

# Consolidated Financial Statements for the Fiscal Year Ended March 31, 2002

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

May 15, 2002

## Kuraya Sanseido Inc.

7-15, Yaesu 2-chome  
Chuo-ku, Tokyo 104-8464, Japan  
<http://www.kurayasanseido.co.jp>

Stock exchange listings: Tokyo, Osaka  
Code number: 7459  
Board of Directors meeting: May 15, 2002  
Use of U.S. accounting standards: No

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

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 2002	1,222,221	13.9	5,780	196.5	9,130	69.0
Fiscal 2001	1,073,015	—	1,949	—	5,403	—

	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 2002	2,950	120.6	21.67	18.92	2.5	1.4	0.7
Fiscal 2001	1,337	—	9.80	9.02	1.1	0.9	0.5

Notes: 1. Equity in earnings of affiliates: ¥— million (Fiscal 2001: ¥— million)  
2. Average number of shares outstanding (consolidated): 136,194,006 shares (Fiscal 2001: 136,409,788 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 2002	644,247	110,650	17.2	823.75
Fiscal 2001	652,367	122,991	18.9	899.68

Note: Number of shares outstanding at end of period (consolidated): 134,325,518 shares (Fiscal 2001: 136,705,718 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 2002	12,542	(5,012)	(4,355)	73,933
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 2003 (April 1, 2002-March 31, 2003)

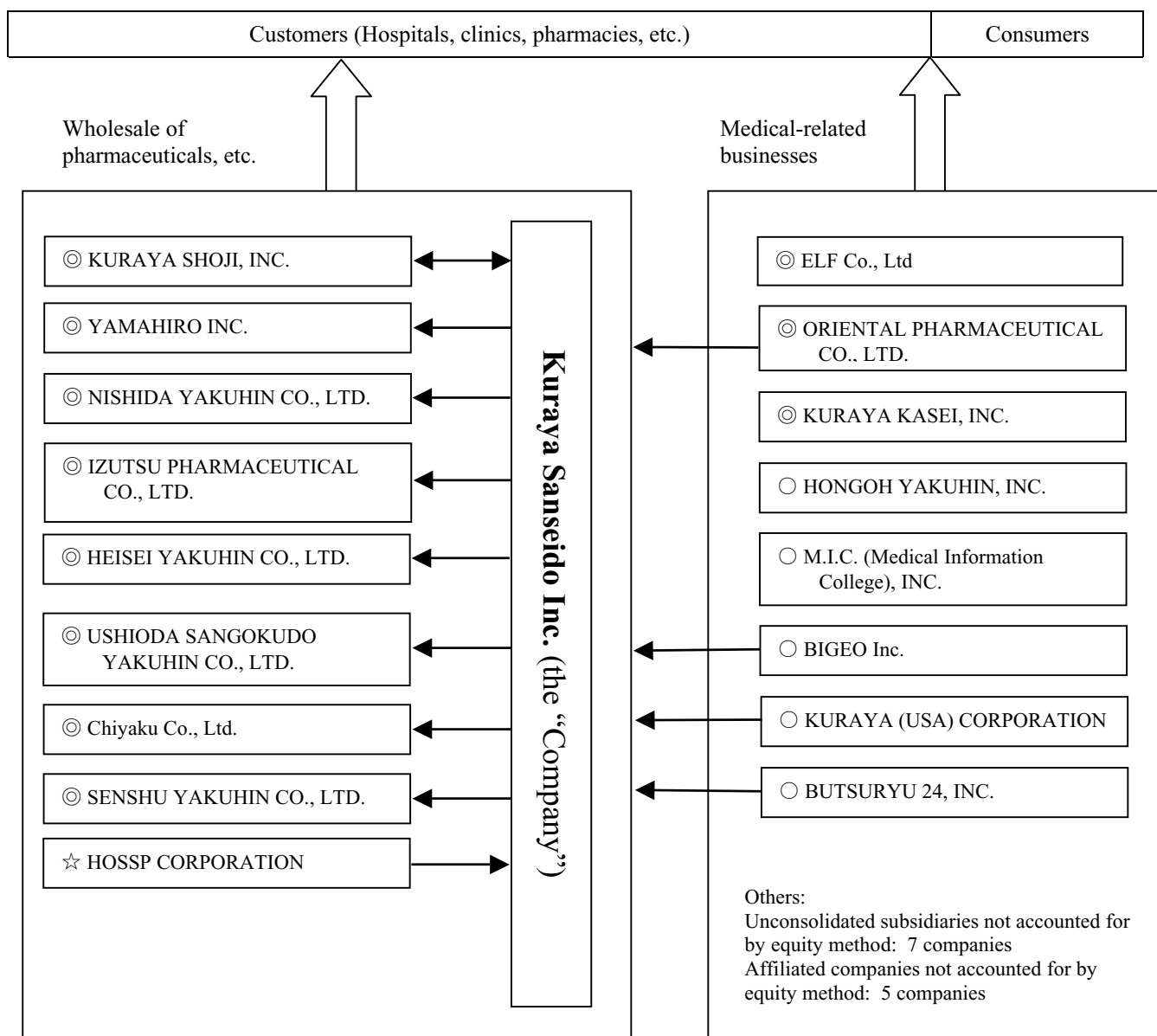
	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	619,000	4,900	1,000
Fiscal 2003	1,244,000	10,000	3,100

