

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2001

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

May 17, 2001

Kuraya Sanseido Inc.
7-15, Yaesu 2-chome
Chuo-ku, Tokyo 104-8464, Japan

Stock exchange listings: Tokyo, Osaka
Code number: 7459
Board of Directors meeting: May 17, 2001

1. Results for Fiscal 2001 (April 1, 2000-March 31, 2001)

On April 1, 2000, the Company merged with Kuraya Corporation and Tokyo Pharmaceutical Co., Ltd. Therefore, year-on-year comparisons for the year ended March 31, 2001 are not shown.

(1) Sales and Income

Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2001	1,073,015	—	1,949	—	5,403	—
Fiscal 2000	272,472	—	1,918	—	2,940	—

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/total assets (%)	Ordinary income/net sales (%)
Fiscal 2001	1,337	—	9.80	9.02	1.1	0.9	0.5
Fiscal 2000	1,560	—	28.15	—	2.5	1.8	1.1

Notes: 1. Equity in earnings of affiliates: ¥— million (Fiscal 2000: ¥— million)

2. Average number of shares outstanding (consolidated): 136,409,788 shares (Fiscal 2000: 55,417,927 shares)

3. Changes in accounting methods: None

4. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/ total assets [%]	Shareholders' equity per share (¥)
Fiscal 2001	652,367	122,991	18.9	899.68
Fiscal 2000	163,827	61,630	37.6	1,112.10

Note: Number of shares outstanding at end of period (consolidated): 136,705,718 shares (Fiscal 2000: 55,417,986 shares)

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash used in investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2001	22,384	(2,890)	(9,247)	70,758
Fiscal 2000	3,842	(3,393)	(722)	28,152

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 12 companies
Unconsolidated subsidiaries accounted for by the equity method: None
Affiliated companies accounted for by the equity method: None

(5) Changes in scope of consolidation and application of the equity method:

Consolidation: (New) 11 companies
(Eliminated) None
Equity method: (New) None
(Eliminated) None

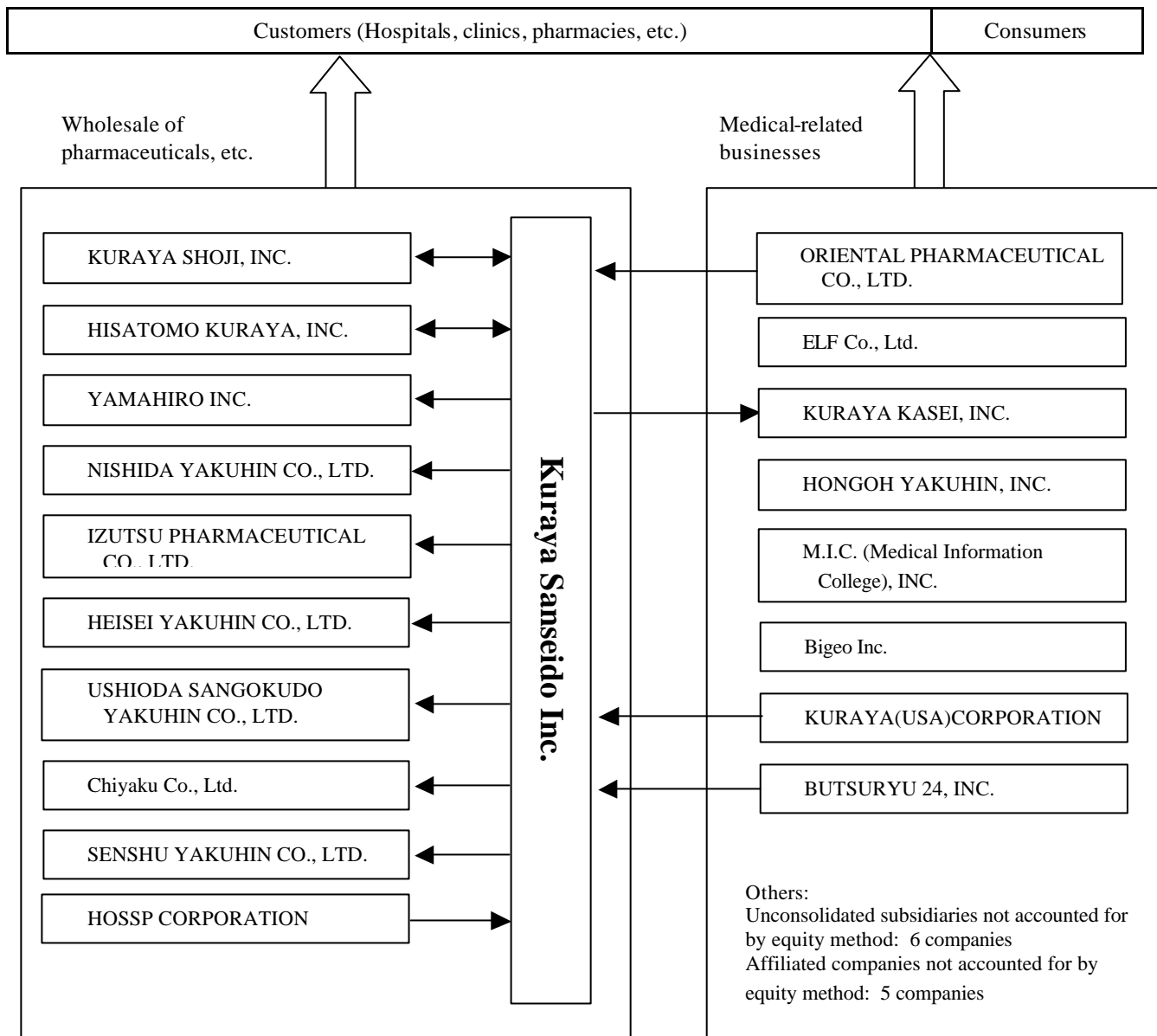
2. Projected Results for Fiscal 2002 (April 1, 2001-March 31, 2002)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	604,100	3,600	100
Fiscal 2002	1,239,800	7,200	1,300

Reference: Estimated earnings per share (fiscal 2002): ¥9.51

1. Corporate Group

The Kuraya Sanseido Group consists of 23 consolidated subsidiaries and 6 affiliates. The group companies primarily engage in sales of pharmaceuticals and the supply of services. The positioning and organization of group companies are shown in the flow chart below.



Consolidated subsidiary
 Unconsolidated subsidiary not accounted for by equity method
 Affiliated company not accounted for by equity method

Note: HISATOMO KURAYA, INC. is scheduled to merge with the Company and be dissolved on October 1, 2001.

Overview of Subsidiaries

Company name	Address	Capital (¥ million)	Principal business	Percentage of voting rights (%)	Transactions
ELF Co., Ltd.	Fukushima-ku, Osaka	95	Medical-related business	78.9	Loan of funds; directors in common with Kuraya Sanseido
KURAYA SHOJI, INC.	Sumida-ku, Tokyo	65	Wholesale of pharmaceuticals, etc.	100.0	Stocking and sale of products; payment of expenses; guarantee of debt; directors in common with Kuraya Sanseido
HISATOMO KURAYA, INC.	Bunkyo-ku, Tokyo	40	Wholesale of pharmaceuticals, etc.	100.0	Stocking and sale of products; loan of facilities; guarantee of debt; directors in common with Kuraya Sanseido
ORIENTAL PHARMACEUTICAL CO., LTD.	Tendo, Yamagata	90	Medical-related business	90.6	Stocking of products; loan of facilities; guarantee of debt; directors in common with Kuraya Sanseido
KURAYA KASEI, INC.	Nagano, Nagano	20	Medical-related business	100.0	Loan of facilities; guarantee of debt; directors in common with Kuraya Sanseido
YAMAHIRO INC.	Nakakoma-gun, Yamanashi	57	Wholesale of pharmaceuticals, etc.	100.0	Sale of products; directors in common with Kuraya Sanseido
NISHIDA YAKUHIN CO., LTD	Asahikawa, Hokkaido	16	Wholesale of pharmaceuticals, etc.	99.2	Sale of products; guarantee of debt; directors in common with Kuraya Sanseido
IZUTSU PHARMACEUTICAL CO., LTD.	Nakagyou-ku, Kyoto	118	Wholesale of pharmaceuticals, etc.	51.0	Sale of products; directors in common with Kuraya Sanseido
HEISEI YAKUHIN CO., LTD.	Gifu, Gifu	809	Wholesale of pharmaceuticals, etc.	51.0	Sale of products; directors in common with Kuraya Sanseido
USHIODA SANGOKUDO YAKUHIN CO., LTD.	Mito, Ibaraki	98	Wholesale of pharmaceuticals, etc.	50.1	Sale of products
Chiyaku Co., Ltd.	Chuo-ku, Chiba	133	Wholesale of pharmaceuticals, etc.	51.0	Sale of products; directors in common with Kuraya Sanseido
SENSHU YAKUHIN CO., LTD.	Akita, Akita	400	Wholesale of pharmaceuticals, etc.	100.0	Sale of products; loan of funds; directors in common with Kuraya Sanseido

2. Management Policies

As the finances of the national health insurance system tighten due to factors such as the graying population, measures to improve the quality of medical care and contain medical costs are being implemented and considered. The structure of the healthcare industry itself, including the pharmaceutical wholesale business, is undergoing major changes.

In view of these conditions, effective April 1, 2000, three companies — Kobe-based Sanseido Co., Ltd. and Tokyo-based Kuraya Corporation and Tokyo Pharmaceutical Co., Ltd. — merged to create a new company, Kuraya Sanseido Inc. The purpose of the merger was to better meet the increasingly diverse and sophisticated needs of our customers, primarily medical institutions, as well as our manufacturing suppliers.

