Strategic Alliance Between Kyowa Hakko Group and Kirin Group

October 22, 2007

KYOWA HAKKO KOGYO CO., LTD.
Kirin Pharma Company, Limited
Kirin Holdings Company, Limited
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Overview of the Strategic Alliance and Structure
Key Points of the Strategic Alliance

- A strategic business/capital alliance between Kyowa Hakko Group and Kirin Group
- Both groups to establish mutual cooperation across the whole business operation of both the Kyowa Hakko Group and the Kirin Group
- Merger between Kyowa Hakko and Kirin Pharma (Start of the New Company):
  - Kyowa Hakko and Kirin Pharma will merge on equal footing centering around the integration of the pharmaceutical businesses of both companies
  - Kyowa Hakko to be the surviving company and the New Company will maintain its listing
- Both groups to consider in detail integration and collaboration of non-pharmaceutical businesses
Strategic Alliance Structure (Integration Schedule)

- **October 22, 2007**: Execution of the Integration Agreement and the Share Exchange Agreement
- **October 31, 2007 (scheduled)**: Commencement of the Tender Offer by Kirin Holdings
- **December 6, 2007 (scheduled)**: Last day of the Tender Offer Period by Kirin Holdings
- **Late February, 2008 (scheduled)**: Extraordinary Meeting of Shareholders of Kyowa Hakko (approval of the Share Exchange Agreement)
- **April 1, 2008 (scheduled)**: Effective date of the Share Exchange
- **Late April, 2008 (scheduled)**: Conclusion of the Merger Agreement
- **October 1, 2008 (scheduled)**: Effective date of the Merger; Start of the New Company

- An announcement of the organizational structure, directors and officers and mid-term management plans of the New Company after the merger is scheduled to be made in late April, 2008.

- If compelling circumstances arise in the course of proceedings, changes to the schedule may occur upon consultation among the three companies.
Strategic Alliance Structure (Integration Process)

Step 1: Tender Offer by Kirin Holdings For Kyowa Hakko  
(Oct. 31, 2007—Dec. 6, 2007)

- **Purchase Price:**
  - 1,500 yen per share of common stock  
    (approximately 32.2% premium to the average closing price of the past 3 months ending on October 18, 2007 of 1,135 yen (rounded to the nearest whole number))

- **Minimum Number Scheduled to be Purchased:**
  - 79,849,000 shares  
    (20.0% of issued shares of Kyowa Hakko)

- **Maximum Number Scheduled to be Purchased:**
  - 111,578,000 shares  
    (27.95% of issued shares of Kyowa Hakko)

- If the number of shares purchased through the tender offer is less than 111,578,000 shares, Kyowa Hakko will allocate new shares to Kirin Holdings, at 1,500 yen per share, with the stock payment date set for March 25, 2008, in the amount necessary for Kirin Holdings to acquire, in conjunction with the common stock of Kyowa Hakko delivered to Kirin Holdings in the Share Exchange between Kyowa Hakko and Kirin Pharma scheduled to take effect April 1, 2008, a number of shares equivalent to 50.10% of issued shares of Kyowa Hakko as of the effective date of the Share Exchange (conditioned upon approval being obtained at the extraordinary meeting of shareholders which Kyowa Hakko plans to convene promptly after the conclusion of the Tender Offer)
Strategic Alliance Structure (Integration Process)


Share Exchange Ratio:
- 1: 8,862 (Kyowa Hakko to allocate and deliver 8,862 shares of common stock of Kyowa Hakko for one share of common stock of Kirin Pharma) (Equity Value Ratio Kyowa Hakko: Kirin Pharma = 69.2: 30.8)

Total Shares Allocated:
- 177,240,000 shares (Issued shares of Kirin Pharma: 20,000 shares x Share Exchange Ratio: 8,862)  
  Treasury shares held by Kirin Pharma are scheduled to be cancelled by the day before the Share Exchange becomes effective

After the Share Exchange, Kirin Holdings will own 50.10% of issued shares of Kyowa Hakko
- Kyowa Hakko to become a consolidated subsidiary of Kirin Holdings
Strategic Alliance Structure (Integration Process)

Step 3: Merger with Kyowa Hakko as the Surviving Company and Kirin Pharma as the Merging Company (October 1, 2008)

- Kyowa Hakko as the surviving company and Kirin Pharma as the merging company will merge.

