



# Kyowa Hakko Kogyo Co., Ltd.

## Consolidated Financial Summary

### Fiscal 2006 Interim

(April 1, 2006 - September 30, 2006)

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.

**SUMMARY OF FINANCIAL STATEMENTS (Consolidated)**  
for the Interim Period of the Fiscal Year Ending March 31, 2007

**Kyowa Hakko Kogyo Co., Ltd.**

**October 30, 2006**

Stock Code: 4151	Listed exchanges: Tokyo, 1 <sup>st</sup> section
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President and CEO: Yuzuru Matsuda	Corporate Communications Department
Date of the meeting of the board of directors: October 30, 2006	Telephone: 813 3282-0009
U.S. GAAP Accounting Principles: Not adopted	

**1. Consolidated Financial Results for the Interim Period of the Fiscal Year Ending March 31, 2007**

*Amounts less than 1 million yen have been ignored*

**1) Consolidated Operating Results**

*Millions of yen*

	April 1, 2006 to September 30, 2006		April 1, 2005 to September 30, 2005		April 1, 2005 to March 31, 2006
		Change (%)		Change (%)	
Net sales	173,139	(2.4)	177,332	(1.6)	353,439
Operating income	14,570	+18.4	12,302	(21.5)	25,534
Recurring income	15,137	+5.2	14,385	(10.6)	28,219
Net income	3,984	(47.5)	7,594	(18.3)	16,273
Net income per share (¥)	¥9.66		¥17.95		¥38.36
Fully diluted net income per share (¥)	¥9.65		¥17.95		¥38.35

Notes: April 1, 2006 to September 30, 2006      April 1, 2005 to September 30, 2005      FY ended March 31, 2006

(1) Gain from investments in subsidiaries and affiliates accounted for by the equity method: 350 million yen      319 million yen      679 million yen

(2) Average number of shares outstanding (consolidated) during the period: 412,546,764 shares      422,982,451 shares      422,919,680 shares

(3) Changes to accounting treatment: None.

(4) Percentages for net sales, operating income, recurring income and net income are changes from the interim period of the previous fiscal year.

**2) Consolidated Financial Position**

*Millions of yen*

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
Total assets .....	368,557	378,154	384,381
Nets assets .....	236,323	242,893	255,807
Equity ratio (%) .....	63.5%	64.2%	66.6%
Net assets per share (¥) .....	¥587.62	¥574.35	¥604.92

Notes: (1) Number of shares outstanding at: September 30, 2006: 398,114,984 shares; September 30, 2005: 422,900,739 shares; March 31, 2006: 422,795,946 shares.

**3) Consolidated Cash Flows**

*Millions of yen*

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	April 1, 2005 to March 31, 2006
Net cash provided by (used in) operating activities...	14,044	7,241	14,303
Net cash (used in) provided by investing activities ...	(670)	2,954	(1,795)
Net cash (used in) provided by financing activities ...	(22,197)	(2,904)	(5,139)
Cash and cash equivalents at end of period .....	37,067	45,466	45,820

**4) Consolidated subsidiaries and affiliates accounted for by the equity method:**

Number of consolidated subsidiaries .....	22
Number of non-consolidated subsidiaries accounted for by the equity method .....	0
Number of affiliates accounted for by the equity method .....	5

**5) Changes in the scope of consolidation and companies accounted for by the equity method**

Consolidated subsidiaries	Newly included: 1	Excluded: 0
Companies accounted for by the equity method	Newly included: 0	Excluded: 1

**2. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2007**

*Millions of yen*

	Full year
Net sales .....	353,000
Operating income .....	29,000
Recurring income .....	29,000
Net income .....	12,000
Net income per share (¥) .....	¥30.14

Note: The forecasts above are based on information currently available to management and certain assumptions that management believe are reasonable. Actual results, etc., can differ materially from these projections for a wide variety of reasons. Please consult pages 10-11 of this document for further information concerning these forecasts.