In addition, the Company acquired more than 50 percent of the shares of IZUTSU PHARMACEUTICAL CO., LTD. (Kyoto), HEISEI YAKUHIN CO., LTD. (Gifu), USHIODA SANGOKUDO YAKUHIN CO., LTD. (Mito) and Chiyaku Co., Ltd. (Chiba), to cooperate with them as Group companies and further strengthen the Kuraya Sanseido Group. We also took over the pharmaceutical wholesale business of subsidiary SENSU YAKUHIN CO., LTD. (Akita).

As of March 31, 2001, the Kuraya Sanseido Group included 12 consolidated subsidiaries.

(1) Basic Management Policy

The corporate philosophy of Kuraya Sanseido is to create marketing value by repaying the trust placed in us by people who desire good health and those who can help provide it. Based on this philosophy, the Kuraya Sanseido group is shifting from its previous operating framework to establish new functions and roles that match the needs of society from a broader perspective.

(2) Basic Policy for Distribution of Profits

By increasing profitability, the Company strives to generate higher retained earnings for use in future business development and strengthening of operations, while also providing stable dividends to shareholders.

(3) Measures Related to Administrative Reorganization

The number of directors was reduced in order to add vitality to the Board of Directors and speed up the decision-making process. In addition, an Executive Officer system was introduced to clearly separate management decision-making and auditing functions from business execution functions.

(4) Medium- and Long-Term Management Strategies

The Kuraya Sanseido Group aims to fully realize the benefits of the merger in order as early as possible to create a wholesale company that will grow and develop in the twenty-first century. To that end, we formulated the medium-term management plan for the three years ending in March 2003.

1) Strengthen Sales by Restructuring Resources

We will reallocate personnel to boost sales strength in areas where our market share is low, as well as increase the capabilities of marketing staff to enhance sales activities and strengthen purchasing power. We will also take steps to upgrade systems related to logistics, information and customer support to facilitate sales development.

2) Lower Costs by Restructuring Our Business

We will consider consolidating regionally overlapping sales bases. In addition, we will fundamentally review operations to streamline our organization and reduce personnel, and will implement measures to eliminate cost overlaps within the Group.

3) Strengthen Development by Restructuring Functions

We will remain attuned to a wide variety of customer needs, and use this understanding to promote the development of new business models that effectively weave together information technology with the Group's distribution and information functions.

We opened new sales offices last year in Fujieda, Shizuoka Prefecture and Kita-ku, Tokyo, in July and October, respectively, to reinforce the foundation for our sales activities. To strengthen and upgrade the efficiency of sales operations in areas that overlap within the Group, we transferred certain sales operations to and from HEISEI YAKUHI CO., LTD. We also made organizational changes aimed at ensuring smooth management of transactions between Group companies. Furthermore, we launched the Special Committee on IT Strategy to strengthen creation of new business models.

In January 2001, we established Bigeo Inc. as a wholly owned subsidiary primarily engaged in the business of leasing medical gowns. This reflects our commitment to providing services that help customers improve their business efficiency.

In November 2000, we entered into a three-way business tie-up with ATOL CO., LTD. in Fukuoka, and EVERLTH Co., Ltd. in Hiroshima. Aimed at strengthening the management foundations of the companies for growth and development together in the twenty-first century, the tie-up involves research and development related to management objectives and joint use of the results. It will thus support our efforts to develop and reinforce the functions expected of us by society as a pharmaceutical distributor.

3. Business Results

(1) Summary of the Past Fiscal Year

In the pharmaceutical industry, a 7 percent real reduction in National Health Insurance price standards for ethical drugs was implemented in April 2000. This has led to prolonged price negotiations between pharmaceutical wholesalers and medical institutions, as prices of ethical drugs have fallen. Meanwhile, despite the advance of the graying society and the launch of new drugs with strong market potential, growth in the overall market weakened due to lower-than-normal seasonal demand from influenza and other factors.

Under these circumstances, the Kuraya Sanseido Group placed priority on the smooth succession of business with customers and the fusion of operations within the company and the Group. In addition, we took measures to boost the efficiency of sales activities and clarify roles in each area. We also expanded our supplier base to reduce purchasing costs and streamlined systems within the company to reduce the number of indirect personnel.

As a result of these factors, consolidated net sales for the year ended March 31, 2001 were ¥1,073,015 million, consolidated ordinary income was ¥5,403 million and consolidated net income was ¥1,337 million.

Capital investment totaled ¥4,287 million, and was used mainly for the expansion of distribution facilities at the Nishi Nippon Distribution Center. Funding for capital investment was wholly covered by funds on hand.

(2) Outlook for the Current Fiscal Year

Amid major changes in the market environment, the Kuraya Sanseido Group will strengthen sales activities that take advantage of the Company's scale, promote joint purchasing, and upgrade functions related to logistics, information and customer support. In addition, we will work to swiftly develop business based on an accurate grasp of wide-ranging needs in healthcare-related fields such as nursing care.

In order to streamline operations and build a stronger corporate structure, we will carry out cost-cutting measures with a focus on speed. Measures will include reducing personnel by offering an early retirement plan.

By strongly implementing the above initiatives, we aim to increase the Company's competitiveness and secure stable profits.

For the year ending March 31, 2002, we project net sales of ¥1,239,800 million, consolidated ordinary income of ¥7,200 million and consolidated net income of ¥1,300 million.

4-1. Consolidated Balance Sheets

ASSETS

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of March 31, 2000	
ASSETS	652,367	100.0%	163,827	100.0%
Current assets	497,308	76.2	117,360	71.6
Cash and deposits	73,914		28,583	
Notes and accounts receivable	339,147		70,742	
Marketable securities	13		—	
Inventories	54,700		10,930	
Deferred income taxes	1,617		388	
Accrued income	30,891		6,879	
Other current assets	1,516		295	
Allowance for doubtful receivables	(4,493)		(459)	
Fixed assets	155,059	23.8	46,467	28.4
Tangible fixed assets:	116,852	17.9	42,245	25.8
Buildings and structures	40,491		15,873	
Land	69,922		23,987	
Construction in progress	2,874		48	
Other tangible fixed assets	3,563		2,336	
Intangible fixed assets:	5,072	0.8	125	0.1
Software	799		—	
Goodwill	3,498		—	
Other intangible fixed assets	773		125	
Investments and other assets:	33,134	5.1	4,095	2.5
Investment securities	15,469		2,052	
Long-term loans	658		429	
Deferred income taxes	5,029		461	
Other	17,434		1,709	
Allowance for doubtful receivables	(5,456)		(557)	
Total assets	652,367	100.0	163,827	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of March 31, 2000	
LIABILITIES	524,509	80.4%	102,193	62.4%
Current liabilities:	480,236	73.6	100,823	61.6
Notes and accounts payable	444,666		95,551	
Short-term loans	15,330		—	
Current portion of long-term debt	1,622		—	
Current portion of bonds	300		—	
Accrued income taxes	851		575	
Reserve for bonuses	6,507		1,922	
Allowance for losses on sales returns	756		141	
Other current liabilities	10,202		2,631	
Long-term liabilities:	44,273	6.8	1,370	0.8
Convertible bonds	22,525		—	
Long-term debt	2,903		—	
Guarantee deposits	559		521	
Reserve for retirement allowances	—		18	
Reserve for retirement benefits	15,894		—	
Allowance for directors' retirement bonuses	1,789		831	
Allowance for losses on debt guarantees	323		—	
Other long-term liabilities	277		—	
MINORITY INTERESTS	4,866	0.7	3	0.0
Minority interests	4,866	0.7	3	0.0
SHAREHOLDERS' EQUITY	122,991	18.9	61,630	37.6
Common stock	11,152	1.7	6,928	4.2
Capital reserve	24,321	3.7	6,034	3.7
Consolidated retained earnings	83,241	12.8	48,666	29.7
Unrealized gain on securities	4,276	0.7	—	—
Treasury stock	(0)	(0.0)	(0)	(0.0)
Total liabilities, minority interests and shareholders' equity	652,367	100.0	163,827	100.0

4-2. Consolidated Statements of Income

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001		Year ended March 31, 2000	
Net sales	1,073,015	100.0%	272,472	100.0%
Cost of sales	976,181	91.0	244,145	89.6
Provision for losses on sales returns	92	0.0	(1)	(0.0)
Gross profit	96,741	9.0	28,328	10.4
Selling, general and administrative expenses	94,791	8.8	26,409	9.7
Operating income	1,949	0.2	1,918	0.7
Non-operating income:	4,882	0.4	1,774	0.7
Interest income	199		67	
Dividend income	123		44	
Research fee income	2,424		661	
Real estate rental income	960		672	
Other non-operating income	1,175		328	
Non-operating expenses:	1,428	0.1	752	0.3
Interest expense	484		9	
Real estate rental expenses	782		734	
Other non-operating expenses	160		8	
Ordinary income	5,403	0.5	2,940	1.1
Extraordinary gain:	1,048	0.1	268	0.1
Gain on sales of fixed assets	32		93	
Gain on sales of investment securities	671		—	
Reversal of allowance for doubtful accounts	—		175	
Surplus upon adoption of retirement benefit accounting standards	332		—	
Reversal of allowance for losses on debt guarantees	11		—	
Extraordinary loss:	2,749	0.3	200	0.1
Loss on disposal of fixed assets	294		156	
Loss on sale of investment securities	1		—	
Loss on valuation of investment securities	546		—	
Loss on valuation of golf memberships	692		—	
Expenses related to reorganization of sales offices	1,214		—	
Loss on reorganization of affiliates	—		44	
Income before income taxes and minority interests	3,702	0.3	3,008	1.1
Current income taxes	1,326	0.1	1,041	0.4
Deferred income taxes	984	0.1	423	0.1
Gain in minority interests	53	0.0	—	—
Loss in minority interests	—	—	16	0.0
Net income	1,337	0.1	1,560	0.6