Reference: Estimated earnings per share (fiscal 2003): ¥23.08

Note: Estimates of business results are rendered in accordance with Japanese regulations. All estimates are forward-looking statements based on information available as of the date of release of these financial statements. Actual results may differ substantially depending on a number of factors including but not limited to economic trends and exchange rates. For the assumptions and other issues related to the above projections, please refer to page 5 of the attachments.

## 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

Notes: • HISATOMO KURAYA, INC., formerly a consolidated subsidiary, was merged into the Company on October 1, 2001.  
 • On April 1, 2002, the Company took over business related to the wholesale of over-the-counter drugs by IZUTSU PHARMACEUTICAL CO., LTD., and of ethical drugs by NISHIDA YAKUHIN CO., LTD.

## 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
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

A Corporate Executive Officer system has been introduced to clearly separate management decision-making and auditing functions from business execution functions.

In conducting activities to realize our corporate philosophy, the Kuraya Sanseido Group is taking steps to ensure the practice of sound business ethics, including establishment of a Code of Conduct that sets standards for judgment and behavior.

### (4) Medium- and Long-Term Management Strategies

The Kuraya Sanseido Group drew up a medium- to long-term management plan for the three years ending in March 2003, with the goal of creating a wholesale company that will grow and develop in the 21st century. We have been carrying out our business activities on the basis of this plan.

However, in view of the changes since the start of the plan, including rapid changes in the healthcare business environment and active business tie-ups, we drew up a new medium-term management plan covering the three years ending in March 2005. This plan is aimed at establishing shared targets for the Kuraya Sanseido Group and promoting organizational strategies.

In accordance with the new medium-term management plan, the Kuraya Sanseido Group will shift its growth focus from “expansion of scale” to “expansion of functions.” Over the next three years, we will restructure our businesses to create a solid business platform capable of generating steady profits.

#### 1. Consolidated Management Targets (for the year ending March 2005)

Net sales	¥1,330.0 billion
Operating income	¥16.3 billion
Ordinary income	¥20.0 billion
Net income	¥8.9 billion
Return on assets	2.5% (operating income/total assets)
Return on equity	6.9%

#### 2. Basic Strategy

The basic strategy of the plan is “strengthening competitiveness through restructuring of resources, operations and functions.” The Kuraya Sanseido Group will reinforce the business restructuring currently in progress to optimize resources, operations and functions, establish a low cost structure, increase productivity and further expand functions in order to bolster competitiveness.

