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Kyowa Hakko Reports Earnings for Fiscal Year Ended March 31, 2002

Tokyo, May 15, 2002 – (JCN Newswire) – Kyowa Hakko Kogyo Co., Ltd., one of Japan's leading makers of pharmaceuticals and bio-chemicals, reported that sales for the full year ended March 31, 2002 rose 0.8 percent to 378.7 billion yen. Operating profit rose 14.9 percent to 20.4 billion yen, while net income fell 41.1 percent to 5.5 billion yen, or 12.75 yen per share.

“This year Kyowa Hakko made active efforts to streamline operations and reorganize both domestic and overseas operations to allow management to focus resources into core areas. Looking ahead, we have a number of promising pharmaceutical compounds undergoing clinical trials in the U.S. and Europe, including KW-6002 for the treatment of Parkinson's disease, and which we expect to drive growth in the future,” said Toshiaki Mizutani, manager of Kyowa Hakko's investor relations department.

- Sales rose 0.8 percent to 378.7 billion yen (\$3 billion)
- Operating profit rose 14.9 percent to 20.4 billion yen
- An extraordinary loss of 21 billion yen incurred from restructuring of U.S. operations led to a 41.1 percent fall in group net income to 5.5 billion yen
- Kyowa Hakko continues to cut costs and reorganize domestic operations.
- Profits from sale of alcohol business to Asahi Breweries Ltd. to be booked as an extraordinary gain in the coming fiscal year.

Kyowa Hakko incurred charges of 21 billion yen to reorganize operations overseas, and contributed to the decline in net income. U.S. subsidiary Biokyowa Inc. ceased

manufacturing feed-grade amino acid lysine and will instead focus on producing high added-value amino acids. Fermentaciones Mexicanas, S.A de C.V. of Mexico, responsible for the manufacture and sale of feed-grade amino acids, also aims to improve profitability by implementing new technologies.

During the period under review, Kyowa Hakko agreed to sell its alcohol beverage business to Asahi Breweries Ltd., subject to the approval of the general shareholders' meeting scheduled for the end of June 2002. Shares Kyowa Hakko owns in Saint Neige Wine Co., Ltd. and Satsuma-tsukasa Co., Ltd. will be transferred to Asahi Breweries. Kyowa Hakko decided to transfer the business as the operating environment for shochu, low alcohol beverages, wine and other products was becoming increasingly competitive due to the prolonged economic stagnation in Japan and the increasing popularity of low-priced beverages.

Segment performance:

Sales of the Pharmaceuticals business rose 800 million yen to 142.2 billion yen, while operating income fell 0.6 billion yen to 18.9 billion yen. Sales of Allelock, an anti-allergy agent, Itrizole, an oral antimycological agent, Depakene, an anti-epileptic, and Leukoprol, an agent for the treatment of white blood cell deficiency, all rose.

Two new products went on sale during the period under review; Meditrans Tape, a transdermal cardiovascular drug launched in October 2001, and Durotep Patch, a medication for persistent cancer pain that was launched in March 2002. Increased sales and marketing of these and other new products are expected to lead to an increase in sales over the year to March 2003, though increased costs from clinical trials of new products will lower operating profit.

Kyowa Hakko has six new compounds under development, including KW-6002 and KW-7158. KW-6002 is an A2A antagonist that provides a unique action in either mono or combination therapy with levodopa or dopamine agonists to improve the symptoms of Parkinson's disease without increasing dopaminergic-related side effects or inducing or worsening dyskinesia. The compound is currently undergoing Phase IIb trials in the U.S. KW-7158 is used to treat urinary incontinence and has reduced side effects compared to anti-cholinergic drugs, which are widely used at the moment. The compound is undergoing

Phase II trials in the U.S. and Europe.

Sales in the Bio-Chemicals division rose 5.1 percent to 55.4 billion yen, while operating income rose to 1.2 billion yen, reversing an operating loss of 2.4 billion yen from the year before. Sales and profits rose following increased demand for amino acids for use in health foods and beverages, while a fall in the value of the yen compared to the year before also helped to boost profitability. Sales of amino acids for pharmaceutical and industrial use in Japan and overseas are expected to increase over the coming year.

Chemicals

Sales of the Chemicals business fell to 60.4 billion yen, 0.4 percent lower than the year before due to weak demand in Japan and the slowdown in the information technology sector. However, steps to cut costs, a depreciation in the value of the yen and sales of new lubricant raw materials for use as environmentally-friendly CFC refrigerant substitutes helped the business to narrow its operating loss to 1.1 billion yen from a loss of 2.6 billion yen the year before. Kyowa Hakko expects further cost cutting to improve profitability in the coming fiscal year.

Sales of the Liquor and Food business improved 0.1 billion yen to 103.5 billion yen, though the negative performance of Kyowa Foods, Inc. in the U.S. led operating income to a loss of 0.4 billion yen.

Consumer concern about food health and safety increased following the discovery of cases of bovine spongiform encephalopathy (BSE, or mad-cow disease) during the year under review. This concern is expected to lead to increased demand for Kyowa Hakko's natural seasonings and confectionery and baking supplies during the coming fiscal year.

About Kyowa Hakko:

Kyowa Hakko discovers, develops, manufactures and markets prescription and health care medicines. In addition, Kyowa Hakko develops and manufactures one of the industry's most extensive lines of Amino Acids and related compounds, including D-Amino Acids and Branched Chain Amino Acids, as well as Nucleic Acids, Bio-Products, Fine Chemicals, Food Additives and Ingredients. Backed by more than half a century of manufacturing innovation, advanced

technology, and a commitment to research, Kyowa Hakko's products are known for high quality, reliability and cost-effectiveness.

Kyowa Hakko has distributed this press release to facilitate timely disclosure of information to its customers, stockholders, and investors. Under the "First Recipient of Insider Information" of the Japanese Securities and Exchange Law and regulations ("Laws"), those who view this information are prohibited from trading the Company's issued securities including stocks and convertible bonds until 3:00 a.m., May 16, 2002 (Japan Time), twelve hours after the information is released. Any person who violates such prohibition is subject to punishment under the Laws.

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