4-3. Consolidated Statements of Retained Earnings

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001	Year ended March 31, 2000
Balance, beginning of year	48,666	47,882
Increase	34,478	—
Increase due to merger	33,619	—
Increase due to increase in number of consolidated subsidiaries	858	—
Deductions	1,241	775
Cash dividends paid	1,155	720
Bonuses to directors and corporate auditors	86	55
[Bonuses to corporate auditors]	[7]	[5]
Net income	1,337	1,560
Balance, end of year	83,241	48,666

4-4. Consolidated Statements of Cash Flows

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001	Year ended March 31, 2000
Cash flow from operating activities		
Income before income taxes and other adjustments	3,702	3,008
Depreciation and amortization	4,024	1,949
Amortization of goodwill	165	0
Reversal of employees' retirement allowances	(12,431)	(732)
Provision for employees' retirement benefits	12,390	—
(Reversal of) provision for reserve for directors' retirement bonuses	(781)	86
(Reversal of) provision for allowance for bonuses	(110)	271
Provision for (reversal of) allowance for doubtful receivables	513	(208)
Provision for (reversal of) reserve for losses on sales returns	92	(1)
Provision for allowance for losses on debt guarantees	(11)	—
(Reversal of) provision for reserve for investment losses	(1,090)	—
Net interest and dividend income	(322)	(111)
Interest paid	484	9
Gain on foreign currency translation	(18)	—
Loss on disposal of fixed assets	717	70
(Gain) loss on marketable securities	(123)	23
Loss on valuation of golf memberships	692	—
Increase in trade receivables	(3,951)	(536)
Increase in inventories	(5,803)	(1,191)
Increase in other assets	(291)	(1,566)
Increase in notes and accounts payable	26,176	4,385
Increase in accrued consumption tax payable	0	443
Increase in other liabilities	1,327	264
Bonuses paid to directors	(176)	(55)
Subtotal	25,174	6,112
Interest and dividends received	300	114
Interest paid	(480)	(9)
Income taxes paid	(2,610)	(2,374)
Net cash provided by operating activities	22,384	3,842
Cash flow from investing activities		
Increase in time deposits	(1,718)	—
Proceeds from redemption of time deposits	2,005	—
Payment for purchases of property, plant and equipment	(4,287)	(3,182)
Proceeds from sales of property, plant and equipment	650	194
Payment for purchases of marketable securities	(625)	(51)
Proceeds from sales of marketable securities	973	4
Proceeds from purchases of stocks in subsidiaries related to change in scope of consolidation	4,412	—
Payment for issuance of loans	(3,825)	(406)
Proceeds from recovery of loans	140	18
Other payments	(616)	—
Other proceeds	—	28
Net cash used in investing activities	(2,890)	(3,393)
Cash flow from financing activities		
Net decrease in short-term bank loans	(7,083)	—
Proceeds from long-term debt	1,470	—
Repayment of long-term debt	(1,602)	—
Payment for redemption of bonds	(500)	—
Payment for redemption of convertible bonds	(0)	—
Payment for purchases of treasury stock	(12)	(1)
Proceeds from sale of treasury stock	66	1
Dividends paid by parent company	(1,150)	(722)
Payment of merger acquisition costs by parent company	(426)	—
Dividends paid to minority shareholders	(8)	—
Net cash used in financing activities	(9,247)	(722)
Effect of translation gain/loss on cash and cash equivalents	18	—
Net increase (decrease) in cash and cash equivalents	10,264	(273)
Cash and cash equivalents, beginning of period	28,152	28,398
Increase in cash and equivalents due to merger	30,312	—
Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	2,028	27
Cash and cash equivalents, end of period	70,758	28,152

4-5. Preparation of the Consolidated Financial Statements

(1) Scope of Consolidation

1. Number of Consolidated Subsidiaries: 12 companies

ELF Co., Ltd., KURAYA SHOJI, INC., HISATOMO KURAYA, INC., ORIENTAL PHARMACEUTICAL CO., LTD., KURAYA KASEI, INC., YAMAHIRO INC., NISHIDA YAKUHIN CO., LTD., IZUTSU PHARMACEUTICAL CO., LTD., HEISEI YAKUHIN CO., LTD., USHIODA SANGOKUDO YAKUHIN CO., LTD., Chiyaku Co., Ltd., and Chiba Yakuhin Co., Ltd.

KURAYA SHOJI, INC., HISATOMO KURAYA, INC., ORIENTAL PHARMACEUTICAL CO., LTD., KURAYA KASEI, INC. and YAMAHIRO INC. were added to consolidation as a result of the April 1, 2000 merger with Kuraya Corporation and Tokyo Pharmaceutical Co., Ltd.

NISHIDA YAKUHIN CO., LTD. has been included in the scope of consolidation because of its increased strategic importance, and IZUTSU PHARMACEUTICAL CO., LTD., HEISEI YAKUHIN CO., LTD., USHIODA SANGOKUDO YAKUHIN CO., LTD., Chiyaku Co., Ltd., and SENSHU YAKUHIN CO., LTD. were included in the scope of consolidation because the Company had de facto control over them during the consolidated fiscal year. However, SENSHU YAKUHIN CO., LTD. was consolidated only in the balance sheets because the acquisition date was considered to be the consolidated account settlement date.

2. Unconsolidated Subsidiaries

Significant unconsolidated subsidiaries:

HONGOYAKUHIN, INC. and M.I.C. INC.

Reason for exclusion from consolidation:

The total assets, net sales, net income and retained earnings of each of the unconsolidated subsidiaries omitted from consolidation are minor and would not have a material effect on the consolidated financial statements.

(2) Application of the Equity Method

1. The equity method is not applied to any unconsolidated subsidiaries or affiliated companies.

2. The equity method is not applied to unconsolidated subsidiary M.I.C. INC. and to affiliated companies Inter Pharcom Co., Ltd., HOSSP CORPORATION and others, as the net income and retained earnings of these companies would not have a material effect on the consolidated financial statements, and the importance of these companies in the aggregate is not significant.

(3) Accounting Periods of Consolidated Subsidiaries

The accounting periods of all consolidated subsidiaries end on the consolidated account settlement date.

(4) Accounting Standards

1. Accounting standards for valuation of major assets

(a) Valuation of Inventories

Valued at cost using the first-in first-out method

(b) Valuation of Securities

Other marketable securities:

Securities quoted on stock exchanges: Valued at market based on market prices at the account settlement date (valuation differences are fully capitalized and selling prices are computed using the moving-average method)

Other securities: Valued at cost using the moving-average method

2. Method of Depreciation of Major Depreciable Assets

Depreciation of fixed assets

(a) Tangible fixed assets

The Company and its consolidated subsidiaries primarily use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed. Estimated useful lives are primarily 5-50 years for buildings and structures and 2-17 years for machinery and equipment and tools, furniture and fixtures.

(b) Intangible fixed assets

The Company and its consolidated subsidiaries primarily use the straight-line method. However, software for internal use is depreciated using the straight-line method based on the estimated useful life within the company (5 years).

(c) Long-term prepaid expenses

Long-term prepaid expenses are primarily amortized using the moving-average method.

3. Accounting Standards for Major Reserves

(a) Allowance for doubtful accounts

An allowance for doubtful accounts is provided in amounts deemed necessary to cover possible losses. It comprises the amount calculated in accordance with the corporate income tax regulations and the amount estimated to be uncollectible on an individual basis.

(b) Reserve for bonuses

To provide for payment of bonuses to employees, a consolidated reserve is set aside in the estimated amount required to be paid for the period.

(c) Allowance for losses on sales returns

An allowance for losses on sales returns is provided based on the amount of trade receivables at the balance sheet date, multiplied by the actual rate of returns and the sales profit rate.

(d) Reserve for retirement benefits:

The Company and three of its consolidated subsidiaries provide for employees' retirement benefits in the estimated amount required to be paid at the consolidated balance sheet date, less the estimated fair value of pension assets related to contributory pension plans.

Seven consolidated subsidiaries employ contributory pension plans in the amounts which would be required if all eligible employees voluntarily retired at the balance sheet date, less the estimated fair value of pension assets.

Two other consolidated subsidiaries provide for retirement benefits in the amounts which would be required if all eligible employees voluntarily retired at the balance sheet date.

The difference arising from the accounting change (¥332 million) was booked in full as an extraordinary gain during the consolidated accounting period.

Actuarial differences are expensed on a straight-line basis over three years beginning in the fiscal year in which they arise.

(e) Allowance for directors' retirement bonuses

A reserve is provided to cover directors' retirement bonuses based on the internal rules of each company.

(f) Allowance for debt guarantee losses

An allowance for losses related to debt guarantees is provided in the estimated amount required, taking into account the actual financial condition of the guarantee recipients.

4. Accounting for Lease Transactions

Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee are accounted for as ordinary lease transactions.

5. Accounting for Consumption Taxes

Consumption taxes are excluded from revenues and expenses.

(5) Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of the consolidated subsidiaries are valued using the full mark-to-market method.

(6) Amortization of Goodwill

Goodwill is amortized on a straight-line basis over five years, except for insignificant amounts, which are fully amortized in the fiscal year in which they arise.

(7) Appropriation of Profits, etc.