- The trade name of the New Company will become Kyowa Hakko Kirin Co., Ltd. in accordance with the merger.
Strategic Alliance Structure (Governance)

Overview of the New Company

- Company Name: KYOWA HAKKO KIRIN CO., LTD.
- Effective Date of Merger: October 1, 2008 (Effective Date of Share Exchange: April 1, 2008) (Scheduled)
- Surviving Company: Kyowa Hakko
- Address of Headquarters: Kyowa Hakko Headquarters (1-6-1 Ohtemachi, Chiyoda-ku, Tokyo)
- Stock Exchange: Tokyo

Relationship with Kirin Holdings

- The New Company will become a consolidated subsidiary of Kirin Holdings which, as a pure holding company, will hold 50.10%
- The New Company will, while respecting the fundamental principles of the Kirin Group, conduct autonomous business activities based on independence and mobility, ensure the independence of its management as an ongoing public listed company, and continue to promote the maximization of profits for all of its shareholders and the sustained expansion of corporate value
- Kirin Holdings will cooperate in the strongest reasonable manner to maintain the listing of shares of the New Company on the stock exchange
- The equity holding ratio of Kirin Holdings in the New Company will be 50.10% in principle for a period of 10 years
Management Structure of the New Company
(Governance)

- President and CEO
  Yuzuru Matsuda, (Current President of Kyowa Hakko) (scheduled)
  Yuzuru Matsuda, the President of the New Company, will also serve as a Director of Kirin Holdings

- Executive Vice President
  Tomohiro Mune, (Current Managing Director of Kirin Holdings) (scheduled)

- Composition of Directors
  7 persons in total (includes 2 members above)
  5 persons from Kyowa Hakko (including one Outside Director)
  2 persons from the Kirin Group
  The New Company plans to adopt the Operating Officers System

- Composition of Auditors
  5 persons in total (including one part-time Auditor)
  4 persons from Kyowa Hakko (including three Outside Auditors (one of whom will be part-time)
  1 person from the Kirin Group
Background and Purpose of the Strategic Alliance
Background and Purpose of the Strategic Alliance

Background
- In the pharmaceutical businesses, core businesses of both the Kyowa Hakko Group and the Kirin Group, the competitiveness of both the domestic and international environments has significantly increased (Reduction of medical expenses, challenges by foreign pharmaceutical companies, increased global competition in the R&D of new drugs and the increased R&D cost)
- In order to overcome this difficult environment in “Food and Health” business, both groups agreed, rather than pursuing business development separately, to generate synergy and maximize corporate value by becoming a consolidated subsidiary of Kirin Group, and to strengthen their management base through integration

Purpose
- Both companies decided the integration as they have strengths in antibody drug technology-centered biotechnology (Kyowa Hakko has Potelligent technology and others; Kirin Pharma has KM Mouse technology) and can benefit the following and strengthen the operational base.
  - Improve drug-discovery capabilities
  - Expand opportunities to acquire novel antigens through an improved presence in the antibody sector
  - Increase development speed and proactive overseas development of antibody drugs through the mutual exploitation of antibody technologies
  - Increase the scale of research and development and marketing and establish effective business operations systems
  - Strengthen the profitability and competitiveness of the pharmaceutical business
- In non-pharmaceutical businesses, the Kyowa Hakko Group and the Kirin Group share many similarities (food, alcohol, health products mail-order business, and others) and both Groups plan to maximize corporate value through the promotion of effective business integration and collaboration in each business
Vision and Basic Strategies of the New Company
Vision of the Strategic Alliance

“Aiming at a Global Top-Class R&D-Oriented Life Science Company from Japan”

- Vision of the Pharmaceutical Business:
  “To become a Global Specialty Pharmaceutical Company based in Japan which contributes to health and well-being of people around the world by discovering innovative novel drugs using the state-of-the-art biotechnology focused on antibody mainly in areas of cancer, renal and immunology and conducting development and commercialization of the drugs globally”

- Vision of the Bio-Chemicals Business:
  “To become a global leading company of fermented products which contributes to health and affluence of people around the world by conducting development, manufacturing, and marketing of bio-chemicals products globally through leveraging global top level fermentation technology centered around amino acid and pursuing collaboration and synergy with group businesses”
Basic Strategy of Pharmaceutical Business

Summary

- **Domestic Sales**
  
  Establish a leading position in cancer, renal and allergy areas at an early date through combination of strengths, sharing know-how and the strategic allocation of MRs (sales representatives)

- **R&D**
  
  Continuously generate innovative drugs as an R&D based company using biotechnology and focusing R&D resources on strong therapeutic areas