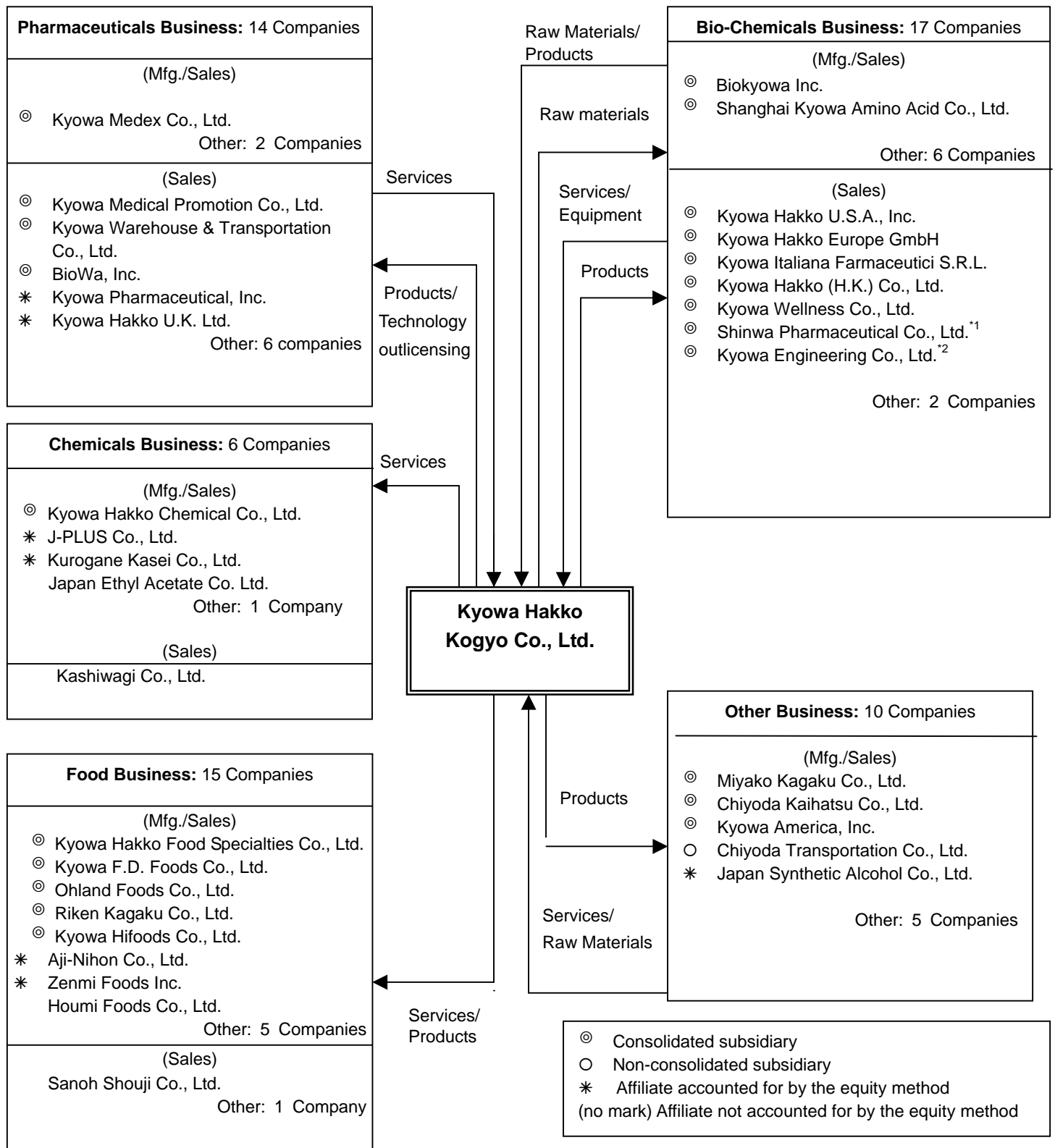
## 1. Group Status

The Kyowa Hakko Group is composed of the parent company (KYOWA HAKKO KOGYO CO., LTD.) also referred to as “the Company”), 42 subsidiaries and 20 affiliates. The major operating activities of the company and the main group companies are outlined below. The categories used here are the same as those found in the Industry Segment Information.

<b>Pharmaceuticals Business</b>	<p>Prescription pharmaceuticals are manufactured and sold predominantly by the parent company and Kyowa Medical Promotion Co., Ltd. carries out sales promotion activities of Kyowa Hakko products.</p> <p>Overseas, BioWa, Inc. pursues the out-licensing and development in the U.S. and Europe of antibody technology developed by the company and is also involved in the strategic development of Kyowa Hakko’s antibody technology business. Kyowa Pharmaceutical, Inc. handles the development in the U.S. of new drug candidates created by the parent company, and Kyowa Hakko U.K. Ltd. handles the development in Europe of new drug candidates created by the parent company and the sales of parent company products. Manufacturing and sales of diagnostic reagents are the responsibility of Kyowa Medex Co., Ltd.</p>
<b>Bio-Chemicals Business</b>	<p>The Company, Biokyowa Inc. and Shanghai Kyowa Amino Acid Co., Ltd. manufacture raw materials for pharmaceuticals and industrial use, including amino acids, nucleic acids and related compounds, and healthcare products. These are sold directly by these three companies and also by overseas subsidiaries such as Kyowa Hakko U.S.A., Inc., Kyowa Hakko Europe GmbH, Kyowa Italiana Farmaceutici S.R.L., and Kyowa Hakko (H.K.) Co., Ltd. Healthcare products for the domestic market are sold by Kyowa Wellness Co., Ltd. Shinwa Pharmaceutical Co., Ltd. sells herbal medicines, health foods, etc. Agrochemicals and products for the livestock and fisheries industries are primarily manufactured and sold by Kyowa Hakko. Alcohol is also manufactured and sold by Kyowa Hakko. Kyowa Engineering Co., Ltd. designs and constructs facilities, and provides services and supplies equipment to Kyowa Hakko and certain related companies.</p>
<b>Chemicals Business</b>	<p>Chemical products such as solvents, plasticizers and their raw materials, and specialty chemicals are mainly manufactured and sold by Kyowa Hakko Chemical Co., Ltd., and partly by J-PLUS Co., Ltd., Kurogane Kasei Co., Ltd., and Japan Ethyl Acetate Co., Ltd. Kyowa Hakko Chemical Co., Ltd. also sells products provided by such companies, supplies raw materials to certain related companies, and receives services from Kyowa Hakko. The Kashiwagi Co., Ltd. primarily sells products supplied by Kyowa Hakko Chemical Co., Ltd. and goods purchased from third parties.</p>
<b>Food Business</b>	<p>The manufacture and sale of seasonings, bakery products and ingredients and processed foods is mainly performed by Kyowa Hakko Food Specialties Co., Ltd., and partly by Kyowa F.D. Foods Co., Ltd., Ohland Foods Co., Ltd., Riken Kagaku Co., Ltd., Kyowa Hifoods Co., Ltd., Aji-Nihon Co., Ltd., Zenmi Foods Co., Ltd., and Houmi Foods Co., Ltd. Kyowa Hakko Food Specialties Co., Ltd. provides each of these companies with some of their raw materials and also sells finished products supplied by them. Kyowa Hakko Food Specialties Co., Ltd. is supplied with products and services by the Company. Sanoh Shouji Co., Ltd. is mainly involved in the sales of products supplied by Kyowa Hakko Food Specialties Co., Ltd., and of goods purchased from other companies.</p>
<b>Other Business</b>	<p>A number of related companies including Miyako Kagaku Co., Ltd., Chiyoda Kaihatsu Co., Ltd., and Chiyoda Unyu Co., Ltd. are responsible for activities including wholesale and distribution, and provide services and supply raw materials to Kyowa Hakko and some of its related companies.</p> <p>Kyowa America, Inc. is a U.S.-based holding company.</p> <p>In addition, Japan Synthetic Alcohol Co., Ltd. produces alcohol for industrial applications.</p>

Note: Unless specifically stated otherwise, in this document ‘the Group’ refers to the parent company and its 22 consolidated subsidiaries.

The flow chart on the following page shows an illustration of the Kyowa Hakko Group.



\*1. From this interim period the segmental classification of Shinwa Pharmaceutical Co., Ltd. has changed from Pharmaceuticals to Bio-Chemicals.

\*2. From this interim period the segmental classification of Kyowa Engineering Co., Ltd. has changed from Other to Bio-Chemicals.

## **2. Management Policies**

### **(1) Basic Management Policies**

The Kyowa Hakko Group's fundamental management policy is to contribute to the health and well being of people worldwide by creating new value through the pursuit of advancements in life sciences and technology. Based on this policy, the Group is developing business around the world as a creative and innovative R&D corporation.

Our businesses aim to provide products, services, and information that deliver superior quality and performance in line with our focus on customer satisfaction. In addition, we are working to build a highly transparent and healthy corporate management that swiftly discloses accurate and objective information. At the same time, by fulfilling our corporate social responsibilities including legal and other compliance and maintaining product quality we are striving to be a company that earns the broad trust of society.

