

Consolidated Financial Statements for the Interim Period of Fiscal 2002

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

November 16, 2001

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

Stock exchange listings: Tokyo, Osaka
Code number: 7459
Board of Directors meeting: November 16, 2001

1. Results for the Interim Period of Fiscal 2002 (April 1, 2001-September 30, 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 [%]
Interim period of fiscal 2002	603,950	[+21.0]	2,925	[-41.3]	4,567	[-31.1]
Interim period of fiscal 2001	499,038	[—]	4,982	[—]	6,628	[—]
Fiscal 2001	1,073,015		1,949		5,403	

	Net income (¥ million)	Year-on-year change [%]	Earnings per share (¥)	Earnings per share (diluted) (¥)
Interim period of fiscal 2002	812	[-70.9]	5.95	5.38
Interim period of fiscal 2001	2,789	[—]	20.48	17.87
Fiscal 2001	1,337		9.80	9.02

Notes: 1. Equity in earnings of unconsolidated subsidiaries and affiliates: ¥— million

(Interim period of fiscal 2001: ¥— million; Fiscal 2001: ¥— million)

2. Average number of shares outstanding (consolidated): Interim period of fiscal 2002: 136,705,789 shares

Interim period of fiscal 2001: 136,259,375 shares Fiscal 2001: 136,409,788 shares

3. Changes in accounting methods: None

4. Year-on-year change figures for net sales, operating income, ordinary income, and net income represent comparisons with the previous interim period.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity /total assets [%]	Shareholders' equity per share (¥)
September 30, 2001	650,650	122,395	[+18.8]	895.32
September 30, 2000	558,851	125,599	[+22.5]	921.11
March 31, 2001	652,367	122,991	[+18.9]	899.68

Note: Number of shares outstanding at end of period (consolidated):

September 30, 2001: 136,705,770 shares September 30, 2000: 136,356,827 shares March 31, 2001: 136,705,718 shares

(3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period of fiscal 2002	(3,323)	(2,851)	(1,092)	63,491
Interim period of fiscal 2001	(1,948)	(1,515)	(899)	56,139
Fiscal 2001	22,384	(2,890)	(9,247)	70,758

(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) None (Eliminated) None

Equity method: (New) None (Eliminated) None

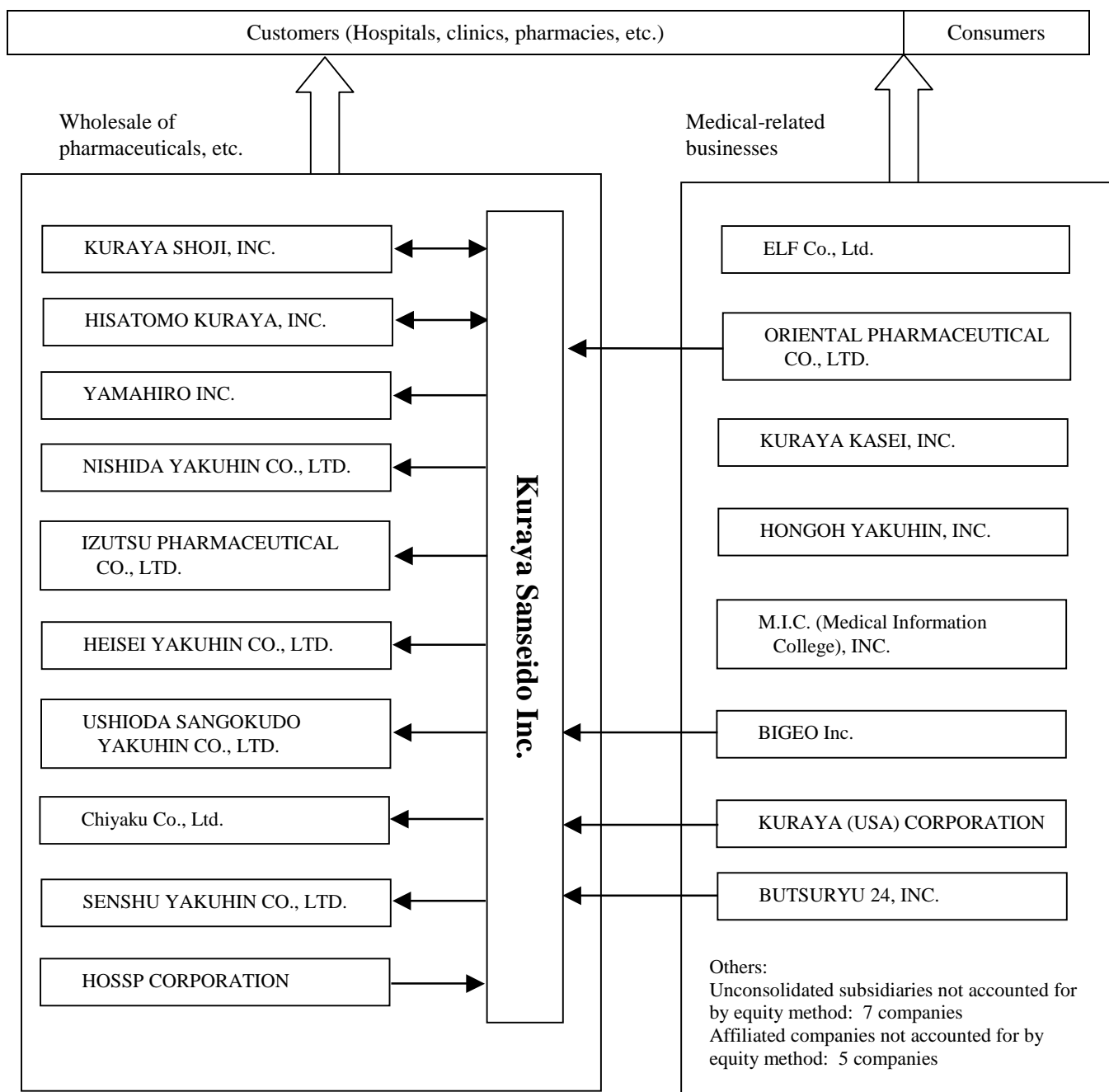
2. Projected Results for Fiscal 2002 (April 1, 2001-March 31, 2002)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2002	1,233,500	7,200	1,600

