth in sales of natural seasonings and other products contributed to higher sales than in the first nine months of last fiscal year.

Sales in each business segment increased compared to the first nine months of the previous fiscal year and as a result operating income increased by 20.6% to ¥32.4 billion and recurring income was up 18.7% to ¥32.7 billion. Net income increased ¥12.4 billion, to ¥24.0 billion, an increase of 106.3%, partly due to ¥7.5 billion in extraordinary income from the sale of fixed assets.

2. Summary of Financial Position

At the end of the third quarter of the fiscal year, total assets stood at ¥403.0 billion, an increase of ¥24.2 billion over the end of the previous fiscal year that was mainly due to the inclusion of Daiichi Fine Chemical as a consolidated subsidiary. Current assets increased by ¥17.1 billion from the end of the previous fiscal year, largely due to increases in accounts and notes receivable, and inventory assets. Fixed assets increased ¥7.0 billion from the end of the previous fiscal year, due to increases in tangible fixed assets and other items.



Liabilities increased by ¥7.4 billion to ¥142.2 billion, due to increases in accounts and notes payable, accrued expenses and others and despite decreases in reserve for bonuses and other items.

Net assets increased ¥16.7 billion over the end of the previous fiscal year to ¥260.8 billion, owing to the recording of net income of ¥24.0 billion for the nine-month period under review and other factors.

As a result of the above factors, the consolidated equity ratio at the end of the nine-month period under review was 64.1%, an increase of 0.3 percentage points from the end of the previous fiscal year.

Cash Flow Summary

Cash flow from operating activities was ¥19.2 billion, ¥2.9 billion higher than in the first nine months of the previous fiscal year. The main contributing factor was an increase in net income before income taxes, despite increases in corporate etc. tax payments and other items, compared to the first nine months of the previous fiscal year.

Cash flow from investing activities was ¥6.8 billion, an increase of ¥2.0 billion compared to the first nine months of the previous fiscal year. This was mainly due to payments of ¥9.9 billion for the acquisition of tangible fixed assets and a payment of ¥2.2 billion for the acquisition of shares in a subsidiary accompanying changes to the scope of consolidation and despite proceeds of ¥7.3 billion from the sale of tangible fixed assets.

Cash flow from financing activities was a ¥13.5 billion, ¥10.5 million lower than in the first nine months of the previous fiscal year when a payment of ¥20.6 billion for the purchase of treasury stock was incurred. Contributing factors included a ¥8.4 billion repayment of short-term debt.

As a result of the above factors, the balance of cash and cash equivalents as of December 31, 2007 was ¥35.2 billion, a decline of ¥1.3 billion compared to the end of the previous fiscal year.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2008

Our results for the first nine months of fiscal 2007 were ahead of plan, driven by a strong performance primarily from the Chemicals business. As a result, our operating income and recurring income forecasts for fiscal 2007 that were announced on October 29, 2007 have been revised upwards.



4. Consolidated Balance Sheets

Millions of yen

	As of December 31, 2007	As of December 31, 2006	Change Amount	(%)	(Reference) As of March 31, 2007
ASSETS					
Current assets:					
Cash and time deposits	20,861	19,601			28,895
Accounts and notes receivable	122,139	112,820			107,458
Marketable securities	14,985	12,993			6,998
Inventories	61,404	54,575			56,015
Deferred tax assets	4,529	3,595			5,803
Other current assets	7,739	8,434			9,281
(Less) Allowance for doubtful accounts ...	(108)	(286)			(100)
Total current assets	231,551	211,735	19,816	9.4	214,352
Fixed assets:					
Tangible fixed assets:					
Buildings and structures	37,513	35,751			35,608
Machinery and equipment	29,805	23,989			24,994
Land	21,343	20,261			20,364
Construction in progress	3,466	4,397			5,123
Other	5,382	5,307			5,157
Total tangible fixed assets	97,510	89,708	7,802	8.7	91,248
Intangible fixed assets	576	657	(80)	(12.3)	510
Investments and other assets:					
Investments in securities	59,373	63,053			62,387
Long-term loans	1,841	2,555			1,849
Deferred tax assets	690	366			313
Other investments and other assets	12,695	8,199			9,189
Allowance for doubtful accounts	(1,152)	(1,244)			(980)
Allowance for investment valuations	--	(448)			--
Total investments and other assets	73,448	72,481	967	1.3	72,759
Total fixed assets	171,536	162,847	8,689	5.3	164,518
Total assets	403,088	374,582	28,505	7.6	378,870



Consolidated Balance Sheets (continued)

