

**FOR IMMEDIATE RELEASE**

**( This document has been directly translated from the original Japanese press release dated October 25, 2001 in Japan).**

Kyowa Hakko Kogyo Co., Ltd.

Otemachi 1-6-1, Chiyoda-ku,

Tokyo, Japan

Stock market code:4151

Listed on stock markets in: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo

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**Kyowa Hakko Announces Revision to Forecast of Consolidated and Non-consolidated Results for Year Ending March 2002**  
**-- Also announces recording of extraordinary profit and loss**

October 25, 2001 – Kyowa Hakko Kogyo Co., Ltd., announced that its consolidated and non-consolidated results for the first-half will be lower than the Company's previously stated estimates made on May 16, 2001 (at the announcement of the previous year's earnings) due to recent fluctuations in the business environment and the recording of an extraordinary profit and loss.

**I. Revision of forecasts of results for FY2002**

**(1) Revision of forecast of consolidated results**

Unit : millions of yen

	FY2002 April 1, 2001 – March 31, 2002						Results of year to March 31, 2001	
	New forecast (A)		Previous forecast (B)		Difference (A)-(B)		First half	Full year
	First half	Full year	First half	Full year	First half	Full year		
Net sales	191,500	387,000	193,000	390,000	(1,500) (0.8%)	(3,000) (0.8%)	188,112	375,609
Operating income	10,500	23,000					9,737	17,712
Recurring Profit	10,500	20,000	10,000	22,000	500 (5.0%)	(2,000) (9.1%)	10,235	16,611

Net income	(3,000)	8,000	5,000	11,000	(8,000) --	(3,000) (27.3%)	5,385	9,395
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(2) Revision of forecast of non-consolidated results

Unit : millions of yen

	FY2002 April 1, 2001 – March 31, 2002						Results of year to March 31, 2001	
	New forecast (A)		Previous forecast (B)		Difference (A)-(B)		First half	Full year
	First half	Full year	First half	Full year	First half	Full year		
Net sales	154,000	315,000	158,000	318,000	(4,000) (2.5%)	(3,000) (0.9%)	153,680	306,653
Operating income	9,300	20,500					9,217	17,264
Recurring Profit	9,400	20,000	9,500	20,500	(100) (1.1%)	(500) (2.4%)	10,094	17,970
Net income	(7,300)	8,500	5,000	11,000	(12,300) --	(2,500) (22.7%)	6,165	9,894

## II. Consolidated and non-consolidated results for the first-half

Kyowa Hakko continues to raise shareholder value through the reorganization of its operations and its commitment to management reform. After reviewing unprofitable business operations, such as the overseas L-lysine and food-grade nucleic acid divisions, the Company decided it will record an extraordinary loss this year of approximately 18 billion yen to consolidated results and 21 billion yen to non-consolidated results, thereby eliminating any risk of carrying over operational losses into the future,

As a result, consolidated and non-consolidated net income for the first-half will fall some way below the previously stated forecasts. The Company is therefore revising down its forecasts for the first half.

First-half consolidated net sales will be lower than previous forecasts due to the weakness of the domestic economy, though they are still expected to show a year-on-year increase. Operating income and recurring profit will also be higher than the previous year and will also exceed the Company's previous estimates. First-half non-consolidated net sales and recurring profit will be just under expectations, though operating income will be slightly higher than the previous forecasts.

### 1. Reason for the revision to first-half consolidated results

### Extraordinary loss reported due to reorganization of overseas operations

Biokyowa Inc. (U.S.A.) has been engaged in the business of amino acids for animal feed in the U.S. since its establishment in October 1982. However, due to an intensely competitive market, particularly in feed-grade L-lysine, performance has been sluggish .

Kyowa Foods Inc (U.S.A.) was originally established to manufacture and market food-grade nucleic acids, however market prices are steadily falling and it has been extremely difficult to maintain the profitability initially planned.

In addition, Fermentaciones Mexicanas, S.A. de C.V. (Fermex - Mexico) is engaged in the L-lysine business in Central and South America, though the operating environment is very difficult due to a downturn in the market, and the division has been unable to avoid posting losses.

Therefore, the Company decided to carry out a fundamental reorganization of the three companies involved in bulk feed-use amino acids. Biokyowa will next year cease manufacturing of feed-use L-lysine and switch to manufacturing higher value-added amino acids. At the same time, Kyowa Foods will reduce production capacity of food-use seasonings and convert its plant to make other products including higher value-added amino acids.