### **(2) Basic Policy on Profit Distribution**

Kyowa Hakko regards the return of profits to its shareholders as one of its key priorities. Regarding dividends, we consider the delivery of stable and sustainable dividends to be the basis of our policy while maintaining fully adequate internal reserves, and considering factors such as our consolidated results, the dividend payout ratio and the dividend return on net assets. Kyowa Hakko aims to respond flexibly and expeditiously in its share buyback policy while retaining sufficient reserves to make the investments in facilities and research and development that are required to fund new growth.

### **(3) Policy on reducing the size of share trading units**

Kyowa Hakko believes it important to encourage a wide variety of investors, including individual investors, to participate in the stock market. The Company will formulate its policies after carefully considering factors such as its earnings, stock price, and the costs and benefits of reducing the share-trading unit.

### **(4) Medium- and long-term management polices and issues**

Kyowa Hakko Group has identified the three-year period of its 9<sup>th</sup> medium-term business plan, from fiscal 2005 to fiscal 2007, as a period during which it will actively pursue research and development and investment to achieve sustained growth, while also expanding sales of existing businesses and pursuing wide-ranging cost reductions. Through strengthening the Group's growth capabilities and competitiveness by steadily implementing this plan, we aim to further enhance corporate value. The Kyowa Hakko Group also aims to utilize its business resources more efficiently and has designated return on invested capital (ROIC) as a management indicator in the ninth medium-term business plan.

As regards the Pharmaceuticals business, in an environment characterized by reform of the Japanese National Health Insurance system based on the control of medical treatment costs, competition from European and US pharmaceuticals manufacturers is expected to intensify and the market for generic pharmaceutical products is forecast to expand. In response, Kyowa Hakko Group will aim to preserve its competitiveness through strengthening its sales activities and ensuring stable product supply, quality control and the preservation of its intellectual property rights, while aiming for sustained growth through the launch of new products and the pursuit of cost reductions. The Group will also promote research and development aimed at the early launch of anti-Parkinson's disease agents, anticancer agents and others. We will also steadily implement measures aimed at growth and development including the

strategic development of the biopharmaceutical business centered on our leading-edge antibody production technology and preparations to expand sales of in-house developed products in the Chinese market.

In the Bio-Chemicals business, despite participation in the amino acids market by Chinese and Korean makers and expansion and intensified competition in the health foods market, we will aim to strengthen our cost-competitiveness in core amino acid products, introducing innovative technology and reducing production costs. Furthermore, through restarting in-house production of the coenzyme Q10 and developing new products such as dipeptides we aim to create a future source of core profits. In the healthcare business, the Group will strengthen its marketing strategy, including on such areas as mail order sales to individuals.

In the Chemicals business, we aim to maintain profits in the existing bulk business supported by firmly based growth in the Chinese market, though continued high prices of fuel and raw materials are a cause for concern. We are also steadily implementing measures to secure future growth and development including the expansion of the specialty chemicals business focused on environmentally friendly products and active capital investment to increase production.

Our food business is paying full attention to product quality assurance against a background of increasing consumer awareness of food safety and a trend towards stricter regulation. We are also focusing on using our fermentation technology and other original technologies to develop distinctive new products such as natural seasonings, bread improvers and flavor enhancers, while our customer strategy will focus on an enhanced commitment to the market for prepared foods.

(5) Items related to the parent company

No items.

### 3. Operating Results and Financial Position

#### I. Summary of Operating Results

(1) Operating results for the interim period of the fiscal year ending March 31, 2007

	<i>Billions of yen</i>		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Net sales	173.1	177.3	(4.1)
Operating income	14.5	12.3	2.2
Recurring income	15.1	14.3	0.7
Net income	3.9	7.5	(3.6)

During the interim period under review the Japanese economy was affected by the rapid rise in crude oil prices, but a domestic demand-led economic recovery was maintained as improved corporate profits led to increased capital expenditure and consumer spending steadily recovered.

As regards the business environment in which the Kyowa Hakko Group operates, in the Pharmaceuticals business, global competition in sales and new drug development became more severe as the generic drugs market expanded and major U.S. and European pharmaceutical companies intensified their activities, while prescription pharmaceutical prices in Japan were reduced in April by an industry average of 6.7%. In Bio-Chemicals, the environment remained harsh as raw material and fuel prices increased, and price competition in Japan and overseas grew more intense. In Chemicals, product prices generally increased in both overseas and domestic markets as a result of increased oil prices. In the Food business market conditions continued to require us to respond rapidly to changes in market structure resulting from the diversifying food lifestyles of consumers.

Against this background Kyowa Hakko implemented its ninth-medium term business plan for 'Growth and Development'. In order to increase our competitiveness we implemented proactive investment for future growth, a strategic sales growth policy and comprehensive cost-cutting measures.

Due to the effects of the termination of the distribution agreement for the oral anti-mycological agent *Itrazole*, consolidated net sales for the interim period of the fiscal year ending March 31, 2007 were ¥173.1 billion, a decrease of 2.4% from the interim period of the previous fiscal year. Due to a strong performance from core pharmaceutical products and reductions in personnel and R&D expenses, operating income was ¥14.5 billion, an increase of 18.4%, and recurring income was ¥15.1 billion, an increase of 5.2%. Net income was affected by extraordinary losses including losses on the sale of subsidiaries' shares and asset impairment losses and decreased by 47.5% to ¥3.9 billion.

Consolidated R&D expenses for the period were ¥15.2 billion, a decrease of 6.4% compared to the first half of the previous fiscal year and the R&D expense to net sales ratio was 8.8%, an decrease of 0.4 percentage points.

## (2) Segmental Review

### Pharmaceuticals

	<i>Billions of yen</i>		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Net sales	65.1	77.7	(12.6)
Operating income	9.9	7.2	2.6

Sales of prescription pharmaceuticals declined from the interim period of the previous fiscal year as, despite strong volume growth in core prescription pharmaceutical products, sales were affected by a large fall in sales of oral anti-mycological agent *Itrizole*, after the ending of a distribution agreement at the end of March 2006, and pharmaceutical price cuts introduced in April 2006.

Sales of *Coniel*, a treatment for hypertension and angina pectoris, and *Allelock*, an antiallergic agent (olopatadine hydrochloride) were lower than in the previous comparable period, whereas *Durotep Patch*, an analgesic for persistent cancer pain, and *Navelbine*, an anticancer agent, each recorded growth in sales.

In the licensing-out of technologies and export of pharmaceutical products, sales of antiallergic agent *Olopatadine hydrochloride* continued to perform very well.

At the Kyowa Hakko subsidiary Kyowa Medex Co., Ltd., which is responsible for the manufacture and sale of diagnostic reagents, sales of immunological reagents increased. However, due to increased competition sales of clinical chemistry diagnostic reagents declined, and overall sales were slightly lower than in the first half of last fiscal year.