- **Overseas Business**
  
  Become a Global Specialty Pharmaceutical Company based in Japan through establishing in-house sales and marketing infrastructure in line with development pipeline advancement

- **Manufacturing**
  
  Realize improvement in productivity and efficiency in capital expenditures by combining antibody manufacturing know-how and facilities of both companies
Basic Strategy of Pharmaceutical Business

Strategic Goals in Domestic Sales (Maximization of Synergies)

1. Establishment of a leading position in renal market
2. Achievement of top share in the allergy market
3. Improvement of presence in cancer area
4. Early market penetration of new products (REGPARA, Topina, and Patanol)

Specific Approach

- Strategic allocation of existing 1,400 sales representatives (950 of Kyowa Hakko + 450 of Kirin Pharma) to improve market coverage
- Increase in number of detailing for major products by complementing each other in existing franchise areas and improvement in efficiency of calls
- Enhancement of distribution measures by expanded presence in distributors
- Promotion of high quality academic information by strong marketing support structure
- Reinforcement of academic-type sales representatives to obtain trust from clients
Basic Strategy of Pharmaceutical Business

Core Areas and Sales Resource Allocation

● Core Products
  NESP, Allelock, GRAN/Neu-Up, Coniel

● New Products
  REGPARA, Topina, Patanol

To become a market leader in each product area by concentrating sales representatives’ detailing resources in “Core Products” and “New Products”
Basic Strategy of Pharmaceutical Business

R&D Structure

- Continuously generate innovative novel drugs with both companies’ strengths in biotechnology and maintain sustainable growth as a Global Specialty Pharmaceutical Company.

- Realize synergies in research area through integration of research functions and bolster product pipeline as both companies have very advanced research areas and drug discovery technologies.

- Accelerate efficient drug development as strategy of development in the US and Europe or global co-development has been promoted by both companies.

- Maintain relationship with an important partner, Amgen, through transfer of Kirin Amgen rights and co-develop new products.

Combination of R&D + Partnership with Amgen

Continuous generation of innovative novel drugs.
Basic Strategy of Pharmaceutical Business

Research Strategy

- Core areas: Cancer, renal, and immune disorder
- Advance 2 antibody products into clinical development per year as antibody product development of both companies have been advancing smoothly
- Strengthen antibody product pipeline through combination of human antibody formation mouse and Potelligent Technology
- Advance 2 small molecule products into clinical development per year through combination of research resources
- Remain as global top-class biotechnology company continuously establishing unique drug discovery technologies such as cell-based/regenerative therapeutics and human polyclonal antibody
- As a mid-/long-term objective, advance 20 products into clinical development in the next 5 years (2 antibodies and 2 small molecules per year).
Basic Strategy of Pharmaceutical Business

Development Strategy

**Advanced Development in US/EU as Basic Policy**

- Blood cancer • Conduct completely in-house global development
- Other late-stage pipeline • Seek best approach among in-house development, partnership, or license-out

**Domestic Development Strategy**

- Establish an infrastructure to promote global co-study and accelerate domestic development. Consider concurrent development in Japan for domestic franchise areas such as immune disorder and renal areas
- Focus of licensing-in activity on late-stage product in cardiovascular, immunology and renal areas where the New Company has strong marketing power
Basic Strategy of Pharmaceutical Business

Global Business Development

- Overseas Research: Key research function for innovative novel drug generation in close coordination with domestic research division

- Overseas Development: Promote efficient development utilizing each company’s strength in early-stage development and also later-stage development in future

- Overseas Sales and Marketing: Position Asia as a key business development region and expand business mainly in development and sales and marketing all over the East Asian area. For the US and Europe, establish in-house marketing infrastructure in line with R&D pipeline development advancement
Basic Strategy of Pharmaceutical Business

Manufacturing Strategy

- Obtain a global top-class manufacturing technologies of biologics
- Achieve a productivity enhancement and efficient capital expenditures by sharing both companies’ know-how in antibody manufacturing
- Construct long-term business platform by pursuing thorough lifecycle management based on advanced product development technologies
- Provide high-quality pharmaceutical products continuously. To achieve this mission, pursue partnerships and outsourcing effectively to innovate advanced technologies in addition to current production system of both companies

Top-Class Biologics Manufacturing Technologies

- Efficient Capital Exp.
- Improve Productivity
- Share Antibody Manufacturing Know-How
- Lifecycle Management
- Continuous delivery of Top-Class Quality Drugs
Basic Strategy of Non-Pharmaceutical Businesses

With respect to non-pharmaceutical businesses, promptly establish a business operation system which will contribute to the maximization of the operation base and profitability for each party, and aim for growth in each business area.