Finally, the Company is focusing on improving the profitability of Fermex, whose corporate value has fallen due to poor results, by improving the company's financial health through the reevaluation of its fixed assets and by reducing costs through the introduction of new technology.

The total expected costs associated with the reorganization of these overseas operations and other initiatives will come to about 18 billion yen, which the Company plans to record as an extraordinary loss.

Note: Following the cessation of production Feed grade L-lysine by Biokyowa Inc., Fermex and other plants will supply product to the North American market.

<Outline of overseas subsidiaries mentioned>

Biokyowa Inc.

Representative	President Kohta Fujiwara
Location	Cape Girardeau, Missouri
Established	Oct. 1, 1982
Main business	Manufacture and sale of feed-use amino acids
Employees	145
Capital	\$20 million
Shareholder ratio	Kyowa America, Inc. -- 100 percent Kyowa America, Inc. is a wholly-owned subsidiary of Kyowa Hakko Kogyo Co.,Ltd.

Kyowa Foods Inc.

Representative	President Kohta Fujiwara
Location	Cape Girardeau, Missouri
Established	May 21, 1998
Main business	Manufacture and sale of food-grade nucleic acids
Employees	58
Capital	\$20 million
Shareholder ratio	Kyowa America, Inc. 100 percent

Fermex

Representative	President Michinobu Inoue
Location	Mexico
Established	February 21, 1975
Main business	Manufacture and sale of feed-use amino acids
Employees	274
Capital	30.5 million Mexican pesos
Shareholder ratio	Kyowa Hakko Kogyo Co., Ltd. 100 percent

2 . Reason for revision of forecast of first-half non-consolidated results

Extraordinary loss recorded due to reorganization of overseas operations

Note: In accordance with the reorganization of the overseas subsidiary described in

section one above, the Company plans to record an extraordinary loss of about 21 billion yen this year.

### **III. Changes to the forecast of full-year consolidated and non-consolidated results, and recording of extraordinary profit.**

The Company has revised its forecast for consolidated and non-consolidated results due to the recording of approximately 13.5 billion yen extraordinary profit to consolidated results and a 17.5 billion yen extraordinary profit to non-consolidated results.

Full-year net sales, operating income and recurring profit are expected to be significantly higher than the previous year, especially profits. However, the Company expects them to be somewhat lower than the previously stated forecasts due to a delay in the recovery of profits from chemical products because of the weak domestic economy and a rise in raw material costs.

#### Gains as a result of the transfer of shares in affiliates

At the Board of Directors meeting on October 25, 2001, the Company agreed to transfer by the end of December 2001 the 40 percent stake it owns in Janssen-Kyowa Co., Ltd. following a request from Johnson & Johnson K.K. (a subsidiary of U.S. company Johnson & Johnson) and pertaining to their basic joint-venture contract (regarding Janssen-Kyowa's future independence)

As a result of selling the shares in the affiliate, the Company expects to record an extraordinary profit of 11.3 billion yen to consolidated results, and an extraordinary profit of 15.2 billion yen to non-consolidated results. Both companies expect to maintain their close relationship in future business transactions.

#### Outline of Janssen-Kyowa Co. Ltd.

Representative	President Ko Sekiguchi
Location	Higashi-Gotanda 3-1-5, Shinagawa-ku, Tokyo
Established	April 1, 1978
Main business	Development, manufacture and sale of pharmaceuticals and related products

Employees	857
Capital	1 billion yen
Kyowa Hakko ownership	40 percent
Voting shares	2 million

#### Other Extraordinary Gains

The Company expects to make gains on the sale of fixed assets and investments in securities.

#### **IV. Changes to the dividend payments for the first half and full year**

There will be no changes to the dividend payments for the first half or full year

The business environment is currently undergoing rapid changes, and competitive pressures are rising. Against this backdrop, Kyowa Hakko's core Pharmaceuticals division is seeing strong demand for its existing product line-up while also enjoying increased recognition for new products. In Bio-Chemicals, sales of raw materials for pharmaceutical and industrial use are continuing to grow, especially sales of amino acids and nucleic acid-related products. However, the Chemicals business has been affected by significant increases in the cost of raw materials and a slump in domestic demand, while the Liquor and Food business is also suffering from continued price-cutting. These factors have combined to make the operating environment extremely difficult. However, the Company will work to strengthen its marketing activities, develop and bring to market a range of new products, and achieve further cost reductions. This will improve the Company's business structure and raise shareholder value. The Company asks for your continued understanding and support to help it make this vision a reality.

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