As a result of these factors segmental sales were ¥65.1 billion, a decrease of 16.3%, but lower R&D expenses and cost reductions led to operating income of ¥9.9 billion, an increase of 37.0%.

In new drug development in Japan, *Bothdel (MM-Q01)*, the contrast medium for MRI, received approval in April 2006 and sales commenced in September, while the antiepileptic KW-6485 is currently in the New Drug Application (NDA) stage. Kyowa is also carrying out Phase II clinical trials in Japan on KW-6002, an anti-Parkinson's disease treatment and KW-2246, an analgesic for cancer pain.

Overseas, KW-6002 has completed Phase III clinical trials in North America and Europe as an anti-Parkinson's treatment and we are aiming for its early approval as a new drug. In North America, KW-6002 is undergoing Phase II clinical trials for Restless Legs Syndrome and cancer treatment KW-2449 is in Phase I trials. In Europe, therapeutic antibody KW-0761 is currently in Phase I clinical trials as an antiallergic agent, while in China, Phase III clinical trials are underway for *Allelock*, an antiallergic agent, and for additional indications for *Coniel* as a treatment for angina pectoris.



## Bio-Chemicals

	Billions of yen		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Net sales	33.3	28.3	5.0
Operating income	1.5	1.7	(0.1)

Sales volumes of raw materials for pharmaceuticals and industrial use including amino acids, nucleic acids, and related compounds increased despite being affected by intensified price competition in domestic and overseas markets and sales increased compared to the first half of last fiscal year. In Japan, raw materials for generic pharmaceuticals were boosted by changes to the medical insurance system and contributed to sales growth. In healthcare products, sluggish demand for domestic beverage-use amino acids continued; however, mail-order sales of the *Remake* series grew strongly and sales in overseas markets of amino acids used as dietary supplements showed growth, while overall sales remained similar to the first half of last fiscal year.

Sales of agrochemicals and products for the livestock and fisheries industry decreased due to the effects of our withdrawal from the fertilizer business. However, sales of alcohol were higher as product prices were revised in response to increased raw material prices.

As a result of these factors, sales in the Bio-Chemicals segment increased 17.6%, to ¥33.3 billion, while operating income decreased 8.1%, to ¥1.5 billion, reflecting increased price competition and higher raw material and fuel prices.

In R&D, we continued our research to increase the efficiency of amino acid fermentation production, and established a health care product development center to increase our product development capabilities in health care.

## Chemicals

	Billions of yen		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Net sales	45.8	41.2	4.6
Operating income	1.6	1.9	(0.2)

Domestic shipment volumes slightly decreased compared to the previous interim period but price increases of core products, implemented in response to rising crude oil prices and resultant higher fuel and raw material prices, led to sales significantly greater than in the interim period of the previous fiscal year. Export shipment volumes were lower, but strong overseas demand for plasticizer raw materials and others led to slightly higher export sales than in the previous interim period.

By product area, there was growth in high-purity solvents for the IT industry and specialty chemicals saw growth in Japan and overseas, driven by a strong performance from core refrigerant oil raw materials.

As a result of these factors, segmental sales were ¥45.8 billion, an increase of 11.2%, while operating

income was affected by higher raw material and fuel prices and increased distribution costs and decreased 13.5%, to ¥1.6 billion.

## Food

	<i>Billions of yen</i>		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Net sales	20.9	20.9	0.0
Operating income	0.8	0.8	0.0

In seasonings, sales of natural seasonings including fermented seasonings and customer-specified extract-type seasonings were higher than in the first half of last fiscal year. Sales of *Umami* seasonings also increased leading to higher overall sales of seasonings.

In bakery products and ingredients, sales of core yeast and flavor enhancers increased but milk preparations and premixes declined, leading to sales lower than the previous interim period. In processed foods, sales of instant noodle ingredients and soups increased but OEM products decreased and as a result, sales were slightly lower than in the previous interim period.

As a result of these factors, sales were ¥20.9 billion, an increase of 0.3% on the previous interim period, and operating income was ¥0.8 billion, an increase of 5.7%.

## Other

	<i>Billions of yen</i>		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Net sales	24.2	26.1	(1.9)
Operating income	0.4	0.4	(0.0)

In Other business, segmental sales were ¥24.2 billion, a decrease of 7.3% from the previous interim period and operating income was ¥0.4 billion, a decrease of 6.6%.

### (3) Profit distribution

The interim dividend will be ¥5.00 per share (the same as in the previous fiscal year).

## 2. Outlook for the Full Year

	<i>Billions of yen</i>		%
	FORECAST		
	Fiscal Year ending March 31, 2007	Change compared to the previous fiscal year	
Net sales	353.0	(0.4)	(0.1%)
Operating income	29.0	3.4	13.6%
Recurring income	29.0	0.7	2.8%
Net income	12.0	(4.2)	(26.3%)

(These figures assume an average exchange rate of ¥115 to the U.S. dollar and ¥145 to the Euro)

Whilst the Japanese economy is expected to continue its gentle expansion, the outlook remains unclear due to the slowdown of the U.S. economy and crude oil price trends, and the business environment is expected to remain uncertain.

Amidst such an environment, the Kyowa Hakko Group is looking towards future growth by carrying out proactive investments as well as implementing comprehensive cost-cutting measures. Further, we will also promote investment into marketing to expand sales as we strive to strengthen the foundations for future profits.

In fiscal 2006, we expect net sales of ¥353.0 billion, a similar level to last fiscal year, due to a decline in sales of antimycological agent *Itrizole* (fiscal 2005 sales: ¥21.5 billion) following the termination of a distribution agreement at the end of March 2006. Operating and recurring income are each forecast to increase to ¥29.0 billion, but net income is forecast to decline to ¥12.0 billion.

In the Pharmaceuticals business, volume sales of core products, including antiallergenic *Allelock*, are expected to grow, and we expect the ophthalmic solution *Patanol*, launched in October, to make a contribution. However, due to the termination of the distribution agreement for *Itrizole*, and the reduction of National Health reimbursement prices, net sales are expected to be lower than in the previous fiscal year. Operating income is forecast to increase due to the good performance of core products and contributions from new drugs, as well as decreased R&D and personnel costs..

In the Bio-Chemicals business, both net sales and operating income are forecast to increase from the previous fiscal year as a result of the development of full-scale strategies to broaden sales of products such as Coenzyme Q10 and amino acids, as well as continued growth in mail-order sales of the *Remake* series.

In the Chemicals business, net sales are expected to greatly increase on the previous fiscal year due to raised prices in response to the increase in crude oil prices. However operating income is expected to remain at a similar level as the previous fiscal year as a result of the increase in fuel and raw materials prices.