Reference: Estimated earnings per share (fiscal 2002): ¥11.70

1. Corporate Group

The KURAYA SANSEIDO Group consists of 24 consolidated subsidiaries and six affiliates. The group companies primarily engage in sales of pharmaceuticals and the supply of services. The business operations 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. merged with the Company and was 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; 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.	100.0	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; directors in common with Kuraya Sanseido
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

(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

An Executive Officer system is being introduced to clearly separate management decision-making and supervisory functions from business execution functions.

(4) Medium- and Long-Term Management Strategies

The Kuraya Sanseido Group aims to create a wholesale company that will grow and develop in the twenty-first century. To that end, we have formulated and are carrying out our medium-term management plan for the three years ending in March 2003.

1) Strengthen Sales by Restructuring Resources

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

2) Lower Costs by Restructuring Our Business

We are proceeding with our study of consolidation of regionally overlapping sales bases. In addition, we are fundamentally reviewing operations to streamline our organization and reduce personnel, and implementing measures to eliminate cost overlaps within the Group.

3) Strengthen Development by Restructuring Functions

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

Reviewing the progress of the plan to date, the NISHINIPPON DISTRIBUTION CENTER, the Group's main base for pharmaceutical distribution in western Japan, was relocated in November 2001 to strengthen distribution functions. In addition to reinforcing our stable supply system by improving full-line product capabilities and quality management, this measure will promote lower costs through automation of distribution equipment and simplification of business processes.

In addition, we offered a voluntary early retirement plan to employees and implemented a system for transferring employees from the parent company to group companies. As part of our efforts to increase productivity and raise efficiency in business activities, we also carried out organizational reforms such as consolidating or closing branches and sales offices. Moreover, we began sales of a medical appointment system and pharmaceutical management support system to upgrade customer support.

In April and November this year, Kuraya Sanseido took over business related to wholesale of general pharmaceuticals from subsidiaries YAMAHIRO INC. and Chiyaku Co., Ltd. In August, we took over business related to wholesale of medical equipment from CHUOH MEDICAL CO., LTD. In addition, in October this year, we merged our subsidiary HISATOMO KURAYA, INC., which is primarily engaged in the sale of clinical diagnostics and reagents; in the same month, we carried out the take-over and transfer of certain areas of business related to wholesale of ethical drugs with Izutsu Yakuhin Co., Ltd. Through these initiatives, the Kuraya Sanseido Group is eliminating redundant costs within the Group and boosting its collective sales capabilities.

3. Business Results

(1) Overview of the Interim Period

In the pharmaceutical industry, selling prices continued on a downward trend, but factors such as the launch of new drugs and the effects of the aging society contributed to stable growth for the market as a whole.

In these circumstances, the Kuraya Sanseido Group worked to expand the scale of its purchasing through measures such as establishing a nationwide sales network, strengthening sales capabilities and conducting joint purchasing. We also took steps to build stronger customer relationships, such as upgrading our logistics and information bases as well as customer support.

As a result, consolidated net sales for the six months ended September 30, 2001 totaled ¥603,950 million, an increase of 21.0 percent over the same period in the prior year. Despite our efforts to reduce selling expenses through measures such as improving business efficiency, lower selling prices and other factors resulted in consolidated ordinary income of ¥4,567 million, a decline of 31.1 percent. In addition to this decline, factors such as special retirement premiums associated with the voluntary early retirement program led to consolidated interim net income of ¥812 million, a decline of 70.9 percent.

Capital investment totaled ¥3,874 million, which was used mainly for the expansion of distribution facilities at the NISHINIPPON DISTRIBUTION CENTER. Funding for capital investment was wholly covered by funds on hand.

(2) Outlook for the Full Fiscal Year

The Kuraya Sanseido Group will continue to leverage its key strengths: business on a nationwide level and distribution capabilities to support it. At the same time, besides ethical drugs, we will efficiently work to expand sales in related areas including over-the-counter drugs and medical equipment. Furthermore, we will carry out joint purchasing and bolster functions related to customer support.

We will also continue to implement measures aimed at cutting costs throughout the Group in order to strengthen our corporate structure. By doing so, we aim to secure stable profits.

For the year ending March 31, 2002, we project consolidated net sales of ¥1,233,500 million (a year-on-year increase of 15.0 percent), consolidated ordinary income of ¥7,200 million (a year-on-year increase of 33.2 percent) and consolidated net income of ¥1,600 million (a year-on-year increase of 19.6 percent).

