

the operating environment conditions challenging. Despite this, operating income in this segment was broadly in line with our original expectations. Sales in our Bio-Chemicals Business rose, driven mainly by increased sales of pharmaceutical-, food-, and industrial-use amino acids, and operating income in this segment exceeded expectations. In the Chemicals Business sales volumes were lower than expected because of disruptions at factories of our main raw materials suppliers. However, improved product features and product price increases meant that sales and operating income both exceeded expectations. In the Food Business, sales of health foods and processed foods remained strong although seasonings continued to suffer from the effects of weak consumer spending and ongoing price declines. Operating income of the segment was broadly in line with our expectations.

For reference:

Results by segment for the first quarter of fiscal 2003

Millions of yen (rounded down)

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Others	Total	Eliminations and all company	Consolidated
Sales	34,799	17,120	16,022	14,400	15,005	97,349	(9,610)	87,738
Operating income	1,920	2,123	697	379	414	5,536	(56)	5,479

Non-consolidated Business Performance

	Three Months to June 30, 2003	Three Months to June 30, 2002	YOY Change %	Year Ended March 31, 2003
Net sales	70,418			294,277
Operating income	3,513			12,214

(2) There were no factors that had a significant impact on the financial condition of the group or on its business results during the three-month period under review.

3. There are no changes to the consolidated results forecast for the year ending March 31, 2004 announced on May 14, 2003.

Summary of business performance:

The outlook for the economy from the second quarter of the year ending March 31, 2004 is unclear. While we expect the operating environment of the Group to be very challenging, we also expect results to be largely in line with expectations, as they were in the first quarter.

Over three years ago, on June 7, 2000, the European Commission decided to fine the Company and our subsidiary Kyowa Hakko Europe GmbH 13.2 million euros, with allegations that they had violated EU Competition law due to their involvement in a cartel for the sales of amino acid lysine. Of this total, 1.12 million euros was recorded in the consolidated and non-consolidated balance sheets for the year ended March 31, 2003 as an accrued liability. On July 9, 2003 the Court of First Instance of the European Community confirmed the amount of the fine, and this decision was accepted by the board of directors of Kyowa Hakko at a meeting on July 29. The Company plans to record the difference between the accrued liability and the amount of the fine to be paid to the European Commission plus any related costs as an extraordinary loss in the interim financial statements for the six months to September 30, 2003.

At the same meeting of the board of directors the Company decided to dissolve its Mexican subsidiary FERMENTACIONES MEXICANAS, S.A. DE C.V. In view of its recent performance, revaluation losses on the investment in the subsidiary company were recognized as extraordinary losses as part of losses related to restructuring of overseas operations, in Kyowa Hakko's financial statements, both consolidated and non-consolidated, for the previous term. However, there is also a possibility that the subsidiary company will incur additional costs and expenses in the process of liquidation.

In the current unpredictable operating environment circumstances may arise that necessitate revisions to our consolidated and non-consolidated results forecasts for the six months to September 30, 2003 and the full year to March 31, 2004 that were released on May 14, 2003. Any such revisions will be disclosed accordingly.

*forward-looking statements are based on information currently available to management. Please be aware that actual results can differ materially from these projections for a wide variety of reasons.

Note:

This document is an English translation on the original Japanese press release that was filed at the Tokyo Stock Exchange in Japan on August 8, 2003.