The consolidated statements of earned surplus are prepared based on the final appropriation of retained earnings of the respective consolidated companies determined during the consolidated accounting period.

(8) Scope of Funds in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value and are redeemable in three months or less.

(Supplementary information)

Accounting for retirement benefits:

Effective from the fiscal year ended March 31, 2001, the Company adopted retirement benefit accounting standards ("Views on the establishment of accounting standards for retirement benefits," Business Accounting Deliberation Council, June 16, 1998).

Accrued expenses for past service liability of the reserve for retirement allowances and contributory pension plans are included in the reserve for retirement benefits.

Accounting for financial instruments:

Effective from the fiscal year ended March 31, 2001, the Company adopted accounting standards for financial instruments (“Views on the establishment of accounting standards for financial instruments,” Business Accounting Deliberation Council, January 22, 1999).

Based on an examination of the purpose of securities held by the Company at the beginning of the period, all securities are classified as investment securities.

Accounting standards for foreign currency transactions:

Effective from the fiscal year ended March 31, 2001, the Company adopted the revised accounting standards for foreign currency transactions (“Views on revision of accounting standards for foreign currency transactions,” Business Accounting Deliberation Council, October 22, 1999).

Notes to Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2001		As of March 31, 2000	
1 Accumulated depreciation of property, plant and equipment		1. Accumulated depreciation of property, plant and equipment	
Buildings and structures	32,809	Buildings and structures	10,467
Other	7,168	Other	4,879
Total	39,978	Total	15,346
2. Items pertaining to unconsolidated subsidiaries and affiliates		2. Items pertaining to unconsolidated subsidiaries and affiliates	
Investment securities (stock)	949	Investment securities (stock)	448
3. Pledged assets		3. —	—
Time deposits	548		
Notes and accounts receivable	1,188		
Marketable securities	1		
Buildings	4,808		
Land	8,851		
Investment securities	1,765		
Total	17,162		
Liabilities corresponding to above pledged assets:			
Accounts payable	37,402		
Short-term loans	9,939		
Current portion of long-term debt	1,212		
Current portion of bonds	300		
Long-term loans	2,318		
Total	51,173		
4. Guarantees are provided for borrowings of the following companies not included in consolidation:		4. —	—
Love Drugs Co., Ltd.	100		
KURAYA(USA)CORPORATION	18		
	(U.S.\$149 thousand)		
Other	92		
Total	211		
5. Accounting for notes maturing at end of the fiscal year		5. —	—
Although the last day of the fiscal accounting period was a bank holiday, notes maturing on that date are stated as if they were settled on the maturity date. Notes that matured on the last day of the period are as follows:			
Notes receivable	8,192		
Notes payable	8,941		

Notes to Consolidated Statements of Income

(Millions of yen)

Year ended March 31, 2001		Year ended March 31, 2000	
1. Major items and amounts in SG&A expenses:		1. Major items and amounts in SG&A expenses:	
Wages and salaries	45,523	Wages and salaries	13,848
Welfare expenses	6,609	Welfare expenses	2,685
Provision for bonuses	6,471	Provision for bonuses	1,922
Provision for employees' retirement benefits	3,252	Provision for employees' retirement benefits	3
Provision for directors' retirement bonuses	211	Provision for directors' retirement bonuses	86
Shipping and delivery expenses	3,774	Shipping and delivery expenses	1,875
Rental expenses	3,395	Rental expenses	586
Depreciation and amortization	3,379	Depreciation and amortization	1,392
Provision for doubtful receivables	595	Amortization of goodwill	0
Amortization of goodwill	165		
2. Components of gain on sale of fixed assets:		2. Gain on sale of fixed assets was composed of gain on sale of land.	
Land	32		
Other	0		
Total	32		
3. Components of loss on sale and disposal of fixed assets:		3. Components of loss on sale and disposal of fixed assets:	
(Loss on disposal of fixed assets)		(Loss on disposal of fixed assets)	
Buildings and structures	137	Buildings and structures	15
Other	40	Other	30
Total	178	Total	45
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Land	113	Land	5
Other	2	Other	104
Total	116	Total	110

Notes to Consolidated Statements of Cash Flows

(Millions of yen)

Year ended March 31, 2001		Year ended March 31, 2000	
1. Relationship between ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets		1. Relationship between ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets	
Cash and deposits	73,914	Cash and deposits	28,583
Time deposits with maturities exceeding three months	(3,155)	Time deposits with maturities exceeding three months	(431)
Cash and cash equivalents	70,758	Cash and cash equivalents	28,152
2. Breakdown of assets and liabilities of companies newly consolidated through acquisition of shares: Breakdown of assets and liabilities upon consolidation and the relationship between stock acquisition cost and income from acquisition (net amount) are as follows:		2. —	
IZUTSU PHARMACEUTICAL CO., LTD.			
Current assets	19,352		
Fixed assets	5,213		
Goodwill	344		
Current liabilities	(18,999)		
Long-term liabilities	(3,579)		
Minority interests	(974)		
Cost of acquisition of IZUTSU PHARMACEUTICAL CO., LTD.	1,358		
Cash and cash equivalents of IZUTSU PHARMACEUTICAL CO., LTD.	(2,648)		
Income from acquisition of IZUTSU PHARMACEUTICAL CO., LTD.	(1,290)		
HEISEI YAKUHIN CO., LTD.			
Current assets	19,240		
Fixed assets	3,559		
Current liabilities	(17,628)		
Long-term liabilities	(381)		
Goodwill	(533)		
Minority interests	(2,347)		
Cost of acquisition of HEISEI YAKUHIN CO., LTD.	1,909		
Cash and cash equivalents of HEISEI YAKUHIN CO., LTD.	(1,984)		
Income from acquisition of HEISEI YAKUHIN CO., LTD.	(74)		
USHIODA SANGOKUDO YAKUHIN CO., LTD.			
Current assets	27,498		
Fixed assets	5,974		
Goodwill	631		
Current liabilities	(28,631)		
Long-term liabilities	(3,350)		
Minority interests	(743)		

Cost of acquisition of USHIODA SANGOKUDO YAKUHIN CO., LTD.	1,379	
Cash and cash equivalents of USHIODA SANGOKUDO YAKUHIN CO., LTD.	(2,230)	
Income from acquisition of USHIODA SANGOKUDO YAKUHIN CO., LTD.	(851)	
Chiyaku Co., Ltd.		
Current assets	9,881	
Fixed assets	2,799	
Goodwill	1	
Current liabilities	(10,945)	
Long-term liabilities	(860)	
Minority interests	(428)	
Cost of acquisition of Chiyaku Pharmaceutical Co., Ltd.	447	
Cash and cash equivalents of Chiyaku Pharmaceutical Co., Ltd.	(912)	
Income from acquisition of Chiyaku Pharmaceutical Co., Ltd.	(465)	
SENSHU YAKUHIN CO., LTD.		
Current assets	15,815	
Fixed assets	6,701	
Goodwill	2,850	
Current liabilities	(20,375)	
Long-term liabilities	(4,620)	
Cost of acquisition of SENSHU YAKUHIN CO., LTD.	371	
Cash and cash equivalents of SENSHU YAKUHIN CO., LTD.	(2,103)	
Income from acquisition of SENSHU YAKUHIN CO., LTD.	(1,731)	
3. Significant non-cash transactions (Assets and liabilities inherited through merger) Main components of assets liabilities inherited from Kuraya Corporation and Tokyo Pharmaceutical Co., Ltd., which merged with the Company during the fiscal year, are as follows. As a result of the merger, shareholders' equity increased ¥4,041 million and the capital reserve increased by ¥18,103 million. Kuraya Corporation:		3. —
Current assets	235,867	
Fixed assets	71,824	
Total assets	307,691	
Current liabilities	223,562	
Long-term liabilities	33,830	
Total liabilities	257,392	
Tokyo Pharmaceutical Co., Ltd.:		
Current assets	31,779	
Fixed assets	5,363	
Total assets	37,143	

Current liabilities	29,995	
Long-term liabilities	1,683	
Total liabilities	31,678	
Conversion of convertible bonds:		
The relationship between the increase in capital, the increase in the capital reserve and the decrease in convertible bonds due to the conversion of convertible bonds in fiscal 2001 is as follows:		
Increase in capital due to conversion of convertible bonds	182	
Increase in capital reserve due to conversion of convertible bonds	182	
Decrease in convertible bonds due to conversion	366	

5. Segment Information

1. Business Segment Information

Business segment information is not disclosed, as the consolidated net sales, operating income and total assets of the ethical drug sales business constituted more than 90 percent of the consolidated totals for fiscal 2001 and fiscal 2000.

2. Geographical Segment Information

Geographical segment information is not disclosed, as the Company has no consolidated subsidiaries or significant branch offices outside Japan.

3. Overseas Sales

The Company had no overseas sales for the years ended March 31, 2001 or March 31, 2000.

6. Items Pertaining to Lease Transactions

(Items pertaining to finance lease transactions other than those that transfer ownership)

1. Acquisition cost, accumulated depreciation and ending balance of leased assets (Millions of yen)

	Year ended March 31, 2001			Year ended March 31, 2000		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated Depreciation	Ending balance
Machinery, equipment and carriers	6,776	3,017	3,758			
Tools and fixtures	6,491	4,399	2,092	—	—	—
Total	13,267	7,416	5,851			

2. Future lease payments (Millions of yen)

	As of March 31, 2001	As of March 31, 2000
Due within one year	2,086	—
Due after one year	3,905	—
Total	5,991	—

3. Equivalent amount of lease payments (Millions of yen)

	As of March 31, 2001	As of March 31, 2000
Lease payments	2,737	1
Depreciation expense	2,503	1
Interest paid	217	

4. Method of calculating depreciation expense equivalent

Depreciation expense equivalent of leased assets is calculated using the straight-line method, assuming the lease periods as the useful lives and no residual value.