4-1. Consolidated Balance Sheets

ASSETS

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

	As of September 30, 2001		As of September 30, 2000		As of March 31, 2001	
ASSETS	650,650	100.0%	558,851	100.0%	652,367	100.0%
Current assets	495,374	76.1	423,073	75.7	497,308	76.2
Cash on hand and in banks	65,872		57,622		73,914	
Notes and accounts receivable-trade	342,700		301,352		339,147	
Marketable securities	12		—		13	
Inventories	54,817		39,483		54,700	
Deferred income taxes	1,741		1,648		1,617	
Accounts receivable	31,884		24,159		30,891	
Other current assets	2,091		1,756		1,516	
Allowance for doubtful accounts	(3,746)		(2,950)		(4,493)	
Fixed assets	155,275	23.9	135,777	24.3	155,059	23.8
Tangible fixed assets:	118,585	18.2	106,104	19.0	116,852	17.9
Buildings and structures	39,404		36,956		40,491	
Land	69,828		64,576		69,922	
Construction in progress	5,866		1,331		2,874	
Other tangible fixed assets	3,486		3,239		3,563	
Intangible fixed assets:	5,252	0.8	1,741	0.3	5,072	0.8
Software	1,056		457		799	
Consolidation difference	3,125		636		3,498	
Other intangible fixed assets	1,070		647		773	
Investments and other assets:	31,437	4.9	27,932	5.0	33,134	5.1
Investment securities	14,072		16,869		15,469	
Long-term loans receivable	438		595		658	
Deferred income taxes	6,132		664		5,029	
Other	16,127		12,613		17,434	
Allowance for doubtful accounts	(5,334)		(2,811)		(5,456)	
Total assets	650,650	100.0	558,851	100.0	652,367	100.0

4-1. Consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY (Millions of yen, rounded down to the nearest million)

	As of September 30, 2001		As of September 30, 2000		As of March 31, 2001	
LIABILITIES	523,614	80.5%	431,703	77.2%	524,509	80.4%
Current liabilities:	480,505	73.9	393,392	70.4	480,236	73.6
Notes and accounts payable-trade	440,137		364,244		444,666	
Short-term loans	17,424		11,708		16,952	
Bonds due within one year	—		—		300	
Income taxes payable	1,959		2,640		851	
Reserve for bonuses	5,608		6,383		6,507	
Allowance for losses on sales returns	670		615		756	
Other current liabilities	14,705		7,799		10,202	
Long-term liabilities:	43,109	6.6	38,311	6.8	44,273	6.8
Convertible bonds	22,525		22,798		22,525	
Long-term debt	2,475		1,290		2,903	
Guarantee deposits	624		552		559	
Deferred income taxes	53		—		—	
Reserve for retirement benefits	15,124		12,050		15,894	
Allowance for directors' retirement bonuses	1,750		1,308		1,789	
Allowance for losses on debt guarantees	311		—		323	
Other long-term liabilities	243		310		277	
MINORITY INTERESTS	4,640	0.7	1,547	0.3	4,866	0.7
Minority interests	4,640	0.7	1,547	0.3	4,866	0.7
SHAREHOLDERS' EQUITY	122,395	18.8	125,599	22.5	122,991	18.9
Common stock	11,152	1.7	11,016	2.0	11,152	1.7
Additional paid-in capital	24,321	3.7	24,184	4.3	24,321	3.7
Consolidated retained earnings	83,219	12.8	85,510	15.3	83,241	12.8
Unrealized gains on certain investment securities	3,702	0.6	4,888	0.9	4,276	0.7
Treasury stock, at cost	(0)	(0.0)	(0)	(0.0)	(0)	(0.0)
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	650,650	100.0	558,851	100.0	652,367	100.0

4-2. Consolidated Statements of Operations

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

	Interim period of fiscal 2002		Interim period of fiscal 2001		Fiscal 2001	
Net sales	603,950	100.0%	499,038	100.0%	1,073,015	100.0%
Cost of sales	551,298	91.3	449,414	90.1	976,181	91.0
Reserve for returned goods	(86)	(0.0)	81	0.0	92	0.0
Gross profit	52,738	8.7	49,543	9.9	96,741	9.0
Selling, general and administrative expenses	49,813	8.2	44,561	8.9	94,791	8.8
Operating income	2,925	0.5	4,982	1.0	1,949	0.2
Non-operating income:	2,442	0.4	2,267	0.4	4,882	0.4
Interest income	74		80		199	
Dividend income	82		77		123	
Research fee income	1,416		1,151		2,424	
Real estate rental income	520		477		960	
Other non-operating income	349		480		1,175	
Non-operating expenses:	800	0.1	621	0.1	1,428	0.1
Interest expense	282		191		484	
Real estate rental expenses	366		384		782	
Other non-operating expenses	151		45		160	
Ordinary income	4,567	0.8	6,628	1.3	5,403	0.5
Extraordinary gain:	531	0.1	1,045	0.2	1,048	0.1
Gain on sales of fixed assets	153		17		32	
Gain on sales of investment securities	0		656		671	
Reversal of allowance for doubtful accounts	364		38		—	
Surplus upon adoption of retirement benefit accounting standards	—		332		332	
Reversal of allowance for losses on debt guarantees	11		—		11	
Other	2		—		—	
Extraordinary loss:	3,112	0.6	1,946	0.4	2,749	0.3
Loss on disposal of fixed assets	149		94		294	
Loss on sale of investment securities	0		—		1	
Loss on valuation of investment securities	507		199		546	
Loss on valuation of golf memberships	93		437		692	
Special retirement fund	2,335		—		—	
Expenses related to reorganization of sales offices	—		1,214		1,214	
Other	26		—		—	
Income before income taxes and minority interests	1,986	0.3	5,727	1.1	3,702	0.3
Current income taxes	1,962	0.3	1,696	0.3	1,326	0.1
Deferred income taxes	(683)	(0.1)	1,076	0.2	984	0.1
Gain in minority interests	—	—	164	0.0	53	0.0
Loss in minority interests	104	0.0	—	—	—	—
Net income	812	0.1	2,789	0.6	1,337	0.1