In the Food business, net sales and operating income are expected to be higher than the previous fiscal year as a result of increased sales volumes of natural seasonings, primarily to the prepared foods and food service industries.

In Other business, net sales and operating income are forecast to decrease.

### **Fiscal 2006 Dividend**

A year-end dividend of ¥5.00 per share is planned (the same as the previous fiscal year). Combined with the interim dividend of ¥5.00 per share, the total dividend for the fiscal year is expected to be ¥10.00 per share.

Note: The forecasts above are based on the information available to management on the date of their announcement. Actual results can differ materially from these projections for a wide variety of reasons.

## II. Summary of Financial Position

### (1) Summary of Interim Period end Financial Position

#### 1) Assets, Liabilities and Net Assets Summary

At the end of the interim period of the fiscal year ending March 31, 2007 total assets stood at ¥368.5 billion, down ¥15.8 billion from the end of the previous fiscal period. In current assets, accounts and notes receivable increased as the last day of the interim period was a holiday, however, cash and time deposits and trust beneficiary rights ('Other current assets') declined following a ¥20.4 billion acquisition of treasury shares in July, resulting in an overall decline of ¥4.4 billion yen from the end of the previous fiscal period. Fixed assets decreased ¥11.3 billion from the end of the previous fiscal year as the disposal of shares held in affiliates and a decrease in the prices of listed shares held resulted in a decline in investment securities, despite an increase in tangible fixed assets.

Liabilities increased by ¥5.3 billion to ¥132.2 billion, despite a decrease in long-term liabilities such as retirement benefit allowances and deferred tax liabilities, as current liabilities such as accounts and notes payable and accrued expenses increased as a result of the last day of the interim period being a holiday.

Net assets were ¥236.3 billion, as although net income for the interim period was ¥3.9 billion, there was a large decline resulting from the acquisition of treasury shares.

As a result of the above factors, the consolidated equity ratio at the end of the interim period was 63.5%, a decrease of 3.1 percentage points from the end of the previous fiscal year.

#### 2) Cash Flow Summary

	<i>Billions of yen</i>		
	Consolidated results for the period ended September 30, 2006	Consolidated results for the period ended September 30, 2005	Change
Cash flows from operating activities	14.0	7.2	6.8
Cash flows from investing activities	(0.6)	2.9	(3.6)
Cash flows from financing activities	(22.1)	(2.9)	(19.2)
Cash and cash equivalents at end of period	37.0	45.4	(8.3)

Net cash provided by operating activities was ¥14.0 billion, ¥6.8 billion higher than in the interim period of the previous fiscal year. The main factors were income before income taxes ¥3.0 billion lower than in the previous interim period, and a decline in working capital resulting from lower corporate tax payments and an increase in trade payables.

Net cash used in investing activities was ¥0.6 billion, a decrease of ¥3.6 billion from the ¥2.9 billion inflow in the previous interim period. The main outflow was ¥4.8 billion for the acquisition of tangible fixed assets, which was only partially offset by an inflow of ¥3.9 billion from the sale of investment securities.

Net cash used in financing activities was ¥22.1 billion, an increase of ¥19.2 billion from the previous interim period. The main factor was an increase in the amount of treasury shares acquired, which was ¥20.4 billion higher than in the interim period of the previous fiscal year.

As a result of the above factors, the balance of cash and cash equivalents as of the end of the interim period was ¥37.0 billion, a decline of ¥8.7 billion from the total of ¥45.8 billion as of the end of the previous fiscal year.

#### Key Shareholders' Equity and Cash Flow Indicators

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 interim
Shareholders' equity ratio (%)	62.3	62.9	66.6	63.5
Shareholders' equity (market price base) ratio (%)	82.1	92.7	94.6	89.9
Years to debt redemption	0.4	0.4	0.9	--
Interest coverage ratio	31.7	124.4	84.8	134.8

Notes:

Shareholders' equity ratio = shareholders' equity / total assets

Shareholders' equity ratio (market price base) ratio = Market capitalization / total assets

Years to debt redemption = Interest-bearing debt / Operating cash flow (not recorded for the interim period)

Interest coverage ratio = Operating cash flow / Interest payments

\* All ratios based on consolidated figures.

\* Market capitalization based on number of shares issued, excluding treasury shares.

\* Operating cash flow is the figure for cash flows from operating activities in the consolidated statement of cash flows. Of borrowings on the consolidated balance sheet, interest-bearing debt includes short and long-term borrowings.

\* For interest payments, the interest payments figure in the consolidated statements of cash flows is used.

#### (2) Fiscal 2006 Outlook for Financial Position

Cash flows from operating activities: Management expects a decline in income before income taxes and minority interests compared to the previous fiscal year, but overall consolidated cash flows in fiscal 2006 are expected to be higher than in fiscal 2005 due to a decrease in income tax payments and an increase in depreciation expenses.

Cash flows from investing activities: The implementation of an active capital expenditure program, including new investment in manufacturing facilities for the coenzyme Q10, is expected to result in increased expenditure and overall outflows are expected to be higher than in fiscal 2005.

Cash flows from financing activities: As a result of a ¥20.4 billion acquisition of treasury shares, out flows are expected to increase significantly from fiscal 2005. Financial activities such as the procurement of funds, repayment of borrowings and acquisition of treasury shares will be considered flexibly in the light of economic and financial conditions.

Note: The forecasts above are based on the information available to management on the date of their announcement. Actual results can differ materially from these projections for a wide variety of reasons.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Millions of yen

	As of September 30, 2006	As of September 30, 2005	Abridged from Consolidated Balance Sheet as of March 31, 2006
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits.....	22,497	27,969	26,019
Accounts and notes receivable .....	102,320	101,111	97,828
Marketable securities .....	14,993	13,998	15,494
Inventories.....	56,062	53,358	55,485
Deferred tax assets .....	4,904	7,283	6,365
Other current assets.....	7,992	12,635	11,981
Less: allowance for doubtful accounts .....	(279)	(199)	(189)
	<b>208,490</b>	<b>216,157</b>	<b>212,985</b>
<b>Fixed assets:</b>			
Tangible fixed assets			
Buildings and Structures.....	35,977	37,572	37,222
Machinery and equipment .....	23,414	22,938	22,403
Land .....	20,255	20,574	20,268
Construction in progress.....	4,692	1,952	2,782
Other.....	5,462	5,303	5,511
	<b>89,802</b>	<b>88,341</b>	<b>88,188</b>
Intangible fixed assets .....	578	183	402
<b>Investments and other assets:</b>			
Investment securities .....	61,096	63,555	72,244
Long-term loans.....	2,567	2,467	2,534
Deferred tax assets .....	406	488	343
Other investments and other assets.....	7,299	8,507	9,293
Allowance for doubtful accounts.....	(1,241)	(1,081)	(1,160)
Allowance for investment valuations .....	(443)	(464)	(449)
	<b>69,684</b>	<b>73,472</b>	<b>82,804</b>
<b>Total Fixed Assets</b>	<b>160,066</b>	<b>161,996</b>	<b>171,396</b>
<b>Total Assets .....</b>	<b>368,557</b>	<b>378,154</b>	<b>384,381</b>