5. Method of calculating interest paid equivalent

Interest paid equivalent is the difference between total lease payments and the acquisition cost equivalent of the leased assets, and is expensed evenly over each period using the interest method.

(Items pertaining to operating lease transactions)

Accrued lease expenses

	As of March 31, 2001	As of March 31, 2000
Due within one year	35	
Due after one year	43	
Total	78	

7. Transactions with Related Parties

Classification	Major corporate shareholder	
Company name	Takeda Chemical Industries, Ltd.	
Address	Chuo-ku, Osaka	
Capital (million)	¥63,540	
Principal business	Manufacture and sale of pharmaceuticals, etc.	
Percentage of voting shares owned	13.71% (direct)	
Relationship	Directors holding concurrent posts: None	Business relationship: Kuraya Sanseido purchases Takeda products
Transactions	Business transactions: Purchase of pharmaceuticals, etc.	Non-business transactions: Research fee income
Transactions amounts (million)	¥141,426	¥378
Line item	Accrued income	Notes and accounts payable
Balance at end of period (million)	¥6,461	¥41,886

Note: Consumption tax is not included in transaction amounts, but is included in the balance at the period.

Transaction Terms and Policy for Setting Transaction Terms:

For sale and purchase of pharmaceuticals, etc. and research fee income, prices and other transaction terms are the same as for ordinary transactions with other parties that have no relationship with the Company. The balance of accrued income is principally purchase rebates. The transaction amount for purchase of pharmaceuticals, etc., is the amount after deduction of rebates.

(2) Directors and Individual Major Shareholders

None applicable

(3) Subsidiaries, etc.

None applicable

(4) Sister companies, etc.

None applicable

8. Deferred Tax Accounting

(As of March 31, 2001)

1. Major factors giving rise to deferred tax assets and liabilities:

Deferred tax assets

Excess of limit on provision for doubtful receivables	¥2,387 million
Excess amortization of goodwill	¥1,708 million
Disallowed accrued business tax	¥52 million
Excess of limit on provision for bonuses	¥1,396 million
Excess of limit on provision for retirement benefits	¥4,919 million
Disallowed reserve for directors' retirement bonuses	¥677 million
Other	¥1,158 million
Total deferred tax assets	<u>¥12,299 million</u>

Deferred tax liabilities

Reserve for asset compression	-¥966 million
Unrealized gain on securities	-¥3,714 million
Other	-¥972 million
Total deferred tax liabilities	<u>-¥5,653 million</u>
Net deferred tax assets	<u>¥6,646 million</u>

2. The effective income tax rate of the Company differed from the statutory tax rate for the following reasons:

Statutory tax rate	42.1%
(Adjustments)	
Expenses not deductible for tax purposes	10.6%
Average rate of inhabitants tax	4.9%
Other	4.8%
Effective tax rate	62.4%

9. Marketable Securities

(As of March 31, 2001)

1. Available-for-sale securities

None applicable

2. Held-to-maturity securities with market values

None applicable

3. Other marketable securities with market values

(Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost:			
(1) Stocks	3,408	12,366	8,957
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	18	20	1
Other	0	0	0
(3) Other	—	—	—
Sub-total	3,427	12,386	8,959
Securities with balance sheet amounts that do not exceed acquisition cost:			
(1) Stocks	1,556	1,422	(134)
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	23	21	(2)
Other	—	—	—
(3) Other	—	—	—
Sub-total	1,579	1,443	(136)
Total	5,007	13,830	8,822

Note: Acquisition cost is the book value after accounting for loss on revaluation at the end of the consolidated fiscal year. The amount of the loss on revaluation was ¥438 million.

4. Other marketable securities sold during fiscal 2001 (April 1, 2000-March 31, 2001)

(Millions of yen)

Amount sold	Total profit on sales	Total loss on sales
973	671	1

5. Description and balance sheet amounts of securities without market values

(1) Held-to-maturity bonds

(2) Other marketable securities

Unlisted stocks (excluding stocks traded over-the-counter): ¥693 million

Unlisted domestic government bonds: ¥10 million

6. Projected future redemption of securities with maturities included in other marketable securities

(Millions of yen)

	Within one year	1-5 years	5-10 years	More than 10 years
(1) Bonds				
National and local government bonds, etc.	—	—	—	—
Corporate bonds	3	37	—	—
Other	10	0	—	—
(2) Other	—	—	—	—
Total	13	37	—	—

Market Value of Marketable Securities

(Millions of yen)

	Fiscal 2001 (As of March 31, 2001)		
	Balance sheet amount	Market value	Valuation gain (loss)
(1) Items classified as current assets:			
Stocks	—	—	—
Bonds	—	—	—
Others	—	—	—
Sub-total	—	—	—
(2) Items classified as fixed assets:			
Stocks	1,474	6,101	4,626
Bonds	0	0	(0)
Others	—	—	—
Sub-total	1,474	6,101	4,626
Total	1,474	6,101	4,626

Notes

1. Methods of calculating market value as of March 31, 2001

(1) Listed marketable securities:

Closing prices on Tokyo Stock Exchange

(2) Marketable securities traded over-the-counter:

Trading prices quoted by the Japan Securities Dealers Association

(3) Quotation securities (excluding marketable securities for which (1) or (2) apply):

Over-the-counter bond quotations released by the Japan Securities Dealers Association

2. Book value of marketable securities not subject to disclosure

Items classified as fixed assets:

Unlisted stocks other than over-the-counter stocks ¥577million

10. Derivative Transactions

None applicable

11. Retirement Benefits

(As of March 31, 2001)

1. Description of retirement benefit system used

The Company has a defined benefit system comprising a qualified pension plan, a contributory pension plan and a lump-sum retirement payment.

2. Retirement benefit obligation (As of March 31, 2001)

	<u>(Millions of yen)</u>
(1) Projected benefit obligation	(39,589)
(2) Plan assets at fair value	22,791
(3) Funded status ((1) + (2))	<u>(16,798)</u>
(4) Unaccounted for difference arising from change in accounting standards	—
(5) Unrecognized net (gain) or loss	904
(6) Unrecognized past service cost	—
(7) Net amount stated on consolidated balance sheet ((3) + (4) + (5) + (6))	<u>(15,894)</u>
(8) Prepaid pension expenses	—
(9) Reserve for retirement benefits ((7) - (8))	<u><u>(15,894)</u></u>

Notes: 1. Includes public portion of welfare pension fund.

2. Some subsidiaries use the simplified method in calculating the retirement benefit obligation.

3. Retirement benefit expenses (Year ended March 31, 2001)

	<u>(Millions of yen)</u>
(1) Service cost	2,365
(2) Interest cost	1,022
(3) Expected return on plan assets	(608)
(4) Difference arising from accounting change charged to income	(332)
(5) Actuarial differences charged to income	452
(6) Past service cost charged to income	—
(7) Retirement benefit expenses	<u>2,899</u>
((1) + (2) + (3) + (4) + (5) + (6))	<u><u>2,899</u></u>

Notes: 1. Excludes employee contributions to the welfare pension fund.

2. Retirement benefit expenses of consolidated subsidiaries using the simplified method are recorded in (1) Service cost.

4. Basis for calculation of retirement benefit obligation, etc.

(1) Periodic allocation method for projected benefits:	Mainly point basis
(2) Discount rate:	3.0%
(3) Expected rate of return:	3.0%
(4) Years over which past service cost is amortized:	Not applicable
(5) Years over which unrecognized net (gains) or losses are amortized:	3 years (expensed from the following period using the declining-balance method over a fixed number of years within the average remaining service time when obligations arise)
(6) Years over which net obligation existing at April 1, 2000 is amortized:	1 year

12. Production, Orders and Sales

(1) Sales (Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001		Year ended March 31, 2000	
Ethical drugs	932,088	86.8%	224,919	82.5%
Over-the-counter drugs	46,799	4.4	18,963	7.0
Medical equipment, tools and clinical materials	46,338	4.3	12,552	4.6
Reagents	23,197	2.2	8,927	3.3
Others	24,590	2.3	7,108	2.6
Total	1,073,015	100.0	272,472	100.0

(2) Purchases (Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001		Year ended March 31, 2000	
Ethical drugs	855,323	87.2%	203,532	83.0%
Over-the-counter drugs	42,123	4.3	16,540	6.7
Medical equipment, tools and clinical materials	41,460	4.2	11,189	4.6
Reagents	20,753	2.1	7,857	3.2
Others	21,368	2.2	6,221	2.5
Total	981,030	100.0	245,341	100.0

13. Subsequent Events

Merger with HISATOMO KURAYA, INC.

At the Board of Directors meeting held on April 26, 2001, a resolution for the merger of the Company with HISATOMO KURAYA, INC., effective from October 1, 2001, was approved and a merger contract was concluded. The purposes of the merger are to conduct sales activities more efficiently by combining overlapping businesses of both companies, and to better meet the needs of customers in ways such as regional expansion of clinical diagnostic centers.