4-3. Consolidated Statements of Retained Earnings

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

	Interim period of fiscal 2002	Interim period of fiscal 2001	Fiscal 2001
Balance, beginning of year	83,241	48,666	48,666
Increase	—	34,476	34,478
Increase due to merger	—	33,619	33,619
Increase due to increase in number of consolidated subsidiaries	—	856	858
Deductions	835	423	1,241
Cash dividends paid	820	337	1,155
Bonuses to directors and corporate auditors	14	86	86
[Bonuses to corporate auditors]	[0]	[7]	[7]
Net income	812	2,789	1,337
Balance, end of year	83,219	85,510	83,241

4-4. Consolidated Statements of Cash Flows

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

	Interim period of fiscal 2002	Interim period of fiscal 2001	Fiscal 2001
Cash flow from operating activities			
Income before income taxes and minority interests	1,986	5,727	3,702
Depreciation and amortization	2,093	1,880	4,024
Depreciation adjustment for consolidation	375	77	165
Reversal of employees' retirement allowances	—	(12,431)	(12,431)
(Reversal of) provision for employees' retirement benefits	(770)	12,050	12,390
Reversal of reserve for directors' retirement bonuses	(38)	(914)	(781)
Provision for bonuses	(898)	467	(110)
(Reversal of) provision for allowance for doubtful accounts	(869)	118	513
(Reversal of) provision for reserve for returned goods	(86)	81	92
Reversal of reserve for losses on guarantees	(11)	—	(11)
(Reversal of) provision for reserve for investment losses	—	(1,090)	(1,090)
Net interest and dividend income	(156)	(158)	(322)
Interest paid	282	191	484
Gain on foreign currency translation	0	(9)	(18)
(Gain) loss on disposal of fixed assets	(3)	76	717
Gain (loss) on marketable securities	507	(456)	(123)
Loss on valuation of golf memberships	93	437	692
Increase in accounts receivable	(3,225)	(16,444)	(3,951)
(Increase) decrease in inventories	(117)	572	(5,803)
(Increase) decrease in other assets	(2,945)	548	(291)
(Decrease) increase in notes and accounts payable	(4,528)	7,258	26,176
Increase (decrease) increase in accrued consumption tax payable	5	(179)	0
Increase in other current liabilities	4,526	488	1,327
Bonuses to directors	(19)	(176)	(176)
Subtotal	(3,799)	(1,882)	25,174
Interest and dividends received	182	163	300
Interest expenses	(278)	(189)	(480)
Income taxes	572	(40)	(2,610)
Net cash (used in) provided by operating activities	(3,323)	(1,948)	22,384

4-4. Consolidated Statements of Cash Flows

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

	Interim period of fiscal 2002	Interim period of fiscal 2001	Fiscal 2001
Cash flow from investing activities			
Increase in time deposits	(577)	(619)	(1,718)
Proceeds from redemption of time deposits	1,352	650	2,005
Proceeds from sales of marketable securities	5	—	—
Payment for purchases of property, plant and equipment	(3,874)	(1,686)	(4,287)
Proceeds from sales of property, plant and equipment	271	280	650
Payment for purchases of marketable securities	(291)	(2,168)	(625)
Proceeds from sales of marketable securities	9	932	973
Proceeds from purchases of stocks in subsidiaries related to change in scope of consolidation	—	1,290	4,412
Payment for issuance of loans	(188)	(159)	(3,825)
Proceeds from recovery of loans	341	71	140
Other	101	(105)	(616)
Net cash used in investing activities	(2,851)	(1,515)	(2,890)
Cash flow from financing activities			
Net increase in short-term bank loans	559	319	(7,083)
Proceeds from long-term debt	600	—	1,470
Repayment of long-term debt	(1,115)	(519)	(1,602)
Payment for redemption of bonds	(300)	—	(500)
Payment for redemption of convertible bonds	—	(0)	(0)
Payment for purchases of treasury stock	(1)	(9)	(12)
Proceeds from sale of treasury stock	1	79	66
Dividends paid by parent company	(820)	(332)	(1,150)
Payment of merger acquisition costs by parent company	—	(426)	(426)
Dividends paid to minority shareholders	(15)	(8)	(8)
Net cash used in financing activities	(1,092)	(899)	(9,247)
Effect of translation gain/loss on cash and cash equivalents	(0)	9	18
Net (decrease) increase in cash and cash equivalents	(7,267)	(4,353)	10,264
Cash and cash equivalents, beginning of period	70,758	28,152	28,152
Increase in cash and equivalents due to merger	—	30,312	30,312
Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	—	2,028	2,028
Cash and cash equivalents, end of period	63,491	56,139	70,758

4-5. Preparation of the Interim 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 SENSHU YAKUHIN CO., LTD.
2. Unconsolidated Subsidiaries
Significant unconsolidated subsidiaries:
HONGOYAKUHIN, INC. and M.I.C. (Medical Information College), 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 would not have a material effect on the interim 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 subsidiaries HONGOYAKUHIN, INC. and M.I.C. (Medical Information College), INC. and to affiliated companies Inter Farcom Co., Ltd., HOSSP CORPORATION and others, as the net income and retained earnings of these companies would not have a material effect on the interim consolidated financial statements, and the importance of these companies in the aggregate is not significant.

