

## Kyowa Hakko Raises Forecasts for Operating Income and Sales

**Tokyo, October 16, 2006** – Kyowa Hakko Kogyo Co., Ltd. (Kyowa Hakko) today issued revised consolidated and non-consolidated forecasts for the interim and full-year periods of the fiscal year ending March 31, 2007.

Commenting on the revisions, Dr. Yuzuru Matsuda, President of Kyowa Hakko said, 'Our strong performance in core pharmaceuticals is encouraging and our success at reducing costs is improving our operating income, though the resulting extraordinary losses have led to a slightly lower forecast for full-year net income'.

Details of the revised forecasts and previous forecasts announced on April 28, 2006, are as follows:

### Revised forecasts: Interim period (April 1, 2006 to September 30, 2006)

<b>Consolidated</b>				<i>Millions of yen</i>
	<b>Net sales</b>	<b>Operating income</b>	<b>Recurring income</b>	<b>Net income</b>
Previous forecast	165,000	11,000	10,500	4,000
Revised forecast	173,000	14,500	15,000	4,000
Difference in forecasts	8,000	3,500	4,500	—
Percentage change	4.8%	31.8%	42.9%	—%
Reference: Results for interim period to end September 2005	177,332	12,302	14,385	7,594

<b>Non-consolidated</b>				<i>Millions of yen</i>
	<b>Net sales</b>	<b>Operating income</b>	<b>Recurring income</b>	<b>Net income</b>
Previous forecast	82,000	7,500	12,500	13,500
Revised forecast	84,000	10,700	16,200	14,000
Difference in forecasts	2,000	3,200	3,700	500
Percentage change	2.4%	42.7%	29.6%	3.7%
Reference: Results for interim period to September 2005	94,683	7,784	10,778	5,627

### Main reasons for revised forecasts

Consolidated and non-consolidated net sales for the interim period are expected to exceed our previous forecast mainly due to higher than expected sales in the Pharmaceuticals business of core products *Allelock*, an antiallergic agent, and *Coniel*, a treatment for hypertension and angina pectoris, as well as price increases in the Chemicals business resulting from higher raw materials prices.

As regards profits, consolidated and non-consolidated operating income and recurring income are expected to significantly exceed initial forecasts as a result of a strong performance from core pharmaceutical products, the delay of certain R&D expenses until the second half of the fiscal year, and cost reductions.

Interim net income is however expected to be broadly in line with initial forecasts as our progress in comprehensive efforts to reduce costs, for example by outsourcing of our pharmaceuticals distribution business, cost rationalization at our production plant in Hofu, and reorganization of our food production systems, have resulted in extraordinary losses including asset impairment losses and early retirement support expenses.

Full year forecasts have also been revised as follows, reflecting the revision of interim forecasts:

**Revised forecasts: Full-year (April 1, 2006 to 31 March, 2007)**

<b>Consolidated</b>	<i>Millions of yen</i>			
	<b>Net sales</b>	<b>Operating income</b>	<b>Recurring income</b>	<b>Net income</b>
Previous forecast	340,000	26,000	25,000	13,000
Revised forecast	353,000	29,000	29,000	12,000
Difference in forecasts	13,000	3,000	4,000	-1,000
Percentage change	3.8%	11.5%	16.0%	-7.7%
Reference: Results for fiscal year to March 2006	353,439	25,534	28,219	16,273

<b>Non-consolidated</b>	<i>Millions of yen</i>			
	<b>Net sales</b>	<b>Operating income</b>	<b>Recurring income</b>	<b>Net income</b>
Previous forecast	165,000	16,500	21,000	19,000
Revised forecast	170,000	19,500	25,000	19,000
Difference in forecasts	5,000	3,000	4,000	-
Percentage change	3.0%	18.2%	19.0%	-%
Reference: Results for fiscal year to March 2006	185,361	16,331	19,739	10,258

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

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