## Consolidated Balance Sheets (continued)

*Millions of yen*

	As of September 30, 2006	As of September 30, 2005	Abridged from Consolidated Balance Sheet as of March 31, 2006
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts and notes payable .....	54,727	49,948	46,869
Short-term bank loans .....	12,969	12,205	12,203
Accrued expenses .....	18,427	17,702	16,100
Expenses payable .....	--	4,370	634
Income taxes payable .....	2,617	4,846	3,828
Reserve for sales rebates .....	805	980	1,072
Reserve for sales returns .....	34	46	38
Reserve for sales promotion expenses .....	682	683	718
Reserve for bonuses .....	3,325	--	3,303
Reserve for fixed asset disposal expenses .....	--	943	--
Other current liabilities .....	9,820	10,288	9,378
	<b>103,409</b>	<b>102,016</b>	<b>94,148</b>
<b>Long-term liabilities:</b>			
Long-term debt .....	12	17	12
Deferred tax liabilities .....	5,476	3,362	7,382
Retirement benefit allowance .....	22,266	27,191	24,516
Directors' retirement benefit allowance .....	88	75	92
Reserve for fixed asset disposal expenses .....	--	262	--
Other long-term liabilities .....	978	787	738
	<b>28,823</b>	<b>31,697</b>	<b>32,742</b>
<b>TOTAL LIABILITIES .....</b>	<b>132,233</b>	<b>133,714</b>	<b>126,890</b>
<b>Minority interests .....</b>	<b>--</b>	<b>1,546</b>	<b>1,683</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock .....	--	26,745	26,745
Capital surplus .....	--	43,185	43,186
Retained earnings .....	--	164,154	170,718
Valuation difference on other marketable securities .....	--	18,268	24,338
Foreign exchange adjustment account .....	--	(1,530)	(1,152)
Treasury stock .....	--	(7,928)	(8,028)
	<b>--</b>	<b>242,893</b>	<b>255,807</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity .....</b>	<b>--</b>	<b>378,154</b>	<b>384,381</b>

## Consolidated Balance Sheets (continued)

*Millions of yen*

	As of September 30, 2006	As of September 30, 2005	Abridged from Consolidated Balance Sheet as of March 31, 2006
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Common stock .....	26,745	--	--
Capital surplus .....	43,180	--	--
Retained earnings .....	172,515	--	--
Treasury stock .....	(28,515)	--	--
<b>Total shareholders' equity .....</b>	<b>213,924</b>	<b>--</b>	<b>--</b>
<b>Valuation and translation adjustments</b>			
Valuation difference on other marketable securities .....	20,944	--	--
Deferred gains on hedges .....	5	--	--
Foreign exchange adjustment account .....	(932)	--	--
<b>Total valuation and translation adjustments .....</b>	<b>20,016</b>	<b>--</b>	<b>--</b>
<b>Subscription rights to shares .....</b>	<b>26</b>	<b>--</b>	<b>--</b>
<b>Minority interests .....</b>	<b>2,355</b>	<b>--</b>	<b>--</b>
<b>Total net assets .....</b>	<b>236,323</b>	<b>--</b>	<b>--</b>
<b>Total liabilities and net assets .....</b>	<b>368,557</b>	<b>--</b>	<b>--</b>



## (2) Consolidated Statements of Income

*Millions of yen*

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Abridged from Consolidated Statements of Income April 1, 2005 to March 31, 2006
<b>Net sales</b> .....	<b>173,139</b>	<b>177,332</b>	<b>353,439</b>
Cost of sales .....	109,999	114,044	226,472
Gross profit .....	63,139	63,287	126,967
Reversal of reserve for sales returns .....	38	54	54
Addition to reserve for sales returns.....	34	46	38
Adjusted gross profit.....	63,144	63,295	126,982
Selling, general and administrative expenses:			
Transportation .....	1,929	2,225	4,061
Sales promotion .....	3,754	3,583	8,186
Addition to reserve for sales promotion expense .....	682	683	718
Salaries .....	8,436	8,646	17,017
Bonuses .....	1,846	4,195	5,980
Addition to bonus reserve .....	1,870	--	1,895
Addition to allowance for directors' retirement benefits.....	20	62	79
Employee retirement benefit expense.....	761	857	1,724
Depreciation .....	456	375	794
Research and development .....	14,929	15,960	32,317
Others .....	13,886	14,404	28,673
	48,573	50,993	101,448
<b>Operating income</b> .....	<b>14,570</b>	<b>12,302</b>	<b>25,534</b>
Other income:			
Interest income.....	142	69	61
Dividend income.....	609	553	932
Currency exchange gain .....	132	30	454
Dividend on insurance.....	297	313	359
Investment return from anonymous association.....	--	1,756	2,221
Income from equity method investments.....	350	319	679
Others .....	388	682	1,544
	1,922	3,726	6,254
Other expenses:			
Interest expense .....	107	94	186
Expense on removal of fixed assets.....	122	75	407
Loss on sale of fixed assets .....	196	197	724
Loss on sale of inventories .....	193	260	401
Termination of leasing agreement.....	--	269	--
Loss due to disasters .....	--	181	--
Others .....	734	563	1,848
	1,355	1,643	3,569
<b>Recurring income</b> .....	<b>15,137</b>	<b>14,385</b>	<b>28,219</b>

## Consolidated Statements of Income (continued)

*Millions of yen*

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Consolidated Statements of Income April 1, 2005 to March 31, 2006
Extraordinary income:			
Gain on sale of fixed assets.....	594	1,629	1,655
Gains related to disposal of affiliates shares.....	54	--	--
Realized profit on investments in securities.....	14	3	96
Reversal of allowance for doubtful accounts.....	14	1	13
Reversal of reserve for expenses on disposal of fixed assets.....	--	--	587
	677	1,634	2,352
Extraordinary losses:			
Loss related to disposal of affiliates shares.....	2,626	--	--
Asset impairment losses.....	2,405	738	1,060
Industrial water obligation fee.....	777	--	--
Expense related to early retirement support system...	347	2,834	4,639
Expense related to restructuring of affiliates.....	256	--	--
	6,413	3,572	5,700
<b>Income (loss) before income taxes.....</b>	<b>9,402</b>	<b>12,446</b>	<b>24,871</b>
Corporate, local, and enterprise taxes.....	3,674	4,125	6,887
Corporate tax adjustment.....	1,691	668	1,602
Minority interests in consolidated subsidiaries.....	51	59	108
<b>Net income .....</b>	<b>3,984</b>	<b>7,594</b>	<b>16,273</b>