(3) Interim Accounting Periods of Consolidated Subsidiaries

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

(4) Accounting Standards

1. Accounting standards for valuation of major assets
 - (a) Valuation of Securities
Other marketable securities:
Securities with market prices: Valued at market based on market prices at the interim account settlement date (valuation differences are fully capitalized and selling prices are computed using the moving-average method)
Securities without market prices: Valued at cost using the moving-average method
 - (b) Valuation of Inventories
Valued at cost using the first-in first-out 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 8-50 years for buildings and structures and 4-17 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 reserve is set aside in the estimated amount required to be paid for the interim 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 interim consolidated balance sheet date, multiplied by the actual rate of returns and the sales profit margin.

(d) Reserve for retirement benefits:

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

However, seven consolidated subsidiaries employ contributory pension plans in the amounts which would be required if all eligible employees voluntarily retired at the interim 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 interim balance sheet date.

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 amount required to be paid at the end of the interim accounting period according to 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. Other

Consumption taxes and local consumption taxes are excluded from revenues and expenses.

(5) Scope of Funds in the Interim Consolidated Statements of Cash Flows

Cash and cash equivalents in the interim 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.

Items Pertaining to Interim Consolidated Balance Sheets

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
1. Accumulated depreciation of property, plant and equipment	41,598	32,982	39,978
2. Pledged assets			
Time deposits	529	128	548
Notes and accounts receivable-trade	1,166	—	1,188
Marketable securities	—	—	1
Buildings	3,824	1,448	4,808
Land	8,387	3,661	8,851
Investment securities	1,778	1,610	1,765
Total	15,686	6,847	17,162
Liabilities corresponding to above pledged assets:			
Notes and accounts payable-trade	36,572	1,337	37,402
Short-term loans	9,232	—	11,152
Bonds due within one year	—	—	300
Long-term loans	1,641	945	2,318
Accounts payable	—	34,222	—
Total	47,447	36,505	51,173
3. Contingent liabilities			
Guarantees are provided for loans from banks, etc., of unconsolidated subsidiaries, affiliated companies and others, as follows:			
Love Drugs Co., Ltd.	185		100
KURAYA (USA) CORPORATION	4		18
	[U.S.\$39,000]		[U.S.\$149,000]
Other	79		92
Total	269	—	211
4. Notes and bills discounted	196	759	—
5. Accounting for notes maturing at end of (interim) period			
Although the last day of the (interim) 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 (interim) period are as follows:			
Notes receivable	8,539	7,411	8,192
Notes payable	4,496	6,043	8,941

Items Pertaining to Interim Consolidated Statements of Operations

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

	Interim period of fiscal 2002	Interim period of fiscal 2001	Fiscal 2001
1. Major items and amounts in SG&A expenses:			
Wages and salaries	20,443	20,430	45,523
Welfare expenses	3,842	3,215	6,609
Provision for bonuses	5,598	6,369	6,471
Provision for employees' retirement benefits	2,237	1,269	3,252
Provision for directors' retirement bonuses	160	72	211
Shipping and delivery expenses	2,141	1,759	3,774
Rental expenses	1,844	1,627	3,395
Depreciation and amortization	1,795	1,576	3,379
Provision for doubtful accounts	—	—	595
Depreciation adjustment for consolidation	375	77	165
2. Components of gain on sales of fixed assets:			
Land	153	17	32
Other	0	0	0
Total	153	17	32
3. Components of loss on sales and disposal of fixed assets:			
(Loss on disposal of fixed assets)			
Buildings and structures	124	66	137
Other	23	27	40
Total	148	94	178
(Loss on sales of fixed assets)			
Land	—	—	113
Other (vehicles and machinery)	0	0	2
Total	0	0	116

Items Pertaining to Interim Consolidated Statements of Cash Flows

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

	Interim period of fiscal 2002	Interim period of fiscal 2001	Fiscal 2001
Relationship between the ending balance of cash and cash equivalents and amounts reported in the consolidated balance sheets			
Cash on hand and in banks	65,872	57,622	73,914
Time deposits with maturities exceeding three months	(2,381)	(1,483)	(3,155)
Cash and cash equivalents	63,491	56,139	70,758

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 the interim period ended September 30, 2001, the interim period ended September 30, 2000, or the fiscal year ended March 31, 2001.

2. Geographical Segment Information

Geographical segment information is not disclosed, as the Company had no consolidated subsidiaries or significant branch offices outside Japan for the interim period ended September 30, 2001, the interim period ended September 30, 2000, or the fiscal year ended March 31, 2001.

3. Overseas Sales

The Company had no overseas sales for the interim period ended September 30, 2001, the interim period ended September 30, 2000, or the fiscal year ended March 31, 2001.

6. 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 balance of leased assets

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

	Interim period of fiscal 2002			Interim period of fiscal 2001			Fiscal 2001		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and carriers	6,782	2,712	4,070	5,266	2,121	3,145	6,776	3,017	3,758
Tools and fixtures	4,435	2,703	1,731	5,096	3,214	1,882	6,491	4,399	2,092
Total	11,217	5,415	5,801	10,363	5,335	5,028	13,267	7,416	5,851

(2) Future lease payments

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Due within one year	2,003	1,895	2,086
Due after one year	3,904	3,292	3,905
Total	5,908	5,187	5,991

(3) Lease payments, depreciation expense and interest paid

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Lease payments	1,328	1,306	2,737
Depreciation expense	1,211	1,203	2,503
Interest paid	106	105	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.