**Bio-Chemicals Business:**
As bio-chemicals business model is different from the pharmaceutical’s in centering around materials, the business will spin-off as a subsidiary of the New Company by April 2010, and will aim to establish an independent management system and grow.

**Alcohol Business and Health Products Mail-Order Business**
- The same business exists in the Kirin Group. The both groups will consider in detail the integration of both businesses, with the aim to strengthen competitiveness, improve management efficiency and realize further growth.
- Consider in detail in roles and arrangement to establish the best structure as the business is tied closely with the pharmaceutical business of the New Company.
- As development and expansion of biotechnology can be expected not only in the pharmaceutical business but also in the bio-chemicals business, the bio-chemicals business will seek and commercialize state of the art technologies.

**Food Business:**
Both Kyowa Hakko and Kirin Food-Tech in the Kirin Group provide ingredients (mainly seasoning) to manufacturers and both are trying to strengthen their home-meal and dining-out businesses, thus the both groups have substantial similarities. The both groups plan to consider in detail the integration of both businesses, with the aim of strengthening and expanding the operation base.

**Chemicals Business**:
The both groups will aim to enhance sales of high-value added functional products, such as environmentally-friendly products which meet the vision of the New Company, while making efforts to stabilize profitability and enhance competitiveness through alliance with third parties.
Financial Goals of the New Company
### Financial Goals of the New Company

(¡billion yen )

<table>
<thead>
<tr>
<th></th>
<th>FY2006 (Consolidated)</th>
<th>FY2011</th>
<th>Target</th>
<th>CAGR</th>
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<tbody>
<tr>
<td></td>
<td>Kyowa Hakko</td>
<td>Kirin Pharma</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>354.2</td>
<td>67.2</td>
<td>421.4</td>
<td>500.0</td>
</tr>
<tr>
<td>R&amp;D Cost</td>
<td>33.3</td>
<td>18.2</td>
<td>51.5</td>
<td>50.0</td>
</tr>
<tr>
<td>Synergies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Income (Before Amortization of Goodwill)</td>
<td>30.6</td>
<td>12.0</td>
<td>42.6</td>
<td>80.0</td>
</tr>
<tr>
<td>Amortization of Goodwill □</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Income</td>
<td>30.6</td>
<td>12.0</td>
<td>42.6</td>
<td>71.0</td>
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<tr>
<td>Net Income (Before Amortization of Goodwill)</td>
<td>12.6</td>
<td>-</td>
<td>-</td>
<td>50.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>12.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

□ The amortization of goodwill has been provisionally calculated based on an estimate of goodwill at the present point of time and subject to change upon various conditions.

□ Earnings Per Share (EPS)

(¡yen )

<table>
<thead>
<tr>
<th></th>
<th>FY2006 (Consolidated)</th>
<th>FY2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS (Before Amortization of Goodwill)</td>
<td>31.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EPS</td>
<td>31.3</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

□ Dividend Policy of the New Company

Target 30% or higher for consolidated dividend payout ratio based on net income before amortization of goodwill.
## Financial Goals of the New Company (Pharmaceuticals/Non-Pharmaceuticals)

(¥ billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2006 (Consolidated)</th>
<th>FY2011</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kyowa Hakko</td>
<td>Kirin Pharma</td>
<td>Sum</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>131.5</td>
<td>67.2</td>
<td>198.7</td>
</tr>
<tr>
<td>Non-Pharmaceutical</td>
<td>222.7</td>
<td>-</td>
<td>222.7</td>
</tr>
<tr>
<td>Sales</td>
<td>354.2</td>
<td>67.2</td>
<td>421.4</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>28.5</td>
<td>18.2</td>
<td>46.7</td>
</tr>
<tr>
<td>Non-Pharmaceutical</td>
<td>4.8</td>
<td>-</td>
<td>4.8</td>
</tr>
<tr>
<td>R&amp;D Expense</td>
<td>33.3</td>
<td>18.2</td>
<td>51.5</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>15.7</td>
<td>12.0</td>
<td>27.7</td>
</tr>
<tr>
<td>Non-Pharmaceutical</td>
<td>14.9</td>
<td>-</td>
<td>14.9</td>
</tr>
<tr>
<td>Operating Income</td>
<td>30.6</td>
<td>12.0</td>
<td>42.6</td>
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<tr>
<td>(Before Amortization of</td>
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<tr>
<td>Goodwill)</td>
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<tr>
<td>Amortization of Goodwill</td>
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<tr>
<td>Operating Income</td>
<td>30.6</td>
<td>12.0</td>
<td>42.6</td>
</tr>
</tbody>
</table>

