



FOR IMMEDIATE RELEASE

Kyowa Hakko Interim Profits Ahead of Forecast, Full-year Forecasts Reaffirmed

Tokyo, October 31, 2005 --- Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko) today announced its consolidated financial results for the interim period of fiscal 2005 (the six-month period ended September 30, 2005). Operating income, recurring income and net income each declined but exceeded forecasts. Net sales were slightly below forecast and declined by 1.6% compared to the first half of the previous fiscal year. Kyowa Hakko reaffirmed its full year forecasts for sales and income that were announced in July 2005 and announced an interim dividend of ¥5 per share.

Commenting on the results Dr. Yuzuru Matsuda, President of Kyowa Hakko, said “As we expected, the business environment for our core businesses continues to be challenging. Despite this we have exceeded our profit forecast for the interim period. Looking ahead we are actively pursuing our strategy to invest in growth through investment in research and development, production facilities, and marketing while reducing costs and we are on track to achieve our full year forecasts”.

For the six-month period ended September 30, 2005, net sales were ¥177.3 billion, down ¥2.8 billion, or 1.6%, compared to the first half of the previous fiscal year. Operating income declined by ¥3.3 billion, or 21.5%, to ¥12.3 billion largely due to an increase in Pharmaceuticals Business R&D costs related to KW-6002, a treatment for Parkinson’s disease. Recurring income was ¥14.3 billion, down ¥1.7 billion, or 10.6%, and net income declined by ¥1.7 billion, or 18.3 %, to ¥7.5 billion reflecting extraordinary losses resulting from early retirement expenses and appraisal losses on fixed assets. Research and development expenses for the consolidated interim period were ¥16.2 billion (an increase of ¥2.4 billion, or 17.3%, compared to the interim period of last fiscal year) representing a ratio of R&D expenses to net sales of 9.2%.

Segmental performance

In the Pharmaceuticals Business, prescription pharmaceuticals *Allelock*, an antiallergic agent, *Durotep Patch*, an analgesic for persistent cancer pain, and *Navelbine* an anticancer agent each recorded growth in sales. Sales of *Coniel*, a treatment for hypertension and angina pectoris, and *Depakene*, an antiepileptic agent were similar to levels achieved in the interim period of last fiscal year. However, sales of antimycological agent *Itrizole*, which is sold through a distribution agreement, declined significantly resulting in Pharmaceuticals Business sales of ¥77.7 billion a decline of ¥2.8

billion (3.6%) compared to the previous interim period, and operating income of ¥7.2 billion, a decline of ¥1.7 billion (19.7%).

In new drug development in Japan, applications for additional indications in respect of *Navelbine*, an anticancer drug, and *Activacin*, a thrombolytic agent were approved in May and October respectively. In addition NDAs for MM-Q01, an MRI medium for the gastrointestinal tract and for KW-6485, an antiepileptic agent have been applied for. KW-6002, a treatment for Parkinson's disease, KW-2246, an analgesic for cancer pain, and KW-7158, a treatment for overactive bladder are in clinical trials. Overseas, in the United States and Europe phase III clinical trials for KW-6002, a treatment for Parkinson's disease progressed as scheduled. Biopharmaceutical KW-2871 is in clinical trials in the United States for treating malignant melanoma and antiallergic agent *Allelock* is in Phase III clinical trials in China.

In the Bio-Chemicals Business, sales of amino acids, nucleic acids and related compounds mainly used in pharmaceuticals and industrial materials declined as a result of lower domestic sales of raw materials for pharmaceuticals and intensified competition in overseas markets. In healthcare products, mail-order sales and sales to sports clubs of OEM and other products increased but demand for beverage-use amino acids slackened and sales declined compared to the first half of fiscal 2004. As a result segmental sales declined by ¥2.8 billion (9.1%) to ¥28.3 billion and segmental operating income declined by ¥2.1 billion (55.4%) to ¥1.7 billion.

In the Chemicals Business, market conditions in Japan and overseas remained strong, benefiting from firm demand in Asia, particularly China. In Japan, product price increases for solvents, plasticizers and other core products were implemented in response to rapid rises in the prices of naphtha and fuel and as a result sales increased. Export volumes were similar to the first half of last fiscal year but export sales surged. As a result, sales for the segment increased by ¥5.3 billion (15.0%) to ¥41.2 billion and operating income surged by 70%, or ¥0.8 billion, to ¥1.9 billion.

In the Food Business, net sales declined by ¥0.8 billion (3.8%) to ¥20.9 billion partly reflecting the disposal of consolidated subsidiary Asahi Food Products Co., Ltd. in April 2005, while segmental operating income declined by 8.5% to ¥0.8 billion.

Sales in Other businesses declined by ¥1.7 billion (6.4%) to ¥26.1 billion and operating income was ¥0.4 billion, a decline of ¥ 0.2 billion (32.1%).

Summary of operating results for the interim period

	<i>Billions of yen</i>		%
	Consolidated results for the period ended September 30, 2005	Consolidated results for the period ended September 30, 2004	Change
Net sales	177.3	180.1	-1.6%
Operating income	12.3	15.6	-21.5%
Recurring income	14.3	16.0	-10.6%
Net income	7.5	9.2	-18.3%
Net income per share	¥17.95	¥21.60	-16.9%

Forecasts for the Fiscal Year ending March 31, 2006*

The forecasts below are unchanged from those announced in July 2005. The Kyowa Hakko Group is committed to invest in future growth and development, the core policy of its medium-term business plan. Although consolidated net sales for fiscal 2005 are expected to increase compared to the previous fiscal year, operating income, recurring income and net income are each forecast to decline mainly as a result of increased expenses arising from investment in research and development and facilities investment, and increased investment in marketing.

	<i>Billions of Yen</i>	%
	FORECAST Fiscal Year ending March 31, 2006	Change compared to the previous fiscal year
Net sales	360	+0.3%
Operating income	26	-22.4%
Recurring income	27	-16.6%
Net income	15	-16.4%
Net income per share	¥35.47	-14.9%

**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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