



FOR IMMEDIATE RELEASE

Kyowa Hakko Profits Ahead of Forecasts, Full-year Forecasts Revised Up

Tokyo, July 25, 2005 --- Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko) today announced its first quarter results for fiscal 2005 and also made an upward revision of its profit forecasts for fiscal 2005. Consolidated net sales and operating income for the first quarter were lower than in the first quarter of fiscal 2004 but were ahead of plan, driven by strong performances from core pharmaceuticals products and from the Chemicals business.

Commenting on the results Dr. Yuzuru Matsuda, President of Kyowa Hakko said 'As we announced in May, our investments in long-term growth will hold back profits in fiscal 2005 and 2006. Despite this Kyowa Hakko has made a good start to fiscal 2005 and this is reflected in our upward revision to profit forecasts'.

For the three-month period ended June 30, 2005, net sales were ¥88.4 billion, down ¥0.3 billion, or 0.4%, compared to the first quarter of the previous fiscal year. Gross profit was ¥32.9 billion, ¥0.2 billion higher than in the first quarter of the previous fiscal year. However, largely due to an increase in Pharmaceutical Business R&D costs related to KW-6002, a treatment for Parkinson's disease, operating income was ¥7.8 billion, a decrease of ¥0.7 billion compared to the comparable period of last fiscal year and recurring income was ¥7.8 billion, down ¥1.2 billion or 13.7%. Net income for the first quarter of the fiscal year was ¥4.2 billion, a decrease of ¥0.6 billion, or 12.9% compared to the first quarter of last fiscal year, reflecting an extraordinary loss of ¥0.7 billion resulting from appraisal losses on fixed assets.

In the Pharmaceuticals Business, sales of *Allelock*, an antiallergic agent, and *Durotep Patch*, which relieves persistent cancer pain, grew strongly, and sales of *Coniel*, a treatment for hypertension and angina, were maintained at a similar level as in the first quarter of the previous fiscal year. However, because of a sharp decline in sales of *Itrizole*, an antimycological agent that is sold through a distribution agreement, net sales for the segment were down from the comparable period of the previous fiscal year. In the Bio-Chemicals business, sales of amino acids, nucleic acids and related compounds mainly used in pharmaceuticals, foods and industrial materials were strong, but due to the sale of our overseas feed-use amino acids subsidiary, overall sales for the segment declined compared to the first quarter of the previous fiscal year. In the Chemicals Business, core functional products and solvents continued to perform well and shipment volumes and sales both exceeded



those of the first quarter of the previous fiscal year. In the Food Business, sales of bakery products and ingredients showed an increase, but disposal of the consolidated subsidiary Asahi Food Products Co., Ltd. in April 2005 resulted in a decline in net sales for the segment.

Results for the three months ended June 30, 2005

(amounts less than one million yen have been ignored)

(Millions of Yen)

	Three Months to June 30, 2005	Three Months to June 30, 2004	Q on Q Change (%)	(Reference) FY ended March 31, 2005
Net sales	88,403	88,743	(0.4%)	358,963
Operating income	7,886	8,640	(8.7%)	33,506
Recurring income	7,893	9,150	(13.7%)	32,366
Net income	4,260	4,891	(12.9%)	17,931
Net income per share (¥)	¥10.07	¥11.37	--	¥41.68

Forecasts for the fiscal year ending March 31, 2006

(Millions of Yen)

	Revised forecasts		Previous forecast
	April 1, 2005 to September 30, 2005	April 1, 2005 to March 31, 2006	(Reference) April 1, 2005 to March 31, 2006
Net Sales	180,000	360,000	360,000
Operating income	12,000	26,000	24,000
Recurring income	13,500	27,000	25,000
Net Income	6,000	15,000	13,000
Net income per share (¥)	--	¥35.46	¥30.73

*The above forecasts are based on information available to management on the day of their announcement. Actual results may differ materially from these projections for a wide variety of reasons.

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For further details of these results please access: <http://ir.kyowa.co.jp/english/index.cfm>

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.