(Reference)**Consolidated Balance Sheets (Comparison with Beginning of Period)**

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of April 1, 2000		Increase (decrease)
ASSETS	652,367	100.0%	544,315	100.0%	108,052
Current assets	497,308	76.2	414,544	76.2	82,764
Cash and deposits	73,914		64,656		9,257
Notes and accounts receivable	339,147		284,908		54,239
Marketable securities	13		—		13
Inventories	54,700		40,056		14,643
Deferred income taxes	1,617		1,323		294
Accrued income	30,891		24,631		6,260
Other current assets	1,516		1,434		82
Allowance for doubtful receivables	(4,493)		(2,466)		(2,027)
Fixed assets	155,059	23.8	129,771	23.8	25,288
Tangible fixed assets:	116,852	17.9	107,005	19.6	9,846
Buildings and structures	40,491		38,376		2,114
Land	69,922		64,531		5,391
Construction in progress	2,874		466		2,408
Other tangible fixed assets	3,563		3,631		(68)
Intangible fixed assets:	5,072	0.8	1,577	0.3	3,495
Software	799		245		554
Goodwill	3,498		714		2,784
Other intangible fixed assets	773		617		156
Investments and other assets:	33,134	5.1	21,188	3.9	11,946
Investment securities	15,469		4,704		10,764
Long-term loans	658		616		41
Deferred income taxes	5,029		5,910		(881)
Other	17,434		13,132		4,301
Allowance for doubtful receivables	(5,456)		(3,177)		(2,279)
Total assets	652,367	100.0	544,315	100.0	108,052

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of April 1, 2000		Increase (decrease)
LIABILITIES	524,509	80.4%	425,126	78.1%	99,383
Current liabilities:	480,236	73.6	383,670	70.5	96,565
Notes and accounts payable	444,666		356,986		87,679
Short-term loans	15,330		11,245		4,084
Current portion of long-term debt	1,622		143		1,478
Current portion of bonds	300		—		300
Accrued income taxes	851		984		(133)
Reserve for bonuses	6,507		5,916		590
Allowance for losses on sales returns	756		534		222
Other current liabilities	10,202		7,860		2,342
Long-term liabilities:	44,273	6.8	41,455	7.6	2,817
Convertible bonds	22,525		22,891		(366)
Long-term debt	2,903		1,810		1,092
Guarantee deposits	559		655		(95)
Reserve for retirement allowances	—		12,431		(12,431)
Reserve for retirement benefits	15,894		—		15,894
Allowance for directors' retirement bonuses	1,789		2,222		(432)
Reserve for investment losses	—		1,090		(1,090)
Reserve for losses on debt guarantees	323		—		323
Other long-term liabilities	277		354		(77)
MINORITY INTERESTS	4,866	0.7	990	0.2	3,876
Minority interests	4,866	0.7	990	0.2	3,876
SHAREHOLDERS' EQUITY	122,991	18.9	118,198	21.7	4,793
Common stock	11,152	1.7	10,969	2.0	182
Capital reserve	24,321	3.7	24,138	4.4	182
Consolidated retained earnings	83,241	12.8	83,143	15.3	98
Unrealized gain on securities	4,276	0.7	—	—	4,276
Treasury stock	(0)	(0.0)	(52)	(0.0)	52
Total liabilities, minority interests and shareholders' equity	652,367	100.0	544,315	100.0	108,052

Summary of Unconsolidated Financial Statements for the Fiscal Year Ended March 31, 2001

May 17, 2001

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

Kuraya Sanseido Inc.
7-15, Yaesu 2-chome, Chuo-ku,
Tokyo 104-8464, Japan

Stock exchange listings: Tokyo, Osaka
Code number: 7459
Board of Directors meeting: May 17, 2001
Ordinary General Meeting of Shareholders: June 28, 2001
Interim dividend system: Yes

1. Results for Fiscal 2001 (April 1, 2000-March 31, 2001)

On April 1, 2000, Sanseido Co., Ltd. ("the Company") merged with Kuraya Corporation and Tokyo Pharmaceutical Co., Ltd. Therefore, year-on-year change percentages are not stated for fiscal 2001.

(1) Sales and Income

Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2001	965,348	[—]	1,946	[—]	5,026	[—]
Fiscal 2000	272,359	[+3.6]	1,995	[-58.7]	3,017	[-44.5]

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/total assets (%)	Ordinary income/net sales (%)
Fiscal 2001	1,176	[—]	8.62	8.01	[+1.0]	0.9	[+0.5]
Fiscal 2000	1,621	[-9.0]	29.26	—	[+2.6]	1.9	[+1.1]

Notes:

1. Average number of shares outstanding: 136,420,917 shares (Fiscal 1999: 55,418,000 shares)
2. Changes in accounting methods: None
3. Year-on year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Dividends

	Annual dividends per share (¥)			Total dividends (annual) (¥ million)	Payout ratio (%)	Dividend rate for shareholders' equity (%)
	Interim	Year-end				
Fiscal 2001	12.00	6.00	6.00	1,638	139.2	1.3
Fiscal 2000	12.00	6.00	6.00	665	41.0	1.1

(3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2001	562,100	121,623	21.6	889.67
Fiscal 2000	163,868	61,691	37.6	1,113.21

Notes: Number of shares outstanding at end of period: 136,705,869 shares (Fiscal 2000: 55,418,000 shares)

2. Projected Results for Fiscal 2002 (April 1, 2001-March 31, 2002)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual dividends per share (¥)		
				Interim	Year-end	
Interim period	551,900	3,500	300	6.00	—	—
Fiscal 2002	1,139,900	6,900	1,900	—	6.00	12.00

Reference: Estimated earnings per share (fiscal 2002): ¥13.90

15-1. Balance Sheets

ASSETS

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of March 31, 2000	
Current assets:	427,013	76.0%	117,296	71.6
Cash and cash equivalents	61,732		28,524	
Trade notes receivable	34,210		11,642	
Trade accounts receivable	261,664		59,097	
Treasury stock	0		0	
Merchandise	42,776		10,930	
Prepaid expenses	699		133	
Deferred income taxes	1,310		388	
Accrued income	26,530		6,879	
Other current assets	516		160	
Allowance for doubtful receivables	(2,428)		(459)	
Fixed assets	135,086	24.0	46,572	28.4
Tangible fixed assets:	100,137	17.8	42,238	25.8
Buildings	32,955		15,286	
Structures	1,269		583	
Machinery and equipment	899		611	
Vehicles and carriers	49		250	
Tools and fixtures	1,957		1,469	
Land	60,131		23,987	
Construction in progress	2,874		48	
Intangible fixed assets	1,337	0.2	124	0.1
Land leaseholds	157		35	
Telephone subscription rights	320		54	
Facilities usage rights	97		34	
Software	729		—	
Other	32		—	
Investments and other assets:	33,611	6.0	4,209	2.5
Investment securities	11,046		1,568	
Equity in subsidiaries and affiliates	8,715		558	
Investments	536		10	
Long-term loans	114		14	
Long-term loans to employees	23		15	
Long-term loans to subsidiaries and affiliates	4,074		450	
Long-term guarantee deposits	3,837		547	
Long-term accumulated credits	3,653		554	
Long-term prepaid expenses	203		6	
Deferred income taxes	710		461	
Other	4,139		579	
Allowance for doubtful accounts	(3,443)		(558)	
Total assets	562,100	100.0	163,868	100.0

LIABILITIES

(Millions of yen, rounded down to the nearest million)

	As of		As of	
	March 31, 2001		March 31, 2000	
Current liabilities:	406,039	72.3%	100,806	61.5%
Trade notes payable	14,496		9,859	
Trade accounts payable	373,564		85,692	
Accrued payables	8,424		1,294	
Accrued income taxes	231		574	
Accrued consumption taxes	1,192		705	
Accrued expenses	1,375		477	
Deposits	565		73	
Advance payments received	81		64	
Reserve for bonuses	5,470		1,919	
Allowance for losses on sales returns	616		141	
Other current liabilities	21		4	
Long-term liabilities:	34,437	6.1	1,370	0.9
Convertible bonds	22,525		—	
Guarantee deposits	547		521	
Reserve for retirement allowances	—		18	
Reserve for retirement benefits	9,986		—	
Reserve for directors' retirement bonuses	1,102		831	
Other long-term liabilities	276		—	
SHAREHOLDERS' EQUITY	121,623	21.6	61,691	37.6
Common stock	11,152	2.0	6,928	4.2
Additional paid-in capital	24,321	4.3	6,034	3.7
Legal reserve	1,704	0.3	763	0.4
Retained earnings	80,592	14.3	47,964	29.3
Voluntary reserve	79,340		45,960	
Reserve for asset compression	1,310		360	
Reserve for special asset compression	43		—	
General reserve	77,986		45,600	
Unallocated profit for the period	1,252		2,004	
Unrealized gain on securities	3,851	0.7	—	—
Total liabilities and shareholders' equity	562,100	100.0	163,868	100.0

15-2. Statements of Income

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001		Year ended March 31, 2000	
Net sales	965,348	100.0%	272,359	100.0%
Cost of sales	882,344	91.4	244,145	89.6
Provision for sales returns	89	0.0	(1)	(0.0)
Gross profit	82,913	8.6	28,215	10.4
Selling, general and administrative expenses	80,966	8.4	26,220	9.7
Operating income	1,946	0.2	1,995	0.7
Non-operating income:	4,327	0.4	1,774	0.7
Interest income	160		66	
Dividend income	113		44	
Interest on marketable securities	0		0	
Research fee income	2,102		661	
Real estate rental income	996		672	
Gain on valuation revision of investment securities	—		12	
Other non-operating income	955		316	
Non-operating expenses:	1,248	0.1	751	0.3
Interest expense	125		9	
Bond interest expense	200		—	
Loss on sale and disposal of fixed assets	—		8	
Real estate rental expense	780		734	
Provision for doubtful receivables	15		—	
Other non-operating expenses	126		0	
Ordinary income	5,026	0.5	3,017	1.1
Extraordinary gains	508	0.1	263	0.1
Gain on sales of fixed assets	15		93	
Gain on sales of investment securities	26		—	
Reversal of allowance for doubtful accounts	—		174	
Surplus upon adoption of retirement benefit accounting standards	465		—	
Extraordinary loss	2,504	0.3	200	0.1
Loss on disposal of fixed assets	272		156	
Loss on valuation of investment securities	470		—	
Loss on valuation of golf memberships	546		—	
Expenses related to reorganization of sales offices	1,214		—	
Loss on reorganization of affiliates	—		44	
Income before income taxes	3,029	0.3	3,085	1.1
Income taxes	990	0.1	1,041	0.4
Income tax adjustment	862	0.1	423	0.1
Net income	1,176	0.1	1,621	0.6
Profit brought forward from the previous term	2,419		748	
Interim dividends	818		332	
Provision for legal reserve	81		33	
Unappropriated loss from merger	1,444		—	
Unappropriated retained earnings at the end of the term	1,252		2,004	

