

Kyowa Hakko Kogyo Co., Ltd.

Consolidated Financial Summary

Fiscal 2004 Third Quarter

(April 1, 2004 - December 31, 2004)

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.

Third Quarter Performance Update For The Year Ending March 31, 2005

Kyowa Hakko Kogyo Co., Ltd.		February 7, 2005	
Stock Code:	4151	Listed Exchanges:	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
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1. Notes relating to the preparation etc. of quarterly business performance updates

- a) Simplified accounting treatments were adopted
No adjustments for cost variance were applied
- b) From Fiscal 2004 segmental classifications by business type have been amended
- c) There were two changes to the scope of consolidation and no changes to equity method accounting
Details of changes:
Kyowa Wellness Co., Ltd. was newly included in the scope of consolidation
Agroferm Hungarian -Japanese Fermentation Industry Ltd. and Kyowa Foods (H.K.) Co., Ltd. were excluded from the scope of consolidation

2. Results for the nine months ended December 31, 2004

(1) Progress of consolidated business performance *Amounts less than 1 million yen have been ignored*

Millions of yen

	Nine Months to December 31, 2004	Nine Months to December 31, 2003	YOY Change (%)	FY ended March 31, 2004
Net sales	274,881	269,890	1.8	348,838
Operating income	26,099	22,095	18.1	26,836
Recurring income	26,081	--	--	24,792
Net income	15,305	--	--	10,017
Net income per share (yen)	35.66	--	--	23.00
Fully diluted net income per share	--	--	--	--

Notes: 1. Percentages for net sales and operating income show changes compared to the comparable period the year before.

2. Because quarterly results other than those for net sales and operating income have only been disclosed since the first quarter of fiscal 2004, year-on-year comparisons are unavailable.

Summary of business performance:

For the nine-month period ended December 31, 2004, net sales were ¥274.8 billion, up ¥4.9 billion, or 1.8%, from the comparable period the year before, while operating income was ¥26.0 billion, up ¥4 billion, or 18.1%, from the comparable period a year ago. These results represent steady progress towards our results forecast for the fiscal year ending in March 31, 2005.

In the Pharmaceuticals Business, despite the influence of the National Health Insurance imbursement price reductions in April 2004, sales of such products as *Allelock*, an antiallergic agent and *Durotep Patch*, an analgesic for persistent cancer pain continued to rise, and volume sales of the major product *Coniel*, a treatment for hypertension and angina pectoris, also performed better than in the previous comparable fiscal period. In the Bio-Chemicals Business, sales of amino acids and nucleic acid related materials for pharmaceuticals, food, and industrial use declined compared to their outstanding performance in the comparable period the year before. In the Chemicals Business, volume sales of functional products and solvents increased and, as a result of price revisions in Japan and good market conditions overseas, net sales increased. In the Food Business, sales of natural seasonings including brewed seasonings and bread and cake ingredients rose, but in processed foods, sales of OEM products were lower and overall sales of this segment declined compared to the first nine months of the previous fiscal year.

(2) Changes in consolidated financial position

Millions of yen

	As of December 31, 2004	As of December 31, 2003	As of March 31, 2004
Total assets	379,336	--	361,095
Shareholders' equity	232,326	--	225,041
Equity ratio (%)	61.2	--	62.3
Shareholders' equity per share (¥)	549.07	--	522.63

Note: Because the financial position has only been disclosed on a quarterly basis since the first quarter of fiscal 2004, year-on-year comparisons are not available.

Summary of financial position (consolidated):

Total assets as of December 31, 2004 were ¥379.3 billion, ¥18.2 billion higher than at the end of the previous fiscal year. The main reasons were a ¥6.1 billion increase in cash and deposits and a rise in accounts and notes receivable of ¥7.8 billion. In liabilities, payments of income tax reduced income taxes payable by ¥3.6 billion compared to the end of March 2004, while the payment of winter bonuses lowered expenses payable by ¥3.6 billion. On the other hand, accounts and notes payable increased by ¥16.4 billion. Shareholders' equity increased ¥7.2 billion to ¥232.3 billion. Following a board resolution in November 2004, the company performed a share buy-back, purchasing 7 million shares for ¥5.2 billion. The shareholders' equity ratio declined 1.1 percentage points to 61.2% as of December 31, 2004.

3. Forecasts for the fiscal year ending March 31, 2005

<i>Millions of yen</i>	
	FY ending March 31, 2005
Net sales	360,000
Recurring income	29,000
Net Income	16,000

Forecast net income per share: ¥37.81

Summary of forecasts

Business performance in the nine months ended December 2004 has been good and has exceeded planned levels, and as a result the forecast of business results presented on November 10, 2004 has been revised.

*The above forecasts are based on information available and assumptions made about a number of uncertain factors at the time of release of this document that can affect results in the future. It is possible that actual results are materially different for a wide variety of reasons.