- The amortization of goodwill has been provisionally calculated based on an estimate of goodwill at the present point of time and subject to change upon various conditions.
## Target Sales of Major Products
(Focused Products and New Products)

<table>
<thead>
<tr>
<th></th>
<th>FY2006</th>
<th>FY2011 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Espo/Nesp</td>
<td>40.0</td>
<td>60.0</td>
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<tr>
<td>Allelock</td>
<td>21.0</td>
<td>25.0</td>
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<tr>
<td>Coniel</td>
<td>26.3</td>
<td>23.0</td>
</tr>
<tr>
<td>Gran/Neu-Up</td>
<td>20.2</td>
<td>17.0</td>
</tr>
<tr>
<td>New Products(+)</td>
<td>-</td>
<td>20.0</td>
</tr>
</tbody>
</table>

*(billion yen)*

New products includes 3 products, REGPARA, Topina, and Patanol.
Effects to be expected from integration of Kyowa Hakko and Kirin Pharma
Integration Preparatory Committee
Co-chaired by the Presidents of Both Companies to Promote Smooth and Swift Integration

Integration of non-pharmaceutical business
Non-pharmaceutical Business Integration Promotion Project
Integration of pharmaceutical business
Join as necessary

Steering Committee
Project Management Office (PMO)
Business Strategy Committee

Research Committee
Development Committee
Distribution Committee
Sales and Marketing Committee
Pharmaceutical Affair and Regulation Committee
Human Affairs and Labor Committee
Accounting and Finance Committee
IT Committee
PR and IR Committee
Legal and General Affairs Committee

Main Activity
Support Activity
Integration Schedule of Kyowa Hakko and Kirin Pharma

- **October 2008 (Merger)**
  - Integration of sales and marketing bases (Pharmaceutical offices/branches/sales offices)
  - Integration of the Headquarters/back-office operations and infrastructure
  - Integration of distribution bases (3PL)
  - Integration of IT backbone systems

- **By April 2010**
  - Introduction of new personnel system
  - Partial integration of research centers
  - Effective utilization/operation of overseas offices
  - Spin off of the bio-chemicals business
### Expected Effects from the Integration

**Total Synergy Amount**

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2011 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Synergies</td>
<td>8.0</td>
</tr>
<tr>
<td>Cost Synergies</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>13.0</td>
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</tbody>
</table>

*Unit: billion yen

* R&D synergy is not quantified
Expected Effects from the Integration

Sales Synergies

<table>
<thead>
<tr>
<th>Therapeutic areas</th>
<th>Synergy amount (FY2011 billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancer</td>
<td>2.0</td>
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<tr>
<td>Renal</td>
<td>4.0</td>
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<tr>
<td>Other</td>
<td>3.0</td>
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<tr>
<td>Total</td>
<td>9.0</td>
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</tbody>
</table>

(Note): Synergies are sales amount base (operating profit base is 8.0 billion yen)

- **Strengthening of Sales Force with 1,400 of MRs**
  - Utilizing both companies’ presence in cancer, renal and immune disorder areas
  - Strategic positioning of MRs in renal area
  - Increasing number of details by cross-selling in allergy and digestive areas
  - Promote Kirin Pharma’s products by utilizing Kyowa Hakko’s relationship with distributors
  - Improvement of presence in marketing and expansion of abilities to obtain licenses
**Expected Effects from the Integration**

**Sales and Marketing Synergies**

## Mid-Term Vision of Domestic Marketing

Establishment of strong presence in domestic marketing focused in cancer, renal and immune disorder areas while strengthening and maintaining current marketing franchise