In accordance with this basic strategy, we will implement the following measures throughout the Group:

- Reorganize and integrate operating bases, particularly in regions where market areas overlap within the Group, focus allocation of personnel in strategic regions, and further strengthen sales capabilities.
- Increase productivity by fostering the mobility of human resources within the Group and reducing the total number of employees, including outside staff such as temporary workers.
- Increase distribution efficiency by expanding regions where sales are separated from shipping and distribution, and enhance sales activities, including customer support.
- Integrate sales and distribution systems for the pharmaceutical wholesale business within the Group, and promote usage of uniform accounting systems to increase operating efficiency.
- Reduce costs by developing and implementing a new business model that effectively combines information technology with existing resources for distribution/supply and information functions within the Group.
- In addition to sales of ethical drugs, actively expand into healthcare-related fields and develop new businesses in order to secure steady profits.

### 3. Business Results and Financial Position

#### (1) Business Results

##### *1. Summary of the Fiscal Year Ended March 31, 2002*

In the pharmaceutical industry, the trend toward lower selling prices continued. However, sales of new drugs were favorable, and seasonal demand due to ailments such as influenza and hay fever was higher compared to the previous year. As a result of these and other factors, the market as a whole showed steady growth.

Under these circumstances, the Kuraya Sanseido Group focused on the integration of operations and business transfers within the Group, and the related organizational changes, in order to strengthen sales and reduce overlapping costs. In addition, the Group worked to lower the cost of sales through joint purchasing, and the NISHINIPPON DISTRIBUTION CENTER, which focuses on pharmaceutical distribution in western Japan, began operations in November 2001, with the aim of bolstering distribution functions and lowering distribution costs.

The Company also took steps to reduce costs and increase productivity through the introduction of measures such as an early retirement program and a transfer system.

In addition, we bolstered our capabilities in Post Marketing Surveillance, which collects and analyzes information on matters such as the efficacy and safety of ethical drugs, in our aim to create new functions as a pharmaceutical wholesaler. We also worked to build stronger customer relationships by enhancing customer support.

As a result of these factors, consolidated net sales for the year ended March 31, 2002 were ¥1,222,221 million (a 13.9% year-on-year increase), and consolidated ordinary income was ¥9,130 million (a 69.0% year-on-year increase). The Company posted an extraordinary loss from payment of special retirement benefits and a loss on valuation of investment securities, resulting in consolidated net income of ¥2,950 million (a 120.6% year-on-year increase).

The Kuraya Sanseido Group revaluated land for business use, resulting in a net revaluation loss of ¥20,219 million.

With regard to the sale of ethical drugs in Miyagi Prefecture, which is handled by the Sendai branch office, the Company received an advisory notice from the Japan Fair Trade Commission on December 3, 2001 for violating the Anti-Monopoly Act in part of the process of displaying and explaining new delivery prices to customer medical institutions in connection with a change in the method of calculating drug prices between April 1 and December 4, 2000. The Company submitted a statement of compliance on December 17, 2001, and received a ruling on January 21, 2002.

Based on the Kuraya Sanseido Anti-Monopoly Act Compliance Manual drawn up immediately after the April 1, 2000 merger, and the Kuraya Sanseido Code of Conduct established in June 2001, Kuraya Sanseido provides extensive company-wide training in legal compliance and conducts its daily business activities on the basis of free competition. The Company will continue working to reinforce these principles.

We apologize for any inconvenience or concern this issue has caused to our associates, and we will remain committed to providing high-quality pharmaceuticals and contributing to society as a distributor that plays a part in health care.

##### *2. Outlook for the Fiscal Year Ending March 31, 2003*

In the current fiscal year, which marks the beginning of our medium-term management plan covering the three-year period ending in March 2005, Kuraya Sanseido will strongly promote business development in line with our basic strategies.