1. Consolidated Balance Sheets

Millions of yen

	As of December 31, 2004	As of March 31, 2004
ASSETS		
Current assets:		
Cash and time deposits.....	31,393	25,239
Accounts and notes receivable.....	114,555	106,726
Marketable securities.....	999	--
Inventories.....	49,986	50,494
Deferred tax assets.....	4,544	6,529
Other current assets.....	12,303	5,234
Less: Allowance for doubtful accounts.....	(164)	(163)
	213,618	194,062
Fixed assets:		
Tangible fixed assets.....	92,928	96,684
Buildings and structures.....	41,175	43,604
Machinery and equipment.....	22,828	23,584
Land.....	21,676	21,819
Construction in progress.....	1,729	2,035
Other.....	5,518	5,640
Intangible fixed assets.....	241	300
	93,169	96,984
Investments and other assets:		
Investments in securities.....	60,034	59,632
Long-term loans.....	2,055	2,114
Deferred tax assets.....	3,016	1,957
Other investments and other assets.....	8,423	7,345
Allowance for doubtful accounts.....	(775)	(796)
Allowance for investment valuations.....	(205)	(205)
	72,547	70,047
Total assets.....	379,336	361,095

Millions of yen

	As of December 31, 2004	As of March 31, 2004
LIABILITIES		
Current liabilities:		
Accounts and notes payable.....	64,262	47,783
Short-term bank loans.....	12,503	13,231
Accrued expenses.....	13,963	14,789
Expenses payable.....	321	3,941
Income taxes payable.....	5,151	8,767
Reserve for sales rebates.....	1,269	956
Reserve for sales returns.....	44	94
Reserve for sales promotion expenses.....	898	795
Reserve for fixed asset disposal expenses.....	939	1,157
Other current liabilities.....	10,660	7,397
	110,013	98,914
Long-term liabilities:		
Long-term debt.....	98	125
Deferred tax liabilities.....	1,784	86
Retirement benefit allowance.....	31,543	33,768
Directors' retirement benefit allowance.....	800	781
Reserve for fixed asset disposal expenses.....	578	669
Other long-term liabilities.....	712	320
	35,516	35,751
Total Liabilities.....	145,529	134,665
Minority interests.....	1,480	1,388
SHAREHOLDERS' EQUITY:		
Common stock.....	26,745	26,745
Capital surplus.....	43,184	43,182
Retained earnings.....	156,960	144,926
Valuation difference on other marketable securities.....	14,661	14,636
Foreign exchange adjustment account.....	(1,478)	(2,135)
Treasury stock.....	(7,746)	(2,313)
	232,326	225,041
Total liabilities, minority interests, and shareholders' equity.....	379,336	361,095

2. Consolidated Statements of Income

	<i>Millions of yen</i>	
	Nine months ended December 31, 2004	FY ended March 31, 2004
Net sales	274,881	348,838
Cost of sales.....	176,568	219,361
Gross profit.....	98,313	129,476
Reversal of reserve for sales returns.....	94	124
Addition to reserve for sales returns.....	44	94
Adjusted gross profit.....	98,363	129,506
Selling, general and administrative expenses.....	72,264	102,670
Operating income	26,099	26,836
Other income:		
Interest and dividend income.....	604	780
Income from equity method investments.....	426	552
Others.....	2,246	2,000
Sub-total.....	3,277	3,333
Other expenses:		
Interest expenses.....	183	803
Others.....	3,111	4,573
Sub-total.....	3,294	5,377
Recurring income	26,081	24,792
Extraordinary income.....	217	17,031
Extraordinary losses.....	(334)	(26,446)
Income before taxes	25,964	15,377
Corporate, local, and enterprise taxes.....	8,268	9,462
Corporate tax adjustment.....	2,308	(3,935)
Minority interests in consolidated subsidiaries.....	83	(167)
Net income	15,305	10,017

3. Segment information

Fiscal 2004 Q3 Segment information by business type (April 1, 2004 - December 31, 2004)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/Corporate	Consolidated
Net sales								
(1) Sales to external customers	119,791	39,159	54,300	30,125	31,505	274,881	--	274,881
(2) Inter-segment sales and transfers	1,054	5,788	3,364	3,985	12,567	26,760	(26,760)	--
Total sales	120,845	44,947	57,664	34,110	44,072	301,641	(26,760)	274,881
Operating expenses	106,056	39,569	54,597	32,473	42,766	275,462	(26,680)	248,782
Operating income	14,789	5,378	3,067	1,637	1,306	26,179	(79)	26,099

Fiscal 2003 Q3 Segment information by business type (April 1, 2003 - December 31, 2003)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/Corporate	Consolidated
Net sales:								
(1) Sales to external customers	111,044	47,137	46,402	32,193	33,112	269,890	--	269,890
(2) Inter-segment sales and transfers	780	6,447	4,020	3,476	13,854	28,579	(28,579)	--
Total sales	111,824	53,585	50,423	35,669	46,966	298,470	(29,579)	269,890
Operating expenses	100,617	47,562	48,451	34,103	45,771	275,507	(28,711)	247,795
Operating income	11,206	6,022	1,972	1,566	1,195	21,962	132	22,095

Fiscal 2003 Segment information by business type (April 1, 2003 - March 31, 2004)

Millions of yen

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Other	Total	Elimination/Corporate	Consolidated
Net sales:								
(1) Sales to external customers	141,382	60,904	61,829	41,393	43,327	348,838	--	348,838
(2) Inter-segment sales and transfers	1,498	8,290	5,069	4,518	19,578	39,955	(38,955)	--
Total sales	142,881	69,194	66,899	45,912	62,906	387,793	(38,955)	348,838
Operating expenses	130,937	60,347	64,005	44,258	61,139	360,688	(38,687)	322,001
Operating income	11,943	8,846	2,893	1,653	1,767	27,104	(268)	26,836

Note: From Fiscal 2004 segmental classifications have been partially amended. Figures for Fiscal 2003 Q3 and Fiscal 2003 have been adjusted to reflect the new classification.