<table>
<thead>
<tr>
<th>Achievements &amp; Strategies</th>
<th>07</th>
<th>08</th>
<th>09</th>
<th>10</th>
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<tbody>
<tr>
<td><strong>Achievement from discovery stage</strong></td>
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<td>- Antibody pipeline</td>
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<td>(cancer, immune disorder, infectious disease)</td>
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<td>- Polyclonal antibody</td>
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<td>- Cancer molecular target</td>
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<tr>
<td><strong>Deployment of overseas products in domestic market</strong></td>
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<tr>
<td>- KRN330 Cell-based Therapeutic</td>
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<td><strong>Launch domestic developed products</strong></td>
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<td>- ASACOL</td>
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<td>- KW -2246</td>
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<td>- KW -6002</td>
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<td>- KRN654</td>
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<td><strong>Maximization of new products</strong></td>
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<td>- REGPARA</td>
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<td><strong>Life cycle management</strong></td>
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<td>- NESP (dialysis)</td>
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<td>- (pre-dialysis)</td>
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<td>- Gran (Top brand)</td>
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<td>- KRN125 Cell-based Therapeutic</td>
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<td>- Allelock</td>
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<td>- Allelock + Patanol</td>
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<td><strong>Established presence as basic drugs</strong></td>
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<td>- Depakene</td>
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<td>- Nauzelin</td>
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</table>

*Note: The table above lists the planned developments and achievements for each strategy area.*
Expected Effects from the Integration

R&D Synergies: Synergies from Focus and Complement

- Founded of Sustainable Growth by Generating Sufficient Pipeline

### Focused Area

- **Cancer**

### Complemented Area

- **Renal**
- **Immune disorder (Allergy)**
- **CNS**
- **CVS**

Select best framework by developing phase:
- Early clinical trial: In-house (Utilizing infrastructure of the both companies)
- Late stage: In-house, partnering and licensing out

Mutual utilization of the both companies’ strong technologies:
- Utilizing Potelligent, KM Mouse technologies

Renal, Immune disorder (Allergy):
- Promoting advanced development domestically where can capitalize development expertise
- Strengthening licenses
Expected Effects from the Integration

R&D Synergies: Pipeline under Development (Domestic)

Focused area

Cancer
- KW-0761 (anticancer blood cancer)
- KW-2246 (cancer pain)
- NESP (chemotherapy-induced anaemia curative)
- KRN125 (leucopenia curative)
- KRN654 (thrombopenia curative)

Central nerve
- KW-6500 (Parkinson’s disease)
- KW-6002 (Parkinson’s disease)

Renal
- NESP (renal anemia curative)
- REGPARA (secondary hyperparathyroidism) (approved on Oct. 19)

Other
- Z-206 (inflammatory bowel disease)

Complemented area

Kyowa Hakko Kirin Pharma
Expected Effects from the Integration

R&D Synergies: Pipeline under Development (Overseas)

<table>
<thead>
<tr>
<th>Focused area</th>
<th>Complemented area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancer</td>
<td>Central nerve</td>
</tr>
<tr>
<td></td>
<td>Renal</td>
</tr>
<tr>
<td></td>
<td>Allergy</td>
</tr>
<tr>
<td></td>
<td>Circulatory organ</td>
</tr>
</tbody>
</table>

**Focused area**
- **Cancer**
  - KW-2449 (anticancer): US
  - KW-2478 (anticancer): Europe
  - DC Cure (cell medicines targeting cancer) US, Canada
  - TRAIL-R2 antibody (anticancer) Canada
  - KRN330 (anticancer antibody): US

**Complemented area**
- **Central nerve**
  - KRN321 (renal anemia): China
  - PB94 (oral phosphate binder): China
  - KRN321 (renal anemia): Korea, Taiwan/Hong Kong, Singapore (in 4th quarter)

- **Renal**
  - KW-0761 (anti-allergy): Europe

- **Allergy**
  - KW-0761 (anti-allergy): Europe
  - KW-3049 (angina): China

- **Circulatory organ**
  - Kyowa Hakko
  - Kirin Pharma

**Applying**
- KW-6002 (Parkinson’s disease): US
Expected Effects from the Integration

R&D Synergies: Integration of Technological Expertise

- Improving drug-discovery capabilities through the integration of therapeutic antibody technologies

Kyowa Hakko’s strength

**Potelligent/Complegent Technology**
- ADCC activity enhancement technology
- CDC activity enhancement technology

Kirin Pharma’s strength

**KM Mouse Technology**
- Human antibody formation mouse technology

- Enhancing the ability of obtaining new antigens by improving presence of the antibody drug technology
- Accelerating development speed by multi-exploitation of antibody technologies of the both companies
Expected Effects from the Integration

R&D Synergies: Integration of Technological Expertise

- Improving drug-discovery capabilities through integration of the both companies’ technological expertise