2. Operating lease transactions

Accrued lease expenses

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Due within one year	27	18	35
Due after one year	42	11	43
Total	70	30	78

7. Marketable Securities

(As of September 30, 2001)

1. Other marketable securities with market values

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

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost:			
(1) Stocks	4,642	12,301	7,658
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	42	40	(1)
Other	0	0	0
(3) Other	—	—	—
Total	4,685	12,341	7,656

Note: Acquisition cost is the book value after accounting for loss on revaluation at the end of the consolidated interim period. The amount of the loss on revaluation was ¥501 million.

2. 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):	¥787 million
Unlisted domestic government bonds:	¥7 million

(As of September 30, 2000)

1. Other marketable securities with market values

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

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost:			
(1) Stocks	4,403	13,531	9,128
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Other	6	7	1
(3) Other	—	—	—
Total	4,409	13,539	9,129

Note: Acquisition cost is the book value after accounting for loss on revaluation at the end of the consolidated interim period. The amount of the loss on revaluation was ¥54 million.

2. 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):	¥664 million
Unlisted domestic government bonds:	¥0 million

(As of March 31, 2001)

1. Other marketable securities with market values

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

	Acquisition cost	Balance sheet amount	Difference
Securities with balance sheet amounts that exceed acquisition cost:			
(1) Stocks	4,964	13,788	8,823
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	42	41	(0)
Other	0	0	0
(3) Other	—	—	—
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.

2. 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

8. Derivative Transactions

None applicable

9. Production, Orders and Sales

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

	Interim period of fiscal 2002		Interim period of fiscal 2001		Fiscal 2001	
Ethical drugs	527,278	87.3%	433,017	86.8%	932,088	86.8%
Over-the-counter drugs	25,418	4.2	21,526	4.3	46,799	4.4
Medical equipment, tools and clinical materials	24,636	4.1	21,081	4.2	46,338	4.3
Reagents	14,000	2.3	11,053	2.2	23,197	2.2
Others	12,616	2.1	12,359	2.5	24,590	2.3
Total	603,950	100.0	499,038	100.0	1,073,015	100.0

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

	Interim period of fiscal 2002		Interim period of fiscal 2001		Fiscal 2001	
Ethical drugs	482,718	87.6%	390,695	87.1%	855,323	87.2%
Over-the-counter drugs	24,682	4.5	18,402	4.1	42,123	4.3
Medical equipment, tools and clinical materials	21,969	4.0	19,325	4.3	41,460	4.2
Reagents	11,360	2.1	9,786	2.2	20,753	2.1
Others	10,213	1.8	10,162	2.3	21,368	2.2
Total	550,944	100.0	448,372	100.0	981,030	100.0

10. Subsequent Events

Transfer of a Portion of the Business of IZUTSU PHARMACEUTICAL CO., LTD.

On October 1, 2001, Kuraya Sanseido Inc. carried out a partial transfer and takeover of business related to the wholesale of ethical drugs and other products with its consolidated subsidiary IZUTSU PHARMACEUTICAL CO., LTD., for the purpose of increasing efficiency in business activities and clearly defining functions.

(1) Description and scale of business transferred (net sales and production)

Wholesale of ethical drugs, etc., in Kyoto and Shiga Prefecture

Scale of business (Year ended March 31, 2001)

Net sales ¥23,531 million

Transferred assets

Accounts receivable ¥3,411 million

(2) Description of business received

Wholesale of ethical drugs, etc., in Osaka and Nara Prefecture

Assets taken over

Accounts receivable ¥438 million

(3) Schedule of transfer

June 12, 2001 Approval by Board of Directors

June 12, 2001 Signing of contract for transfer of sales

October 1, 2001 Date of business transfer

Summary of Unconsolidated Financial Statements for Interim Period of Fiscal 2002

November 16, 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: November 16, 2001
Interim dividend system: Yes
Start of interim dividend payments: December 10, 2001

1. Results for the Interim Period of Fiscal 2002 (April 1, 2001-September 30, 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 the interim period of 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 [%]
Interim period of fiscal 2002	546,817	[+18.2]	3,404	[-27.8]	4,981	[-20.4]
Interim period of fiscal 2001	462,762	[—]	4,716	[—]	6,254	[—]
Fiscal 2001	965,348		1,946		5,026	

	Net income (¥ million)	Year-on-year change [%]	Earnings per share (¥)
Interim period of fiscal 2002	1,443	[-45.4]	10.56
Interim period of fiscal 2001	2,644	[—]	19.41
Fiscal 2001	1,176		8.62

Notes:

- Average number of shares outstanding during the term:

Interim period of fiscal 2002	136,705,789 shares
Interim period of fiscal 2001	136,279,700 shares
Fiscal 2001	136,420,917 shares
- Changes in accounting methods: None
- Year-on year change for net sales, operating income, ordinary income and net income is based on the previous interim period.
- Treasury stock has been eliminated from average number of shares outstanding during the interim period of fiscal 2002.

(2) Dividends

	Interim dividends per share (¥)	Annual dividends per share (¥)
Interim period of fiscal 2002	6.00	—
Interim period of fiscal 2001	6.00	—
Fiscal 2001	—	12.00

(3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets [%]	Shareholders' equity per share (¥)
September 30, 2001	588,440	121,777	[+20.7]	890.80
September 30, 2000	522,230	124,141	[+23.8]	910.42
March 31, 2001	562,100	121,623	[+21.6]	889.67

Notes:

- Total number of shares outstanding at end of term:

September 30, 2001	136,705,770 shares
September 30, 2000	136,356,945 shares
March 31, 2001	136,705,869 shares
- Treasury stock has been eliminated from the total number of shares outstanding as of September 30, 2001.

