



Nine-Month Performance Update For The Year Ending March 31, 2004

Kyowa Hakko Kogyo Co., Ltd.

February 9, 2004

Stock Code:	4151	Listed Exchanges:	Tokyo, Osaka, Nagoya,
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1. Notes relating to the preparation etc. of quarterly business performance updates

- a) There is one difference in the accounting treatments applied for this quarter compared to the previous fiscal year.

Details of difference:

No adjustments for cost variance were applied for this quarter

- b) One company was excluded from the scope of consolidation.
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2. Results for the nine months to December 31, 2003

- (1) Progress of consolidated business performance

Millions of yen - Amounts less than 1 million yen have been ignored

	Nine Months to December 31, 2003	Nine Months to December 31, 2002	YOY Change %	Year Ended March 31, 2003
Net sales	269,890	==		359,284
Operating income	22,095	==		16,088

Notes: Net sales and operating income are the total of sales made during the aforementioned period

Because this is the first year quarterly results have been disclosed, year-on-year comparisons are unavailable

Summary of material information consolidated business performance:

For the nine-month period net sales came to 269.8 billion yen and operating income was 22 billion yen, and we are on track to achieve our forecasts for the full year. In the Pharmaceuticals Business, sales grew for two core products: *Coniel*, a treatment for hypertension and angina, and *Allelock*, an anti-allergy agent. Additionally, sales of *Durotep Patch*, which relieves persistent cancer pain, also increased steadily.

In the Bio-Chemicals Business, sales of raw materials for pharmaceuticals, food, and industrial use

performed well. In the Chemicals Business, operations at one of our manufacturing subsidiaries ceased temporarily in December. However it had only a minor effect on earnings because of higher sales of functional products and an improvement in product prices.

In the Food Business, the overall industry environment grew more severe although efforts made to expand sales of core products and cut costs in line with our profit driven strategy enabled us to record sales in line with forecasts.

For reference:

Results by segment for the nine-month period of fiscal 2003

Millions of yen - Amounts less than 1 million yen have been ignored

	Pharmaceuticals	Bio-Chemicals	Chemicals	Food	Others	Total	Eliminations and all company	Consolidated
Sales	111,810	46,026	50,423	43,655	47,169	299,085	(29,195)	269,890
Operating income	11,168	5,927	1,972	1,768	1,209	22,045	49	22,095

Notes: The name of the Liquor and Food Business was changed to Food following the transfer of the Alcoholic Beverage Business during the previous consolidated fiscal year.

Non-consolidated Business Performance

Millions of yen - Amounts less than 1 million yen have been ignored

	Nine Months to December 31, 2003	Nine Months to December 31, 2002	YOY Change %	Year Ended March 31, 2003
Net sales	220,023	==	=	294,277
Operating income	16,464	==	=	12,214

(2) The following factors had a significant impact on the group's financial condition or its business results during the three-month period to December 31, 2003.

1. On October 24, 2003, to reduce interest-bearing liabilities, the Company concluded a trust-based underwriting contract against corporate bond obligations, which raised the necessary funds to pay principal and interest.

As a result, we were able to account for a ¥33 billion face value reduction in corporate debt and report



redemption losses of ¥680 million.

2. We sold a part of our holdings of marketable securities, recording ¥8,512 million as a gain on sale of investment securities.

3. During the three months to December 31, 2003, we implemented a preferential system for early retirees, aimed at expanding the life options available to our employees, while also making provisions for payments, in the form of additional severance pay, to support those who decided to switch to employment outside or become independent of the group before the standard retirement age, as well as a series of programs to support the activities of those looking for reemployment. Some 137 employees signed up for the early-retirement plan, and as a result we plan to report approximately 1.5 billion yen in early-retirement support costs in this fiscal year.

4. On December 11, 2003, Kyowa Hakko transferred all the shares it held in FERMENTACIONES MEXICANAS, S.A. DE C.V., a consolidated subsidiary, to SAFMEX, S.A. DE C.V. as per an agreement it concluded with SAFMEX on December 5, 2003. Kyowa Hakko recorded an extraordinary loss in the first half of the year ending March 31, 2004 on a consolidated and non-consolidated basis against expected losses connected with the proposed liquidation of the subsidiary. However, it is necessary to revise estimates of the costs related to Kyowa Hakko completing its withdrawal from the feed-use amino acid business in Mexico as well as the sale of these equity holdings in the aforementioned subsidiary. The new costs are currently being estimated.

3. There are no changes to the consolidated results forecast for the year ending March 31, 2004 announced on November 11, 2003.

Summary of business performance expectations for the year ending March 31, 2004:

We do not expect any sharp improvement in the economic environment in the fourth quarter, and the outlook for the economy will, as expected, remain unclear. Since net sales and operating income during the third quarter of the year ending March 31, 2004 were in line with expectations, there are no changes to the full-year forecasts, announced previously. Circumstances may arise that necessitate revisions to our previously announced performance forecasts for the full year to March 31, 2004, based on the impact of extraordinary profits or losses. 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.