- Basic technology research
- Discovery research
- Development research
- Preclinical testing
- Clinical testing

**Antibody drugs**
- Utilizing Potelligent technology
- Utilizing KM Mouse technology

**Small molecular drugs**
- Kinase inhibitor compound
- Optimizing Kirin Pharma’s chemical compound using Kyowa Hakko’s synthesis ability

**Enhanced efficiency in development**

**Enhanced efficiency in researches**

**Strengthening of research capability**

**Improving of quality**
Expected Effects from the Integration
R&D Synergies: License/Alliance

**Enhanced efficiency in R&D**

- **Acceleration of licensing by utilizing the enhanced presence post integration**
  - Effective utilization of fundamental technology by licensing in late stage products in areas of CVS, immune disorder, renal disorder while leveraging enhanced presence in domestic sales force

**Maintaining partnership with Amgen**
- Maintaining strong relationship as an important partner who provides license of domestically developed drugs

**Promoting co-research with third parties**
- Reduction of overlapping areas to implement effective co-research
### Expected Effects from the Integration

#### Cost Synergies

<table>
<thead>
<tr>
<th>Synergy creation items</th>
<th>Synergy amount (FY2011:bn yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Labor cost/Outsourcing cost</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Natural reduction/reduction of mid-career</td>
<td>3.0</td>
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<tr>
<td>recruiting (150 people or less), re-allocation</td>
<td></td>
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<tr>
<td>of people</td>
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<tr>
<td><strong>Administration costs/Depreciation costs</strong></td>
<td></td>
</tr>
<tr>
<td>✓ Integration of offices and infrastructure</td>
<td>2.0</td>
</tr>
<tr>
<td>✓ Reduction of investment through unification</td>
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<tr>
<td>of offices/IT investment plan, etc.</td>
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<tr>
<td><strong>Total</strong></td>
<td>5.0</td>
</tr>
<tr>
<td>Expense item</td>
<td>Expense amount (FY2008〜FY2010 Total :billion yen)</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------------------------------------------------</td>
</tr>
<tr>
<td>System Integration Cost, Offices Integration Costs, etc.</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Positioning of this Strategic Alliance in the Kirin Group
Kyowa Hakko Kirin will consolidate Kirin Pharma as its subsidiary through a share exchange (April 1, 2008), and both company will merge on October 1, 2008.

Kyowa Hakko Kirin will operate the pharmaceutical business as its core business, and Kyowa Hakko as a surviving company will maintain its listing on stock exchange.

Kirin Holdings will acquire a 50.1% stake in the new company through a tender offer and a share exchange.

New Kirin Group Organization Chart (After October 2008)

- Present
- Kirin Holdings
  - Group Headquarters
  - Kirin Brewery
  - Kirin Pharma
  - Kirin Beverage
  - Mercian
  - Other Operating Companies
  - Kirin Business Expert

- After October 1, 2008
  - Kirin Holdings
  - Group Headquarters
  - Kirin Brewery
  - Kirin Pharma
  - Kirin Food-Tech
  - Kirin Bevage
  - Kirin Yakult NextStage
  - Kirin Foods
  - Kyowa Hakko Kirin
    - Kyowa Hakko Chemical
    - Kyowa Hakko Foods
  - Listing maintained
  - Other Operating Companies
  - Kirin Business Expert
The Strategic Position of this Alliance on Kirin’s Long Term Business Framework (KV2015)

- Signification of this alliance on KV2015
- Accelerating growth and enhance competitiveness, by partnering with the best partner in the core pharmaceutical business where growth is expected
- Advancing the formation of the ideal group business portfolio through strategic alliance between the groups
  - Strengthening position in Pharmaceuticals/Health foods and functional foods business in addition to Alcohol/Soft drinks business
- Ensure the realization of KV2015 in ‘food and health’ area through the integration of technological expertise of both groups in ‘fermentation and bio’

KV2015 Group vision

- We will create various bonds close to customers and give them the sense of well being that comes from food and health
- We will closely link our Fermentation and Bio, Manufacturing, and Research and Marketing technical expertise and pursue distinctive value, and the highest product quality
- We aim to be the leading company in Asia and Oceania focusing on three businesses—Alcohol Beverages, Soft Drinks and Pharmaceuticals

