

May 15, 2002

Name Company: Kyowa Hakko Kogyo Co., Ltd.
Head Office: 1-6-1 Otemachi, Chiyoda-ku, Tokyo, Japan
Security Code: 4151
Listed on the First Section of Tokyo, Osaka &
Nagoya Stock Exchanges
Listed on Fukuoka and Sapporo Stock Exchanges
Contact: Keiichi Yoshihara
Manager, Corporate Communications Department
Phone: (03) 3282-0960

Outline of the 8th Medium-Term Management Plan “KYOWA BIO-INNOVATOR”

Kyowa Hakko Kogyo Co., Ltd. (President: Tadashi Hirata) has recently formulated Medium-Term Management Plan for the three-year period starting fiscal 2002.

Over the last few years the Company has substantially reorganized its business structure by concentrating its resources in businesses that have been carefully selected as core business areas.

Under this new Medium-Term Management Plan, the Company intends to further accelerate the process of selection and concentration in order to reorient itself as “BIO-INNOVATOR”, and contribute to the health and well being of people in the world in the field of life science, and thereby become recognized as a global company of the 21st Century.

I. Group Goals and Objectives

Kyowa Hakko is determined to take decisive actions in reforming its business structure. It will become a group company comprising independent business divisions with each having competitive advantage in the field of business it chooses to operate in.

1. Consolidated Financial Targets in Fiscal 2004

(in billion yen)

Net Sales	370.0
Operating Income	34.0
Recurring Profit	33.0
ROA (Operating Income/Total Assets)	8.0%

(Table 1) Consolidated Operating Results and Targets

(in billion yen)

	Fiscal 2001 Results	Fiscal 2004 Target	Change
Net Sales	378.6	370.0	(2%)
Operating Income	20.3	34.0	167%
Recurring Profit	18.9	33.0	174%

(Table 2) Consolidated Operating Results and Targets by Company

A) Net Sales

(in billion yen)

	Fiscal 2001 Results	Fiscal 2004 Target	Change
Pharmaceuticals	142.2	160.0	113%
Bio-Chemicals	55.4	59.0	106%
Chemicals	60.4	65.0	108%
Liquor/Food	103.5	64.0	(38%)
Other	59.7	69.0	116%
Adjustments	(42.8)	(47.0)	-----
Total	378.6	370.0	(2%)

Note: Net sales of Liquor/Food Company declined due to the planned sale of Liquor Division to Asahi Breweries, Ltd. in September 2002.

B) Operating Income

(in billion yen)

	Fiscal 2001 Results	Fiscal 2004 Target	Change
Pharmaceuticals	18.9	20.0	106%
Bio-Chemicals	1.2	6.0	500%
Chemicals	(1.1)	3.0	Significant improvement
Liquor/Food	(0.4)	3.0	Significant improvement
Other	1.7	2.0	118%
Total	20.3	34.0	167%

2. Management Reform**(1) Basic Policies of Reform**

- A. Kyowa Hakko has identified Pharmaceuticals as its core business, in which management resources will be invested on a priority basis, to secure stable income and to expand scale of operation.

- B. Kyowa Hakko identifies Bio-products as its growth business and seeks to expand income from this business based on life science and biochemical technology.

- C. Chemicals and Food will each strive to secure source of income that will enable them to maintain self-sustainable independent operations.

(2) Business Restructuring

- A. By April 2004, Kyowa Hakko will shift to a holding company structure with Pharmaceuticals as its core business.

- B. Kyowa Hakko will ensure thorough review and assessment of operating results of each SBU, subsidiary and affiliated company, and implement necessary measures to restructure unprofitable operations (including alliance and withdrawal.)

(3) Corporate Culture Reform

- A. Through CSMAX21 program (company-wide CS promotion campaign), the Company will seek to turn itself into truly customer-centric organization.
- B. The Company will adopt performance-based compensation program.

II Policies and Action Plans by Each Company

1 Pharmaceuticals Company

<Policy>

Kyowa Hakko has identified Pharmaceuticals as its core business, in which management resources will be invested on a priority basis, to secure stable income and to expand scale of operation.