The Kuraya Sanseido Group will make further aggressive investments in sales staff and promote the mobility of human resources in order to bolster sales in strategic regions. In addition, we will work to cut costs and increase productivity with internal reforms, including reduction of personnel through a voluntary early retirement program.

While promoting reasonable selling prices, we will work to lower the cost of sales and secure steady profits. In addition, we will strive to enhance our relationships with customers by executing our new business model targeting prescription pharmacies on a nationwide level, and reinforcing customer support functions.

For the year ending March 31, 2003, we project consolidated net sales of ¥1,244.0 billion (a 1.8% increase), consolidated ordinary income of ¥10.0 billion (a 9.5% increase) and consolidated net income of ¥3.1 billion (a 5.1% increase).

## (2) Financial Position

In the fiscal year under review, on a consolidated basis, net cash provided by operating activities was ¥12,542 million, net cash used in investing activities was ¥5,012 million, and net cash used in financing activities was ¥4,355 million. As a result, cash and cash equivalents (hereinafter referred to as “funds”) at the end of the period increased ¥3,175 million from the end of the previous fiscal year, to ¥73,933 million.

### [Cash Flows from Operating Activities]

The increase in funds from operating activities was ¥12,542 million. The main components of the increase were income before income taxes of ¥6,584 million, depreciation and amortization of ¥4,865 million, and a decrease in trade receivables of ¥3,004 million.

### [Cash Flows from Investing Activities]

The decrease in funds from investing activities was ¥5,012 million. The decrease mainly consisted of ¥5,663 million used for purchases of property, plant and equipment, including the NISHINIPPON DISTRIBUTION CENTER.

### [Cash Flows from Financing Activities]

The decrease in funds from financing activities was ¥4,355 million. The main components of the decrease were ¥3,624 million for repayment of long-term debt, ¥1,196 million used for the purchase of treasury stock, and ¥1,640 million in cash dividends paid.

## 4-1. Consolidated Balance Sheets

### ASSETS

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

	As of March 31, 2002		As of March 31, 2001		Year-on-Year Change
<b>ASSETS</b>	644,247	100.0%	652,367	100.0%	(8,119)
Current assets	499,614	77.5	497,308	76.2	2,305
Cash and deposits	76,053		73,914		2,139
Notes and accounts receivable	336,315		339,147		(2,832)
Marketable securities	39		13		25
Inventories	53,691		54,700		(1,008)
Deferred income taxes	2,802		1,617		1,185
Accrued income	31,582		30,891		690
Other current assets	2,176		1,516		659
Allowance for doubtful receivables	(3,047)		(4,493)		1,446
Fixed assets	144,633	22.5	155,059	23.8	(10,425)
Tangible fixed assets:	99,437	15.4	116,852	17.9	(17,415)
Buildings and structures	42,693		40,491		2,202
Land	49,571		69,922		(20,350)
Construction in progress	275		2,874		(2,598)
Other tangible fixed assets	6,895		3,563		3,332
Intangible fixed assets:	6,097	1.0	5,072	0.8	1,024
Software	1,750		799		950
Goodwill	2,752		3,498		(745)
Other intangible fixed assets	1,593		773		819
Investments and other assets:	39,099	6.1	33,134	5.1	5,964
Investment securities	13,808		15,469		(1,660)
Long-term loans	379		658		(279)
Deferred income taxes	6,022		5,029		993
Deferred tax assets related to revaluation	8,626		—		8,626
Other	15,968		17,434		(1,465)
Allowance for doubtful receivables	(5,705)		(5,456)		(249)
<b>Total assets</b>	<b>644,247</b>	<b>100.0</b>	<b>652,367</b>	<b>100.0</b>	<b>(8,119)</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