15-3. Statements of Appropriation of Retained Earnings

(Millions of yen, rounded down to the nearest million)

Item	Year ended March 31, 2001	Year ended March 31, 2000
Unappropriated retained earnings at the end of the year	1,252	2,004
Reversal of voluntary reserve		
Reversal of reserve for asset reduction	31	8
Reversal of special reserve	600	900
Total unappropriated retained earnings	1,883	2,913
We propose to appropriate the foregoing as follows:		
Legal reserve	83	41
Dividends	820	332
Bonuses to directors	—	69
Bonuses to corporate auditors	—	7
Voluntary reserve		
Reserve for special asset compression	6	43
Total amount appropriated	973	2,419

15-4. Significant Accounting Policies

1. Valuation of Securities

- (1) Stocks of subsidiaries and affiliates: Valued at cost using the moving-average method
 - Securities quoted on stock exchanges: Valued at market based on market prices at the account settlement date (valuation differences are fully capitalized and selling prices are computed using the moving-average method)
 - Other securities: Valued at cost using the moving-average method

2. Valuation of Inventories

Valued at cost or market using the moving-average method

3. Depreciation of Fixed Assets

- (1) Tangible fixed assets
 - The Company uses the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed as stipulated in the Corporation Tax Law. Estimated useful lives are principally 5-50 years for buildings and structures and 2-17 years for machinery and equipment and vehicles and carriers.
- (2) Intangible fixed assets
 - The Company uses the straight-line method. However, software for internal use is depreciated using the straight-line method based on the estimated useful life within the company (5 years).
- (3) Long-term prepaid expenses
 - Long-term prepaid expenses are amortized using the straight-line method.

4. Accounting Standards for Major Reserves

- (1) Allowance for doubtful accounts
 - An allowance for doubtful accounts is provided in amounts deemed necessary to cover possible losses. It comprises the amount calculated in accordance with the corporate income tax regulations and the amount estimated to be uncollectible on an individual basis.
- (2) Reserve for bonuses
 - To provide for payment of bonuses to employees, a reserve is set aside in the estimated amount required to be paid for the period.
- (3) Allowance for losses on sales returns
 - An allowance for losses on sales returns is provided in the maximum amount permitted by the Corporation Tax Law.
- (4) Reserve for retirement benefits:
 - The Company provides for employees' retirement liability in the amount of the projected benefit obligation at the end of the period, less the estimated fair value of pension assets.
 - The difference arising from the accounting change (¥465 million) was booked in full as an extraordinary gain in the year ended March 31, 2001.
 - Actuarial differences are expensed on a straight-line basis over three years beginning in the fiscal year in which they arise.
- (5) Allowance for directors' retirement bonuses
 - An allowance is provided to cover directors' retirement bonuses in the amount required to be paid at the end of the period based on the internal rules of the Company.

5. Accounting for Lease Transactions

Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee are accounted for as ordinary lease transactions.

6. Other

Consumption taxes are excluded from the amounts in the financial statements.

(Changes in Method of Presentation)

The line item presented as "Guarantees" until the previous fiscal year is renamed "Long-term guarantee deposits" beginning in the fiscal year ended March 31, 2001.

The line item presented as "Business fees" until the previous fiscal year is renamed "Research fee income" beginning in the fiscal year ended March 31, 2001.

(Supplementary information)

Accounting for retirement benefits:

Effective from the fiscal year ended March 31, 2001, the Company adopted retirement benefit accounting standards (“Views on the establishment of accounting standards for retirement benefits,” Business Accounting Deliberation Council, June 16, 1998).

Accrued expenses for past service liability of the reserve for retirement allowances and contributory pension plans are included in the reserve for retirement benefits.

Accounting for financial instruments:

Effective from the fiscal year ended March 31, 2001, the Company adopted accounting standards for financial instruments (“Views on the establishment of accounting standards for financial instruments,” Business Accounting Deliberation Council, January 22, 1999).

Based on an examination of the purpose of securities held by the Company at the beginning of the period, securities are classified as either investment securities or stock of subsidiaries and affiliates.

Accounting standards for foreign currency transactions:

Effective from the fiscal year ended March 31, 2001, the Company adopted the revised accounting standards for foreign currency transactions (“Views on revision of accounting standards for foreign currency transactions,” Business Accounting Deliberation Council, October 22, 1999).

Notes to Unconsolidated Balance Sheets

(Millions of yen)

As of March 31, 2001		As of March 31, 2000	
1. Accumulated depreciation of property, plant and equipment		1. Accumulated depreciation of property, plant and equipment	
Buildings	23,381	Buildings	9,381
Structures	2,421	Structures	1,085
Machinery and equipment	1,789	Machinery and equipment	1,167
Vehicles and carriers	84	Vehicles and carriers	767
Tools and fixtures	4,295	Tools and fixtures	2,941
Total	31,972	Total	15,343
2. Notes related to subsidiaries and affiliates		2. Notes related to subsidiaries and affiliates	
Accounts receivable	29,007	Accounts payable	11,916
Accounts payable	7,797		
3. Pledged assets		3. —	
Time deposits	15		
Buildings	909		
Land	2,670		
Investment securities	243		
Total	3,838		
Liabilities corresponding to above pledged assets	33,687		
4. Number of shares authorized: 500,000,000 shares Number of shares outstanding: 136,705,869 shares		4. Number of shares authorized: 180,000,000 shares Number of shares outstanding: 55,418,000 shares	
5. Incidental liabilities		5. —	
Guarantees are provided for bank loans, etc., for the following companies:			
HISATOMO KURAYA, INC.	1,691		
KURAYA KASEI, INC.	472		
KURAYA SHOJI, INC.	252		
ORIENTAL PHARMACEUTICAL CO., LTD.	220		
Love Drugs Co., Ltd.,	100		
KURAYA(USA)CORPORATION	18		
	(U.S.\$149 thousand)		
	99		
Other	2,855		
Total			
6. Notes maturing at end of period Although the last day of the fiscal accounting period was a bank holiday, notes maturing on that date are stated as if they were settled on the maturity date. Notes that matured on the last day of the period are as follows:		6. —	
Notes receivable	7,052		
Notes payable	1,256		

Notes to Unconsolidated Statements of Income

(Millions of yen)

Year ended March 31, 2001		Year ended March 31, 2000	
1. Major items and amounts in SG&A expenses:		1. Major items and amounts in SG&A expenses:	
Wages and salaries	38,479	Wages and salaries	13,747
Welfare expenses	5,773	Welfare expenses	2,681
Business consignment expenses	4,045	Provision for bonuses	1,919
Provision for bonuses	5,470	Provision for employees' retirement benefits	3
Provision for employees' retirement benefits	2,786	Provision for directors' retirement bonuses	86
Provision for directors' retirement bonuses	158	Shipping and delivery expenses	1,875
Shipping and delivery expenses	3,226	Rental expenses	564
Rental expenses	3,076	Depreciation and amortization	1,389
Depreciation and amortization	3,058		
Provision for doubtful receivables	766		
2. Components of gain on sale of fixed assets:		2. Gain on sale of fixed assets consisted entirely of gain on sale of land.	
Vehicles and carriers	0		
Land	15		
Total	15		
3. Components of loss on sale and disposal of fixed assets:		3. Components of loss on sale and disposal of fixed assets:	
Loss on disposal of fixed assets:		Loss on disposal of fixed assets:	
Buildings	103	Buildings	2
Structures	20	Structures	12
Machinery and equipment	5	Machinery and equipment	0
Vehicles and carriers	1	Tools and fixtures	30
Tools and fixtures	29	Total	45
Total	158		
Loss on sale of fixed assets:		Loss on sale of fixed assets:	
Vehicles and carriers	0	Buildings	5
Tools and fixtures	0	Land	104
Land	113	Total	110
Total	113		

Increase in number of shares outstanding during fiscal 2001

Form of issue	Number of shares issued	Issue price	Capital increase
Merger	80,820,082 shares	¥4,041 million	¥4,041 million
Conversion of convertible bonds	467,787 shares	¥365 million	¥182 million

16. Notes Pertaining to Lease Transactions

1. Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee

(1) Acquisition cost, accumulated depreciation and ending balances of leased assets

(Millions of yen)

	Year ended March 31, 2001			Year ended March 31, 2000		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance
Machinery & equipment	1,708	426	1,282			
Vehicles and carriers	3,288	1,622	1,666			
Tools and fixtures	4,194	3,167	1,026	—	—	—
Total	9,192	5,217	3,975			

(2) Future lease payments

(Millions of yen)

	Year ended March 31, 2001	Year ended March 31, 2000
Due within one year	1,330	—
Due after one year	2,663	—
Total	3,994	—

(3) Lease payments, depreciation expense and interest paid equivalent

(Millions of yen)

	Year ended March 31, 2001	Year ended March 31, 2000
Lease expenses	2,170	1
Depreciation expense	1,993	1
Interest paid equivalent	175	

(4) Method of calculating depreciation expense equivalent

Depreciation expense equivalent of leased assets is calculated using the straight-line method, assuming the lease periods as the useful lives and no residual value.