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 (¥)	
				Year-end	
Fiscal 2002	1,129,700	7,600	2,400	6.00	12.00

Reference: Estimated earnings per share (fiscal 2002): ¥ 17.56

12-1. Unconsolidated Balance Sheets

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

	As of September 30, 2001		As of September 30, 2000		As of March 31, 2001	
ASSETS	588,440	100.0%	522,230	100.0%	562,100	100.0%
Current assets:	452,061	76.8	392,705	75.2	427,013	76.0
Cash on hand and in banks	55,291		53,942		61,732	
Trade notes receivable	34,371		36,179		34,210	
Trade accounts receivable	289,908		242,964		261,664	
Inventories	41,273		36,041		42,776	
Deferred income taxes	1,408		1,469		1,310	
Accounts receivable	29,873		22,593		26,530	
Other current assets	1,684		1,679		1,215	
Allowance for doubtful accounts	(1,749)		(2,164)		(2,428)	
Fixed assets	136,378	23.2	129,525	24.8	135,086	24.0
Tangible fixed assets:	102,176	17.4	100,123	19.2	100,137	17.8
Buildings	32,172		33,841		32,955	
Land	60,060		60,597		60,131	
Others	9,943		5,683		7,049	
Intangible fixed assets	1,875	0.3	1,062	0.2	1,337	0.2
Investments and other assets:	32,326	5.5	28,340	5.4	33,611	6.0
Investment securities	10,003		12,235		11,046	
Equity in subsidiaries and affiliates	8,707		6,313		8,715	
Deferred income taxes	1,211		—		710	
Other	15,593		12,527		16,583	
Allowance for doubtful accounts	(3,190)		(2,736)		(3,443)	
Total assets	588,440	100.0	522,230	100.0	562,100	100.0
LIABILITIES	466,662	79.3	398,089	76.2	440,477	78.4
Current liabilities:	432,763	73.5	363,761	69.6	406,039	72.3
Trade notes payable	15,157		19,741		14,496	
Trade accounts payable	391,198		321,187		373,564	
Short-term loans	—		6,725		—	
Income taxes payable	1,833		2,048		231	
Reserve for bonuses	4,522		5,898		5,470	
Allowance for losses on sales returns	518		609		616	
Other current liabilities	19,532		7,551		11,660	
Long-term liabilities:	33,898	5.8	34,328	6.6	34,437	6.1
Convertible bonds	22,525		22,798		22,525	
Deferred income taxes	—		247		—	
Reserve for retirement benefits	9,338		9,427		9,986	
Reserve for directors' retirement bonuses	1,180		1,004		1,102	
Other long-term liabilities	855		850		824	
SHAREHOLDERS' EQUITY	121,777	20.7	124,141	23.8	121,623	21.6
Common stock	11,152	1.9	11,016	2.1	11,152	2.0
Additional paid-in capital	24,321	4.1	24,184	4.6	24,321	4.3
Legal reserve	1,787	0.3	1,623	0.3	1,704	0.3
Retained earnings	81,132	13.8	82,960	15.9	80,592	14.3
Voluntary reserve	78,715		79,340		79,340	
General reserve	2,416		3,620		1,252	
Unrealized gains on certain investment securities	3,382	0.6	4,357	0.9	3,851	0.7
Treasury stock	(0)	(0.0)	—	—	—	—
Total liabilities and shareholders' equity	588,440	100.0	522,230	100.0	562,100	100.0

12-2. Unconsolidated Statements of Operations

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

	Interim period of fiscal 2002		Interim period of fiscal 2001		Fiscal 2001	
Net sales	546,817	100.0%	462,762	100.0%	965,348	100.0%
Cost of sales	505,640	92.5	417,650	90.3	882,344	91.4
Reserve for returned goods	(97)	(0.0)	82	0.0	89	0.0
Gross profit	41,274	7.5	45,029	9.7	82,913	8.6
Selling, general and administrative expenses	37,870	6.9	40,312	8.7	80,966	8.4
Operating income	3,404	0.6	4,716	1.0	1,946	0.2
Non-operating income:	2,210	0.4	2,112	0.5	4,327	0.4
Interest income	61		77		160	
Dividend income	93		77		113	
Interest on marketable securities	0		0		0	
Research fee income	1,092		1,066		2,102	
Real estate rental income	508		492		996	
Other non-operating income	455		398		955	
Non-operating expenses:	633	0.1	574	0.1	1,248	0.1
Interest expense	34		48		125	
Bond interest expense	99		100		200	
Real estate rental expense	363		384		780	
Carryover of allowance for doubtful accounts	—		—		15	
Other non-operating expenses	136		41		126	
Ordinary income	4,981	0.9	6,254	1.4	5,026	0.5
Extraordinary gain:	496	0.1	574	0.1	508	0.1
Gain on sales of fixed assets	83		0		15	
Gain on sales of investment securities	—		26		26	
Reversal of allowance for doubtful accounts	413		81		—	
Surplus upon adoption of retirement benefit accounting standards	—		465		465	
Extraordinary loss:	2,478	0.5	1,764	0.4	2,504	0.3
Loss on disposal of fixed assets	144		88		272	
Loss on valuation of investment securities	452		140		470	
Loss on valuation of golf memberships	75		320		546	
Special retirement fund	1,806		—		—	
Expenses related to reorganization of sales offices	—		1,214		1,214	
Other	1		—		—	
Income before income taxes	2,999	0.5	5,064	1.1	3,029	0.3
Current income taxes	1,815	0.3	1,126	0.2	990	0.1
Deferred income taxes	(258)	(0.1)	1,294	0.3	862	0.1
Net income	1,443	0.3	2,644	0.6	1,176	0.1
Profit brought forward from the previous term	973		2,419		2,419	
Interim dividends	—		—		818	
Provision for legal reserve	—		—		81	
Unappropriated loss from merger	—		1,444		1,444	
Unappropriated retained earnings at the end of the term	2,416		3,620		1,252	

12-3. Significant Accounting Policies

1. Standards and Methods for Valuation of Assets

(1) Valuation of Securities

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 interim 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 using the first-in first-out method

2. 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. Estimated useful lives are principally 8-50 years for buildings and structures and 4-17 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.