	As of December 31, 2007	As of December 31, 2006	Change		Millions of yen (Reference) As of March 31, 2007
			Amount	(%)	
LIABILITIES					
Current liabilities:					
Accounts and notes payable	61,126	56,321			52,249
Short-term bank loans	12,393	13,286			12,822
Accrued expenses	19,580	16,558			17,556
Income taxes payable	7,849	3,510			7,079
Reserve for sales rebates	1,115	1,138			947
Reserve for sales returns	39	43			44
Reserve for sales promotion expenses	831	890			716
Reserve for periodic restoration expenses	1,040	--			967
Reserve for bonuses	154	4			3,140
Other current liabilities	10,607	10,460			10,976
Total current liabilities	114,739	102,213	12,525	12.3	106,501
Long-term liabilities:					
Long-term debt	254	12			314
Deferred tax liabilities	5,195	6,546			5,592
Retirement benefit allowance	21,166	21,789			21,402
Directors' retirement benefit allowance	206	98			108
Other long-term liabilities	685	768			868
Total long-term liabilities	27,507	29,215	(1,708)	(5.8)	28,287
Total liabilities	142,247	131,429	10,817	8.2	134,788
NET ASSETS					
Shareholders' equity:					
Common stock	26,745	26,745			26,745
Capital surplus	43,180	43,180			43,180
Retained earnings	171,564	178,212			151,565
Treasury stock	(1,496)	(28,639)			(1,062)
Total shareholders' equity	239,993	219,498	20,494	9.3	220,428
Valuation and differences due to foreign exchange:					
Valuation difference on other marketable securities	18,733	22,013			21,785
Gain on deferred hedge accounting	5	1			5
Foreign exchange adjustment account	(442)	(729)			(502)
Total valuation and differences due to foreign exchange	18,296	21,285	(2,989)	(14.0)	21,289
Share subscription rights	130	45	84	185.4	65
Minority interests	2,420	2,323	97	4.2	2,299
Total net assets	260,841	243,153	17,687	7.3	244,082
Total liabilities and net assets	403,088	374,582	28,505	7.6	378,870



5. Consolidated Statements of Income

	April 1, 2007 to December 31, 2007	April 1, 2006 to December 31, 2006	Change		Millions of yen (Reference) April 1, 2006 to March 31, 2007
			Amount	(%)	
Net sales	297,681	268,113	29,568	11.0	354,274
Cost of sales	186,496	169,190	17,305	10.2	222,844
Gross profit.....	111,185	98,922			131,430
Reversal of reserve for sales returns	44	38			38
Addition to reserve for sales returns	39	43			44
Adjusted gross profit	111,191	98,918	12,272	12.4	131,424
Selling, general and administrative expenses.....	78,785	72,045	6,740	9.4	100,725
Operating income	32,405	26,873	5,532	20.6	30,698
Other income:					
Interest and dividend income	1,597	1,055			1,167
Income from equity method investments	754	540			831
Others.....	1,158	1,246			1,827
Total other income.....	3,510	2,842	667	23.5	3,825
Other expenses:					
Interest expenses	250	170			239
Others.....	2,914	1,948			3,382
Total other expenses.....	3,165	2,118	1,047	49.4	3,622
Recurring income	32,750	27,597	5,152	18.7	30,901
Extraordinary income:					
Gain on sale of fixed assets	7,562	643			666
Gain on sale of shares of affiliate companies	--	54			55
Reversal of allowance for doubtful accounts.....	--	14			44
Realized profit on investments in securities	--	32			32
Total extraordinary income	7,562	744	6,817	915.1	800
Extraordinary losses:					
Integration-related expenses	518	--			--
Asset impairment losses	289	2,405			2,405
Losses related to disposal of affiliate shares	--	2,626			2,626
Addition to reserve for periodic restoration expenses	--	--			1,016
Payment for water used in production	--	777			777
Expenses on support for employees' early retirement	--	350			389
Expenses related to the reorganization of affiliate companies.....	--	266			267
Other.....	--	--			693
Total extraordinary losses.....	808	6,425	(5,617)	(87.4)	8,176



Consolidated Statements of Income (continued)

	April 1, 2007 to December 31, 2007	April 1, 2006 to December 31, 2006	Change		Millions of yen (Reference) April 1, 2006 to March 31, 2007
			Amount	(%)	
Income before income taxes	39,504	21,917	17,587	80.2	23,525
Corporate, local, and enterprise taxes.....	12,105	6,872	5,233	76.1	10,455
Corporate tax adjustment.....	3,149	3,371	(221)	(6.6)	413
Minority interests in consolidated subsidiaries.....	165	2	163	7,509.5	(38)
Net income	24,084	11,671	12,412	106.3	12,694