(5) Method of calculating interest paid equivalent

Interest paid equivalent is the difference between total lease payments and the acquisition cost equivalent of the leased assets, and is expensed evenly over each period using the interest method.

17. Marketable Securities

(Stocks of subsidiaries and affiliates)

The notes concerning "Market Values of Marketable Securities" in fiscal 2000 and "Marketable Securities (excluding stock of subsidiaries and affiliates valued at market)" in fiscal 2001 are stated as notes in the consolidated financial statements. No stocks of subsidiaries and affiliates were valued at market in fiscal 2001.

18. Deferred Tax Accounting

(As of March 31, 2001)

1. Major factors giving rise to deferred tax assets and liabilities:

Deferred tax assets	
Excess of limit on provision for doubtful receivables	¥1,348 million
Excess of limit on provision for bonuses	¥1,185 million
Excess of limit on provision for retirement benefits	¥2,779 million
Disallowed reserve for directors' retirement bonuses	¥464 million
Other	¥919 million
Total deferred tax assets	<u>¥6,695 million</u>
Deferred tax liabilities	
Reserve for asset compression	-¥929 million
Unrealized gain on securities	-¥2,800 million
Other	-¥943 million
Total deferred tax liabilities	<u>-¥4,674 million</u>
Net deferred tax assets	<u>¥2,021 million</u>

2. The effective income tax rate of the Company differed from the statutory tax rate for the following reasons:

Statutory tax rate	42.1%
(Adjustments)	
Expenses not deductible for tax purposes	10.0%
Average rate of inhabitants tax	5.4%
Other	3.7%
Effective tax rate	61.2%

19. Subsequent Events

Merger with HISATOMO KURAYA, INC.

At the Board of Directors meeting held on April 26, 2001, a resolution for the merger of the Company with HISATOMO KURAYA, INC., effective from October 1, 2001, was approved and a merger contract was concluded. The purposes of the merger are to conduct sales activities more efficiently by combining overlapping businesses of both companies, and to better meet the needs of customers in ways such as regional expansion of clinical diagnostic centers.

20. Management Changes

- (1) Changes in Representatives
None
- (2) Other management changes
 - 1) Changes in directors
None
 - 2) Changes in auditors
None
 - 3) Changes in executive officers
None

[Reference]

Balance Sheets – Comparison with Beginning of Period

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of April 1, 2000		Increase (decrease)
ASSETS	562,100	100.0%	508,703	100.0%	53,396
Current assets:	427,013	76.0	384,322	75.6	42,691
Cash and cash equivalents	61,732		59,490		2,242
Trade notes receivable	34,210		38,998		(4,787)
Trade accounts receivable	261,664		225,519		36,145
Treasury stock	0		0		(0)
Merchandise	42,776		36,570		6,205
Prepaid expenses	699		795		(96)
Deferred income taxes	1,310		1,170		139
Accrued income	26,530		23,019		3,511
Other current assets	516		486		30
Allowance for doubtful receivables	(2,428)		(1,728)		(699)
Fixed assets	135,086	24.0	124,381	24.4	10,705
Tangible fixed assets:	100,137	17.8	101,059	19.9	(922)
Buildings	32,955		35,194		(2,238)
Structures	1,269		1,373		(103)
Machinery and equipment	899		901		(1)
Vehicles and carriers	49		293		(244)
Tools and fixtures	1,957		2,284		(326)
Land	60,131		60,547		(415)
Construction in progress	2,874		466		2,408
Intangible fixed assets	1,337	0.2	822	0.1	515
Land leaseholds	157		157		—
Telephone subscription rights	320		319		1
Facilities usage rights	97		106		(9)
Software	729		238		490
Other	32		—		32
Investments and other assets:	33,611	6.0	22,499	4.4	11,112
Investment securities	11,046		4,798		6,248
Equity in affiliates	8,715		3,145		5,569
Investments	536		381		154
Long-term loans	114		172		(58)
Long-term loans to employees	23		22		1
Long-term loans to subsidiaries and affiliates	4,074		450		3,624
Long-term guarantee deposits	3,837		3,430		406
Long-term accumulated credits	3,653		3,083		570
Long-term prepaid expenses	203		202		1
Deferred income taxes	710		4,514		(3,803)
Other	4,139		5,396		(1,256)
Allowance for doubtful receivables	(3,443)		(3,097)		(346)
Total assets	562,100	100.0	508,703	100.0	53,396

Balance Sheets – Comparison with Beginning of Period

(Millions of yen, rounded down to the nearest million)

	As of March 31, 2001		As of April 1, 2000		Increase (decrease)
LIABILITIES	440,477	78.4%	391,157	76.9%	49,319
Current liabilities:	406,039	72.3	354,272	69.6	51,767
Notes and accounts payable	14,496		38,189		(23,693)
Trade notes payable	373,564		295,118		78,445
Short-term loans	—		6,725		(6,725)
Accrued payables	8,424		4,592		3,832
Accrued income taxes	231		751		(520)
Accrued consumption taxes	1,192		1,181		11
Accrued expenses	1,375		1,417		(42)
Deposits	565		230		334
Advance payments received	81		77		4
Reserve for bonuses	5,470		5,423		46
Allowance for losses on sales returns	616		526		89
Other current liabilities	21		37		(15)
Long-term liabilities:	34,437	6.1	36,884	7.3	(2,447)
Convertible bonds	22,525		22,891		(366)
Guarantee deposits	547		643		(95)
Reserve for retirement allowances	9,986		10,005		(19)
Allowance for directors' retirement bonuses	1,102		1,900		(798)
Reserve for investment losses	—		1,090		(1,090)
Other long-term liabilities	276		354		(77)
SHAREHOLDERS' EQUITY	121,623	21.6	117,546	23.1	4,076
Common stock	11,152	2.0	10,969	2.2	182
Additional paid-in capital	24,321	4.3	24,138	4.7	182
Legal reserve	1,704	0.3	1,582	0.3	122
Retained earnings	80,592	14.3	80,856	15.9	(263)
Voluntary reserve	79,340		80,205		(865)
Reserve for asset compression	1,310		1,354		(44)
Reserve for special asset compression	43		—		43
General reserve	77,986		78,851		(864)
Unallocated profit for the period	1,252		650		601
Unrealized gain on securities	3,851	0.7	—	—	3,851
Total liabilities and shareholders' equity	562,100	100.0	508,703	100.0	53,396

Statements of Income — Comparison of Combined Totals of Three Companies

(Note: The three companies are Sanseido Co., Ltd., Kuraya Corporation and Tokyo Pharmaceutical Co., Ltd.)

(Millions of yen, rounded down to the nearest million)

	Year ended March 31, 2001		Year ended March 31, 2000		Increase (decrease)
Net sales	965,348	100.0%	899,476	100.0%	65,871
Cost of sales	882,344		813,161	90.4	69,182
Reserve for sales returns	89		49	0.0	40
Gross profit	82,913		86,265	9.6	(3,352)
Selling, general and administrative expenses	80,966		80,569	9.0	397
Operating income	1,946		5,696	0.6	(3,749)
Non-operating income:	4,327		4,239	0.5	88
Interest income	160		169		(9)
Dividend income	113		110		3
Interest on marketable securities	0		62		(62)
Research fee income	2,102		2,050		51
Real estate rental income	996		920		75
Other non-operating income	955		925		29
Non-operating expenses:	1,248		2,891	0.3	(1,643)
Interest expense	125		163		(37)
Bond interest expense	200		210		(9)
Real estate rental expense	780		779		1
Provision for doubtful accounts	15		1,363		(1,348)
Other non-operating expenses	126		375		(248)
Ordinary income	5,026		7,044	0.8	(2,018)
Extraordinary gains	508		439	0.0	68
Gain on sales of fixed assets	15		93		(78)
Gain on sales of investment securities	26		—		26
Reversal of allowance for doubtful accounts	—		346		(346)
Surplus upon adoption of retirement benefit accounting standards	465		—		465
Extraordinary loss	2,504		7,960	0.9	(5,455)
Loss on disposal of fixed assets	272		462		(189)
Loss on valuation of investment securities	470		2		468
Loss on valuation of golf memberships	546		—		546
Expenses related to reorganization of sales offices	1,214		—		1,214
Transfer to reserve for retirement allowances	—		5,368		(5,368)
Transfer to reserve for directors' retirement bonuses	—		748		(748)
Transfer to reserve for investment losses	—		130		(130)
Relocation expenses	—		949		(949)
Merger expenses	—		254		(254)
Loss on reorganization of affiliates	—		44		(44)
Income before income taxes	3,029		(476)	(0.1)	3,505
Income taxes	990		3,185	0.0	(2,195)
Income taxes deferred	862		(2,929)	(0.0)	3,792
Net income	1,176		(731)	(0.1)	1,908
Profit brought forward from the previous term	2,419		2,326		93
Prior-year adjustment for tax-effect accounting	—		295		(295)
Interim dividends	818		738		79
Provision for legal reserve	81		73		7
Merger acquisition costs	—		426		(426)
Undivided loss due to merger	1,444		—		1,444
Unappropriated retained earnings at the end of the term	1,252		650		601