KV2015 Targets (trillion yen)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2015</th>
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<tbody>
<tr>
<td>Sales</td>
<td></td>
<td></td>
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<tr>
<td>Including alcohol tax</td>
<td>1.68</td>
<td>3</td>
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<tr>
<td>Excluding alcohol tax</td>
<td>1.27</td>
<td>2.5</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>CF sales excl. alcohol tax</td>
<td>9%</td>
</tr>
<tr>
<td>Overseas ratio</td>
<td>Sales (excl. alcohol tax)</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>27%</td>
</tr>
</tbody>
</table>
(For reference) Impact to Kirin Group Financial

Combined FY2007 financial forecasts
(sum of Kirin Holdings and Kyowa forecasts)

- Sales JPY 2,200bn
- Operating income JPY 150bn
- Ordinary income JPY 140bn
- Net income JPY 57bn

- Adjusted for amortization of goodwill and additional interest expenses
  (Cost synergies, etc. are not reflected)
Appendices
(1) Name
KYOWA HAKKO KOGYO CO., LTD.

(2) Address
1-6-1 Ohtemachi, Chiyoda-ku, Tokyo

(3) Representative
Yuzuru Matsuda, President and CEO

(4) Net Sales
354.2 billion yen (fiscal year ended March 31, 2007/ consolidated)

(5) Net Income
12.6 billion yen (fiscal year ended March 31, 2007/consolidated)

(6) Paid-in Capital
26.7 billion (as of March 31, 2007)

(7) Major Shareholders
The Mater Trust Bank of Japan Ltd. (Trust account), The Dai-ichi Mutual Life Insurance Company, Japan Trustee Bank, Ltd. (Trust account), The Norinchukin Bank, Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account for Mizuho Bank, Ltd. Asset Management Re-entrust Services

(8) Year of Incorporation
1949

(9) Number of Employees
5,756 people (as of March 31, 2007, consolidated)

(10) Business Description
Production and sales of pharmaceutical products for medical professionals, raw materials for industrial and pharmaceutical use, healthcare products, products for the agriculture and livestock industry and the fishing industry, alcohol, etc

(11) Principal products
Coniel, Allelock, Depakene, various amino acids
## Kirin Group, Kirin Pharma

### Kirin Group
1. **Net Sales**: 1,665.9 billion yen (fiscal year ended December 31, 2006/consolidated)
2. **Net Income**: 53.5 billion yen (fiscal year ended December 31, 2006/consolidated)
3. **Paid-in Capital**: 102.0 billion yen (as of June 30, 2007)
4. **Employees**: 23,332 people (fiscal year ended December 31, 2006, consolidated)
5. **Business Description**: Production and sales of alcohol beverage/soft drinks, pharmaceutical products and health and functional food products, etc.

### Kirin Pharma Company, Limited
1. **Name**: Kirin Pharma Company, Limited
2. **Address**: 6-26-1 Jingumae, Shibuya-ku, Tokyo
3. **Representative**: Katsuhiko Asano, President and Chairman of the Board of Directors
4. **Net Sales**: 67.2 billion yen (fiscal year ended December 31, 2006/consolidated segment)
5. **Operating Income**: 12.0 billion yen (fiscal year ended December 31, 2006/consolidated segment)
6. **Paid-in Capital**: 3.0 billion yen (as of July 1, 2007)
7. **Major Shareholder**: Kirin Holdings Company, Limited
8. **Year of Incorporation**: 2007
9. **Number of Employees**: 1,270 people (as of July 1, 2007)
10. **Business Description**: Production, sales, import and export of pharmaceutical products
11. **Principal Products**: NESP, ESPO, GRAN
Estimate of Goodwill Amortization

Under accounting for business combinations, this share exchange is regarded as a “reverse acquisition.” The “purchase method” will be applied and “goodwill” will be recorded as if Kirin Pharma had acquired Kyowa Hakko on the consolidated financial statements of the New Company.

Estimate of goodwill

- Market value of Kyowa Hakko (acquisition cost) approx. 480.0 billion yen (A)
  - based on share price prior to rumor article on the alliance
- Value of Kyowa Hakko net assets approx. 300.0 billion yen (B)
  - estimated for March 31, 2008
- Estimated value of goodwill (A-B) approx. 180.0 billion yen

Period of goodwill amortization (scheduled)

- 20 years (straight-line amortization method)

Estimate of goodwill annual amortization

- approx. 9.0 billion yen annually
- approx. 180.0 billion yen over 20 years

The annual amortization will be recorded in “sales, general & amortization cost” in the consolidated income statement.

- The amortization of goodwill has been provisionally calculated based on an estimate of goodwill at the present point in time and subject to change upon various conditions.
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