3. 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 interim period.

(3) Allowance for losses on sales returns

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

(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.

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.

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. Other

Consumption taxes and local consumption taxes are excluded from the amounts in the financial statements.

(Additional information)

As of this interim period, "Treasury stock at cost," which was previously included in "Other" in current assets, is stated in the last item of shareholders' equity as a deduction from capital. Treasury stock at cost included in "Other" in current assets at the end of the previous interim period was ¥0 million.

Items Pertaining to Unconsolidated Balance Sheets

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
1. Accumulated depreciation of property, plant and equipment	33,298	30,491	31,972
2. Pledged assets			
Time deposits	15	15	15
Buildings	889	814	909
Land	2,670	2,212	2,670
Investment securities	223	275	243
Total	3,798	3,318	3,838
Liabilities corresponding to above pledged assets			
Trade accounts payable	33,745	—	33,687
Accounts payable	—	29,687	—
3. Contingent liabilities			
Guarantees are provided for bank loans, etc., for the following companies:			
HISATOMO KURAYA, INC.	1,901	1,971	1,691
KURAYA SHOJI, INC.	578	711	252
KURAYA KASEI, INC.	423	562	472
ORIENTAL PHARMACEUTICAL CO., LTD.	215	4	220
NISHIDA YAKUHIN CO., LTD.	—	92	—
Love Drugs Co., Ltd.	185	—	100
KURAYA (USA) CORPORATION	4	—	18
Other	94	—	99
Total	3,404	3,342	2,855
4. Accounting for notes maturing at end of (interim) period			
Although the last day of the (interim) 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 (interim) period are as follows:			
Notes receivable	7,460	6,929	7,052
Notes payable	1,225	3,625	1,256

Items Pertaining to Unconsolidated Statements of Operations

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

	Interim period of fiscal 2002	Interim period of fiscal 2001	Fiscal 2001
Depreciation			
Tangible fixed assets	1,605	1,741	3,520
Intangible fixed assets	127	45	127

13. Lease Transactions

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, rounded down to the nearest million)

	Interim period of fiscal 2002			Interim period of fiscal 2001			Fiscal 2001		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance
Machinery & equipment	1,548	440	1,108	1,540	234	1,306	1,708	426	1,282
Vehicles and carriers	3,441	1,286	2,155	3,047	1,486	1,560	3,288	1,622	1,666
Tools and fixtures	2,128	1,441	686	4,133	2,765	1,368	4,194	3,167	1,026
Total	7,118	3,167	3,950	8,721	4,486	4,235	9,192	5,217	3,975

(2) Future lease payments

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Due within one year	1,276	1,587	1,330
Due after one year	2,855	2,773	2,663
Total	4,131	4,360	3,994

(3) Lease payments, depreciation expense and interest paid

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

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Lease expenses	874	1,128	2,170
Depreciation expense	796	1,041	1,993
Interest paid	75	90	175

(4) Method of calculating depreciation expense

Depreciation expense 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

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

14. Marketable Securities

(Stocks of subsidiaries and affiliates)

No stocks of subsidiaries and affiliates were valued at market in the interim period of fiscal 2002, the interim period of fiscal 2001, or fiscal 2001.

15. Subsequent Events

Merger with HISATOMO KURAYA, INC.

On October 1, 2001, Kuraya Sanseido Inc. merged with its subsidiary HISATOMO KURAYA, INC. 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.

Details of the merger are as follows:

1. Merger method

Kuraya Sanseido Inc. and HISATOMO KURAYA, INC. merged in a spirit of equality. However, for legal formalities, Kuraya Sanseido Inc. is the surviving entity and HISATOMO KURAYA, INC. was eliminated.

2. Assets inherited upon the merger

Assets and liabilities inherited from HISATOMO KURAYA, INC. (As of October 1, 2001)

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

Current assets	5,408	Current liabilities	4,887
Cash and deposits	349	Notes and accounts payable	4,103
Notes and accounts receivable	4,504	Short-term bank loans	650
Inventories	527	Reserve for bonuses	61
Other current assets	71	Reserve for losses on sales returns	2
Allowance for doubtful accounts	(44)	Other current liabilities	70
Fixed assets	69	Long-term liabilities	2
Tangible fixed assets	13	Reserve for retirement benefits	2
Intangible fixed assets	4		
Investments and other assets	50	Total liabilities	4,889
Total assets	5,478	Net assets	588

Partial transfer and takeover of business of IZUTSU PHARMACEUTICAL CO., LTD.

On October 1, 2001, Kuraya Sanseido Inc. carried out a partial transfer and takeover of business related to the wholesale of ethical drugs and other products with its consolidated subsidiary IZUTSU PHARMACEUTICAL CO., LTD., for the purpose of increasing efficiency in business activities and clearly defining functions.