



FOR IMMEDIATE RELEASE

Kyowa Hakko Reports Good Progress Towards Full-year Forecasts

Tokyo, January 30, 2006 --- Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko) today announced its third quarter results for the nine-month period from April 1, 2005 to December 31, 2005. Consolidated net sales and operating income declined compared to the first nine months of fiscal 2004, but good progress towards full year forecasts was achieved. Results were underpinned by a continued strong performance from core pharmaceuticals products and the Chemicals Business.

For the nine-month period ended December 31, 2005, net sales were ¥272.2 billion, down ¥2.6 billion, or 1.0%, compared to the first nine months of the previous fiscal year. Operating income was ¥22.8 billion, a decrease of ¥3.2 billion, or 12.3%.

Commenting on the results Dr. Yuzuru Matsuda, President of Kyowa Hakko, said, "We are sustaining our investment in long term growth as shown by the 14.2% increase in R&D expenses for the nine month period. The operating environment for many of our core businesses remains very competitive, but overall we are on track to achieve our full year forecasts".

Segmental sales

In the Pharmaceuticals Business, prescription pharmaceuticals *Allelock*, an antiallergic agent, *Durotep Patch*, an analgesic for persistent cancer pain, and *Navelbine* an anticancer agent each performed well and recorded growth in sales. Sales of *Coniel*, a treatment for hypertension and angina pectoris, and *Depakene*, an antiepileptic agent were maintained at levels similar to those achieved in the first nine months of last fiscal year. However, sales of antimycological agent *Itrizole*, which is sold through a distribution agreement, declined significantly resulting in an overall decline in Pharmaceuticals Business sales. In the Bio-Chemicals Business, sales declined compared to the comparable period of last fiscal year as domestic demand for beverage-use amino acids declined, price competition led to poor market conditions for amino acids, nucleic acids and related compounds, and also due to the disposal of an overseas feed-use amino-acids subsidiary last fiscal year. In the Chemicals Business, shipment volumes declined slightly compared to the comparable period of the previous fiscal year but sales, mainly of core solvents products, increased sharply as product price increases for core products were implemented in response to rapid rises in the prices of fuel and raw materials. In the Food Business despite continued growth in sales of bakery products and ingredients, overall sales declined, partly reflecting the disposal of consolidated subsidiary Asahi Food Products Co., Ltd. in April 2005.

Group profits

Operating income for the period under review was ¥22.8 billion, a decline of ¥3.2 billion compared to the first nine months of last fiscal year, mainly resulting from increased R&D expenses in respect of KW-6002, a treatment for Parkinson's disease. Recurring income was ¥25.9 billion, a decline of 0.4% and net income declined by 4.2% to ¥14.6 billion, reflecting extraordinary losses for early retirement support expenses and appraisal losses on fixed assets.



R&D expenses

Research and development expenses for the nine-month period were ¥23.8 billion, an increase of ¥2.9 billion, or 14.2% compared to the first nine months of fiscal 2004, and representing a ratio of R&D expenses to net sales of 8.8%.

Results for the nine months ended December 31, 2005

(amounts less than one million yen have been ignored)

(Millions of Yen)

	Nine Months to December 31, 2005	Nine Months to December 31, 2004	Change (%)	(Reference) FY ended March 31, 2005
Net sales	272,258	274,881	(1.0%)	358,963
Operating income	22,878	26,099	(12.3%)	33,506
Recurring income	25,983	26,081	(0.4%)	32,366
Net income	14,661	15,305	(4.2%)	17,931
Net income per share (¥)	¥34.67	¥35.66	(3.8%)	¥41.68

* Fully diluted net income per share for the nine months to December 31, 2005 was ¥34.66.

Forecasts for the fiscal year ending March 31, 2006

(Millions of Yen)

April 1, 2005 to March 31, 2006

Net Sales	360,000
Operating income	26,000
Recurring income	27,000
Net Income	15,000
Net income per share (¥)	¥35.47

*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 information please access: <http://ir.kyowa.co.jp/english/index.cfm>

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