6. Consolidated Statements of Cash Flows

	<i>Millions of Yen</i>		
	April 1, 2007 to December 31, 2007	April 1, 2006 to December 31, 2006	(Reference) April 1, 2006 to March 31, 2007
Cash flows from operating activities:			
Income before income taxes	39,504	21,917	23,525
Depreciation and amortization.....	10,494	7,300	10,006
Asset impairment losses	289	2,405	2,405
(Decrease) in retirement benefit allowance	(817)	(2,732)	(3,123)
(Increase) in prepaid pension expenses.....	(2,516)	(571)	(1,378)
(Decrease) in reserve for bonus payments	(3,256)	(3,298)	(162)
(Gain) from disposal of tangible fixed assets.....	(7,244)	(125)	(82)
(Increase) in trade receivables	(9,933)	(14,655)	(9,274)
(Increase) decrease in inventories	(1,156)	1,724	38
Increase in trade payables	6,119	8,919	4,689
Corporate etc. tax payments	(12,020)	(7,071)	(7,007)
Others	(252)	2,453	3,743
Net cash provided by operating activities.....	19,211	16,265	23,380
Cash flows from investing activities:			
Payments for purchase of property, plant & equipment.....	(9,906)	(9,034)	(13,040)
Proceeds from sale of fixed assets.....	7,333	787	1,632
Payment for purchase of investment securities.....	(1,177)	(50)	(68)
Proceeds from sale of investment securities	6	3,938	3,951
Payment for acquisition of shares of subsidiary following changes to the scope of consolidation.....	(2,263)	--	--
Others	(819)	(461)	(969)
Net cash (used in) by investing activities	(6,826)	(4,821)	(8,493)
Cash flows from financing activities:			
Net (decrease) increase in short-term debt	(8,435)	621	169
Payment for acquisition of treasury shares	(507)	(20,658)	(20,755)
Dividends paid.....	(3,943)	(4,063)	(4,105)
Others	(657)	(8)	273
Net cash (used in) financing activities	(13,542)	(24,109)	(24,417)
Cash and cash equivalents translation differences	(63)	123	238
(Decrease) increase in cash and cash equivalents	(1,221)	(12,541)	(9,292)
Cash and cash equivalents at the beginning of the period	36,613	45,820	45,820
Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the period	--	85	85
Decrease in cash and cash equivalents following consolidated eliminations.....	(172)	--	--
Cash and cash equivalents at the end of the period	35,219	33,364	36,613



7. Segment Information

Segment information by business type

Fiscal 2007 Q3 Segment information by business type (April 1, 2007 – December 31, 2007)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net sales								
(1) Sales to external customers	105,790	59,349	74,246	30,169	28,125	297,681	--	297,681
(2) Inter-segment sales and transfers	283	6,775	5,859	3,088	9,527	25,534	(25,534)	--
Total sales	106,074	66,125	80,105	33,257	37,652	323,216	(25,534)	297,681
Operating expenses	88,723	59,478	74,018	31,903	36,890	291,015	(25,738)	265,276
Operating income	17,351	6,646	6,086	1,354	761	32,200	204	32,405

Fiscal 2006 Q3 Segment information by business type (April 1, 2006 – December 31, 2006)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net sales:								
(1) Sales to external customers	100,453	41,969	68,742	29,545	27,402	268,113	--	268,113
(2) Inter-segment sales and transfers	402	7,702	4,721	3,203	9,625	25,654	(25,654)	--
Total sales	100,855	49,672	73,463	32,748	37,028	293,768	(25,654)	268,113
Operating expenses	84,267	46,904	68,425	31,107	36,271	266,976	(25,736)	241,240
Operating income	16,588	2,767	5,037	1,641	756	26,791	81	26,873

Fiscal 2006 Segment information by business type (April 1, 2006 - March 31, 2007)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net sales:								
(1) Sales to external customers	130,878	57,055	92,098	38,446	35,794	354,274	--	354,274
(2) Inter-segment sales and transfers	646	10,065	6,550	4,142	12,686	34,091	(34,091)	--
Total sales	131,525	67,121	98,649	42,589	48,480	388,365	(34,091)	354,274
Operating expenses	115,779	63,008	90,676	40,757	47,512	357,733	(34,158)	323,575
Operating income	15,745	4,112	7,973	1,831	968	30,631	66	30,698



Segment information by location

As Japan represents over 90% of the total sales of each segment, this information has been omitted.

Overseas Sales

April 1, 2007– December 31, 2007

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	20,342	16,438	22,080	409	59,270
(2) Consolidated sales					297,681
(3) Overseas sales as a percentage of consolidated sales	6.8	5.5	7.4	0.1	19.9

April 1, 2007– December 31, 2006

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	15,441	12,048	20,446	348	48,285
(2) Consolidated sales					268,113
(3) Overseas sales as a percentage of consolidated sales	5.8	4.5	7.6	0.1	18.0

April 1, 2006 – March 31, 2007

Millions of yen

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	19,363	15,789	28,618	424	64,196
(2) Consolidated sales					354,274
(3) Overseas sales as a percentage of consolidated sales	5.5	4.5	8.1	0.1	18.1