### (3) Consolidated Statements of Surplus and Changes in Net Assets

#### Consolidated Statements of Surplus

*Millions of yen*

	April 1, 2005 to September 30, 2005	Consolidated Statements of surplus April 1, 2005 to March 31, 2006
<b>Capital surplus</b>		
Balance at beginning of period .....	43,184	43,184
Increase in capital surplus:		
Gain on disposal of treasury stock.....	0	1
<b>Balance at end of period .....</b>	<b>43,185</b>	<b>43,186</b>
<b>Retained earnings</b>		
Balance at beginning of period .....	159,587	159,587
Increase in retained earnings:		
Net income .....	7,594	16,273
Decrease in retained earnings:		
Dividend payments .....	2,644	4,759
Directors' bonuses .....	89	98
Amount due to increase in number of consolidated subsidiaries .....	284	284
<b>Balance at end of period .....</b>	<b>164,154</b>	<b>170,718</b>

**Consolidated Statements of Changes in Net Assets**  
(April 1, 2006 to September 30, 2006)

*Millions of yen*

	Shareholders' Equity				
	Common stock	Capital surplus	Retained surplus	Treasury stock	Total shareholders' equity
<b>Balances as of March 31, 2006</b>	26,745	43,186	170,718	(8,028)	232,621
Changes in interim period ended September 30, 2006:					
Cash dividends paid.....			(2,114)		(2,114)
Bonuses to directors and statutory auditors .....			(40)		(40)
Net income.....			3,984		3,984
Acquisition of treasury stock .....				(20,529)	(20,529)
Disposal of treasury stock.....		(6)	(6)	21	8
Decrease in retained earnings due to increase in consolidated subsidiaries.....			(25)		(25)
Decrease in treasury stock due to decrease in equity-method affiliates .....				20	20
Net changes in items other than shareholders' equity.....					
<b>Total changes in interim period ended September 30, 2006</b>		(6)	1,797	(20,487)	(18,696)
<b>Balances as of September 30, 2006</b>	26,745	43,180	172,515	(28,515)	213,924

**Consolidated Statements of Changes in Net Assets (continued)**

*Millions of yen*

	Valuation, Translation Adjustments and Others				Subscription rights to shares	Minority Interests	Total Net Assets
	Unrealized holding gain on securities	Unrealized gain from hedging instruments	Translation adjustments	Total valuation, translation adjustments and others			
<b>Balances as of March 31, 2006</b>	24,338	--	(1,152)	23,186	--	1,683	257,490
Changes in interim period ended September 30, 2006:							
Cash dividends paid.....							(2,114)
Bonuses to directors and statutory auditors .....							(40)
Net income.....							3,984
Acquisition of treasury stock .....							(20,529)
Disposal of treasury stock.....							8
Decrease in retained earnings due to increase in consolidated subsidiaries .....							(25)
Decrease in treasury stock due to decrease in equity-method affiliates.....							20
Net changes in items other than shareholders' equity.....	(3,394)	5	219	(3,169)	26	671	(2,471)
<b>Total changes in interim period ended September 30, 2006</b>	(3,394)	5	219	(3,169)	26	671	(21,167)
<b>Balances as of September 30, 2006</b>	20,944	5	(932)	20,016	26	2,355	236,323

#### (4) Consolidated Statements of Cash Flows

Millions of Yen

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Abridged from Consolidated Statements of Cash Flows April 1, 2005 to March 31, 2006
<b>Cash flows from operating activities:</b>			
Income before income taxes.....	9,402	12,446	24,871
Depreciation and amortization .....	4,686	4,587	9,788
Asset impairment losses	2,405	738	1,060
Decrease in retirement benefit allowance.....	(2,252)	(3,375)	(6,053)
Decrease in allowance for directors' retirement.....	--	(760)	(743)
Increase in reserve for bonus payments.....	21	--	3,303
Decrease in reserve for fixed asset disposal expenses ..	--	(101)	(1,308)
Increase (decrease) in allowance for bad debts.....	176	(67)	(23)
Interest and dividend income.....	(752)	(622)	(994)
Interest expenses .....	107	94	186
Income from equity method investments.....	(350)	(319)	(679)
Income from investments in anonymous associations.....	--	(1,756)	(2,221)
Write down of marketable securities.....	--	26	--
Gain on sales of tangible fixed assets .....	(407)	(1,455)	(958)
Loss (gain) on sales of marketable securities.....	2,557	(3)	(96)
Employees' early retirement expenses.....	347	2,834	4,639
(Increase) decrease in trade receivables.....	(4,279)	5,067	8,665
Decrease (increase) in inventories .....	62	(2,871)	(4,641)
Increase (decrease) in trade payables.....	7,462	290	(3,176)
Directors' bonus payments.....	--	(109)	(109)
Decrease in consumption tax payable .....	--	(386)	(491)
Others.....	(625)	427	(4,825)
Sub-total .....	18,561	14,682	26,192
Interest and dividend income.....	869	665	1,302
Interest payments .....	(104)	(90)	(168)
Cash distributions received from anonymous associations .....	--	1,547	2,590
Payment of premium severance for early retirement.....	(337)	(2,314)	(4,317)
Corporate etc. tax payments .....	(4,944)	(7,248)	(11,296)
<b>Net cash provided by operating activities .....</b>	<b>14,044</b>	<b>7,241</b>	<b>14,303</b>