Pharmaceuticals Company's financial targets include annual sales of ¥160 billion, annual operating income of ¥20 billion, future drug product assets of ¥270 billion and ROA of 14%

(Target year: fiscal 2004. Target figures are on consolidated basis)

Note: Pharmaceuticals Company will invest ¥100 billion in total in R&D in the next three years.

<Major Action Plans>

- Strengthen Pharmaceuticals Company's domestic marketing capabilities and maximize cash flows:
 - Pharmaceuticals Company will strive to increase sales of flagship products such as "Coniel", "Allelock" and "Celtect" by increasing the number of MR's and reinforcing the coverage of GP's and small to medium-sized HP's.
 - The Company will make efforts to establish Kyowa's image as "cancer experts" by deploying MR's specialized in cancer.
- Establish sales/marketing operations in overseas markets:
 - Pharmaceuticals Company will establish a subsidiary in Hong Kong, and introduce "Coniel" in the Chinese market.
 - Pharmaceuticals Company will start developing sales network in

overseas markets in accordance with the progress of development of KW-6002.

- Strategically launch new products and promote technology licensing
 - Sale of third party products under license, or acquisition of production/sales license for major compounds in late stage of development by third party producers.

- Reinforce overseas development capabilities and maximize future assets of the R & D pipeline
 - Pharmaceuticals Company will increase the number of R&D professionals at its overseas facilities and shorten development period through the introduction of “application documentation system (overseas FTM, and three-pillar safety system connecting Europe, the United States and Japan.)”

- Achieve future assets of ¥270 billion by concentrating its R&D resources on the core technologies in areas such as cancer, allergy and antibody.
 - Development of the antibody business.

2 Bio-Chemical Company

<Policy>

Bio-Chemical Company will aggressively expand fermented bulk product business for the industrial and health food amino acids as its core business (amino acids for medical/industrial use, nucleic acids and related compounds), and make best efforts to become a global leader in the field.

Bio-Chemical Company’s financial targets include annual sales of ¥59 billion, annual operating income of ¥6 billion and ROA of 8%.

(Target year: fiscal 2004. Target figures are on consolidated basis)

<Major Action Plans>

- Increase sales of amino acids for medical/industrial use (including health food) and develop new applications.

- Develop products with new functions and explore new markets

- Development of new applications for nucleic acids (sugar chain), peptides and other new products
- Streamline manufacturing facilities for bulk products, and reinforce/enhance competitive cost advantage.
 - Expansion of supply capacity and enhancement of competitive cost advantage through relocation of manufacturing base from Hofu plant and Ube plant in Japan to the United States.
- Vigorous reassessment of unprofitable operations.

3 Chemicals Company

<Policy>

Chemicals Company will strive to maintain profitable operation by reorganizing its business structure and implementing cost reduction measures including alliance with third parties.

Chemicals Company's financial targets include annual sales of ¥65 billion, annual operating income of ¥3 billion and ROA of 4%.

(Target year: fiscal 2004. Target figures are on consolidated basis)

<Major Action Plans>

- Fundamental restructuring of basic chemicals business through alliance and other measures.
 - Establish strong foothold at individual SBU level and pursue survivor's merit.
- Further expand specialty chemicals and achieve annual sales of ¥10 billion.
 - Expand sales of environmental protection/conservation products such as specialty solvents.
 - Aggressive expansion of business in future growth areas such as electronic materials.
- Implement rigorous cost reduction measures by rationalizing purchase of raw materials, distribution channels and production methods

4 Food Company

<Policy>

Food Company will place natural seasonings as its core business and treat bakery products and ingredients as well as health food products as its sub-core business. Food Company will make best efforts to expand these core/sub-core businesses, and increase sales and profit through cost reduction measures.

Food Company's financial targets include annual sales of ¥59 billion, annual operating income of ¥3 billion and ROA of 8%

(Target year: fiscal 2004. Target figures are on consolidated basis)

<Major Action Plans>

- Increase sales of existing products and develop/introduce unique new product.
 - Natural seasonings, their peripheral products, and functional health foods

- Optimize location of manufacturing facilities

NOTE:

This document is a translation of Japanese-language original, which was released May 15, 2002 in Japan. The forecasts above are based on the information available to management on the date of the announcement. Actual results can differ materially from these projections for a wide variety of reasons.