## Consolidated Statements of Cash Flows (continued)

*Millions of Yen*

	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Abridged from Consolidated Statements of Cash Flows April 1, 2005 to March 31, 2006
<b>Cash flows from investing activities:</b>			
Increase in time deposits .....	--	(256)	(402)
Decrease in time deposits .....	--	175	430
Payments for purchase of property, plant & equipment.....	(4,806)	(2,764)	(9,001)
Proceeds from sale of property, plant, and equipment.....	687	2,723	3,215
Payments for purchase of investment securities .....	(35)	(41)	(62)
Proceeds from sale of investment securities .....	3,910	2,976	4,117
Proceeds from sale of subsidiaries' shares .....	--	448	1,182
Net increase in short-term loans receivable.....	(82)	(239)	(439)
Increase in long-term loans receivable .....	--	--	(168)
Decrease in long-term loans receivable.....	3	40	331
Others.....	(347)	(108)	(999)
<b>Net cash (used in) provided by investing activities</b>	<b>(670)</b>	<b>2,954</b>	<b>(1,795)</b>
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term debt .....	461	(146)	(141)
Repayment of long-term debt .....	(5)	(4)	(11)
Payment for purchase of treasury stock .....	(20,529)	(109)	(233)
Proceeds from sale of treasury stock.....	8	7	16
Dividends paid .....	(2,113)	(2,638)	(4,755)
Dividends paid to minority interests .....	(18)	(13)	(13)
<b>Net cash used in financing activities</b> .....	<b>(22,197)</b>	<b>(2,904)</b>	<b>(5,139)</b>
<b>Cash and cash equivalents translation differences.....</b>	<b>(16)</b>	<b>104</b>	<b>381</b>
<b>Increase in cash and cash equivalents.....</b>	<b>(8,838)</b>	<b>7,395</b>	<b>7,749</b>
<b>Cash and cash equivalents at the beginning of the period .....</b>	<b>45,820</b>	<b>37,817</b>	<b>37,817</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the period .....</b>	<b>85</b>	<b>253</b>	<b>253</b>
<b>Cash and cash equivalents at the end of the period.....</b>	<b>37,067</b>	<b>45,466</b>	<b>45,820</b>

## 5. Segment information

### (1) Segment information by business type

Interim period: April 1, 2006 – September 30, 2006

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net Sales								
(1) Sales to external customers	64,978	28,128	43,047	18,972	18,012	173,139	--	173,139
(2) Inter-segment sales and transfers	142	5,230	2,789	2,025	6,194	16,382	(16,382)	--
Total	65,120	33,358	45,837	20,997	24,207	189,521	(16,382)	173,139
Operating expenses	55,149	31,786	44,145	20,132	23,744	174,959	(16,390)	158,568
Operating income	9,970	1,571	1,692	865	462	14,562	8	14,570

Previous interim period: April 1, 2005 – September 30, 2005

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net Sales:								
(1) Sales to external customers	77,645	23,669	38,702	18,608	18,705	177,332	--	177,332
(2) Inter-segment sales and transfers	148	4,685	2,521	2,330	7,410	17,096	(17,096)	--
Total	77,794	28,354	41,224	20,938	26,116	194,429	(17,096)	177,332
Operating expenses	70,518	26,645	39,268	20,120	25,621	182,174	(17,144)	165,029
Operating income	7,275	1,709	1,956	818	494	12,255	47	12,302

Previous fiscal year: April 1, 2005 - March 31, 2006

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net Sales:								
(1) Sales to external customers	149,146	48,346	80,231	37,929	37,785	353,439	--	353,439
(2) Inter-segment sales and transfers	388	9,077	5,603	4,510	17,582	37,162	(37,162)	--
Total	149,535	57,423	85,834	42,440	55,368	390,602	(37,162)	353,439
Operating expenses	135,305	53,340	81,334	40,838	54,212	365,031	(37,125)	327,905
Operating income	14,230	4,083	4,500	1,602	1,155	25,571	(36)	25,534

#### Notes:

1. The segmental classification is based on the business administration divisions of the Kyowa Hakko group. The main products of each segment are as follows:

Pharmaceuticals: Pharmaceuticals and diagnostic and related products for medical practitioners

Bio-chemicals: Pharmaceutical and industrial-use raw materials, healthcare products, products for livestock and fisheries industries, and alcohol

Chemicals: Solvents, plasticizer raw materials, plasticizers and specialty chemicals

Food: Seasonings, bakery products and ingredients, and processed food

Other: Wholesale and distribution

2. Following business restructuring, business administrative divisions have been changed at certain subsidiaries in the Pharmaceuticals and Other businesses. These companies have now been included in the Bio-Chemical business.

Revised segmental information for the previous fiscal year and the interim period of the previous fiscal year according to the business administrative divisions employed in the interim period under review is displayed below.

**Previous interim period: April 1, 2005 – September 30, 2005**

*Millions of yen*

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net Sales:								
(1) Sales to external customers	77,368	25,739	38,702	18,608	16,912	177,332	--	177,332
(2) Inter-segment sales and transfers	120	5,435	2,521	2,330	5,508	15,916	(15,916)	--
Total	77,488	31,175	41,224	20,938	22,421	193,249	(15,916)	177,332
Operating expenses	70,192	29,352	39,268	20,120	22,085	181,018	(15,988)	165,029
Operating income	7,296	1,822	1,956	818	336	12,230	71	12,302

**Previous fiscal year: April 1, 2005 - March 31, 2006**

*Millions of yen*

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/ Corporate	Consolidated
Net Sales:								
(1) Sales to external customers	148,593	52,740	80,231	37,929	33,945	353,439	--	353,439
(2) Inter-segment sales and transfers	345	10,500	5,603	4,510	12,004	32,965	(32,965)	--
Total	148,939	63,241	85,834	42,440	45,949	386,405	(32,965)	353,439
Operating expenses	134,671	58,899	81,334	40,838	45,239	360,982	(33,077)	327,905
Operating income	14,267	4,341	4,500	1,602	710	25,422	111	25,534

**(2) Segment information by location**

April 1, 2006 – September 30, 2006

As Japan represents over 90% of total sales this information is omitted.

April 1, 2005 – September 30, 2005

As Japan represents over 90% of total sales this information is omitted.

April 1, 2005 – March 31, 2006

As Japan represents over 90% of total sales this information is omitted.



### (3) Overseas Sales

April 1, 2006– September 30, 2006

*Millions of yen*

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	11,732	8,042	12,352	266	32,393
(2) Consolidated sales					173,139
(3) Overseas sales as a percentage of consolidated sales	6.8	4.6	7.1	0.2	18.7

April 1, 2005 – September 30, 2005

*Millions of yen*

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	8,511	7,387	12,871	287	29,059
(2) Consolidated sales					177,332
(3) Overseas sales as a percentage of consolidated sales	4.8	4.2	7.3	0.2	16.4

April 1, 2005– March 31, 2006

*Millions of yen*

	America	Europe	Asia	Other Regions	Total
(1) Overseas sales	15,138	13,608	25,548	643	54,938
(2) Consolidated sales					353,439
(3) Overseas sales as a percentage of consolidated sales	4.3	3.9	7.2	0.2	15.5

#### Notes:

1. The regions have been classified geographically.
2. Regions other than Japan are as follows:
  - America..... North America and Latin America
  - Europe..... All of Europe
  - Asia.....All of Asia
  - Other Regions.... Oceania and Africa
3. Overseas sales comprise sales by Kyowa Hakko and its consolidated subsidiaries to customers outside of Japan.