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

	As of March 31, 2002		As of March 31, 2001		Year-on-Year Change
<b>LIABILITIES</b>	528,823	82.1%	524,509	80.4%	4,314
Current liabilities:	489,780	76.0	480,236	73.6	9,544
Notes and accounts payable	444,256		444,666		(409)
Short-term loans	15,940		15,330		609
Current portion of long-term debt	1,175		1,622		(446)
Current portion of bonds	—		300		(300)
Current portion of convertible bonds	3,201		—		3,201
Accrued income taxes	3,901		851		3,050
Reserve for bonuses	6,203		6,507		(303)
Allowance for losses on sales returns	676		756		(80)
Other current liabilities	14,426		10,202		4,224
Long-term liabilities:	39,043	6.1	44,273	6.8	(5,230)
Convertible bonds	19,324		22,525		(3,201)
Long-term debt	1,537		2,903		(1,366)
Guarantee deposits	—		559		(559)
Deferred tax liabilities related to revaluation	259		—		259
Reserve for retirement benefits	14,617		15,894		(1,277)
Allowance for directors' retirement bonuses	1,860		1,789		70
Allowance for losses on debt guarantees	300		323		(22)
Other long-term liabilities	1,144		277		867
<b>MINORITY INTERESTS</b>	4,773	0.7	4,866	0.7	(92)
Minority interests	4,773	0.7	4,866	0.7	(92)
<b>SHAREHOLDERS' EQUITY</b>	110,650	17.2	122,991	18.9	(12,341)
Common stock	11,152	1.7	11,152	1.7	—
Capital reserve	24,321	3.8	24,321	3.7	—
Net unrealized loss on land revaluation	(11,768)	(1.8)	—	—	(11,768)
Consolidated retained earnings	84,536	13.1	83,241	12.8	1,295
Unrealized gain on securities	3,603	0.6	4,276	0.7	(672)
Treasury stock	(1,195)	(0.2)	(0)	(0.0)	(1,195)
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>644,247</b>	<b>100.0</b>	<b>652,367</b>	<b>100.0</b>	<b>(8,119)</b>

## 4-2. Consolidated Statements of Income

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

	Year ended March 31, 2002		Year ended March 31, 2001		Year-on-Year Change
Net sales	1,222,221	100.0%	1,073,015	100.0%	149,206
Cost of sales	1,115,658	91.3	976,181	91.0	139,477
Provision for losses on sales returns	(80)	(0.0)	92	0.0	(172)
Gross profit	106,643	8.7	96,741	9.0	9,902
Selling, general and administrative expenses	100,862	8.2	94,791	8.8	6,071
Operating income	5,780	0.5	1,949	0.2	3,831
Non-operating income:	4,964	0.4	4,882	0.4	81
Interest income	150		199		(48)
Dividend income	124		123		1
Research fee income	2,808		2,424		383
Real estate rental income	1,042		960		82
Other non-operating income	837		1,175		(338)
Non-operating expenses:	1,615	0.2	1,428	0.1	186
Interest expense	524		484		39
Real estate rental expenses	743		782		(39)
Other non-operating expenses	347		160		186
Ordinary income	9,130	0.7	5,403	0.5	3,726
Extraordinary gains:	1,130	0.1	1,048	0.1	81
Gain on sales of fixed assets	447		32		414
Gain on sales of investment securities	0		671		(671)
Reversal of allowance for doubtful accounts	656		—		656
Surplus upon adoption of retirement benefit accounting standards	—		332		(332)
Reversal of allowance for losses on debt guarantees	22		11		11
Other extraordinary gains	2		—		2
Extraordinary losses:	3,675	0.3	2,749	0.3	925
Loss on sale and disposal of fixed assets	234		294		(59)
Loss on sale of investment securities	0		1		(1)
Loss on valuation of investment securities	745		546		198
Loss on valuation of golf memberships	184		692		(507)
Loss on reorganization of affiliates	43		—		43
Special retirement benefits	2,435		—		2,435
Expenses related to reorganization of sales offices	—		1,214		(1,214)
Other extraordinary losses	31		—		31
Income before income taxes and minority interests	6,584	0.5	3,702	0.3	2,882
Current income taxes	5,049	0.4	1,326	0.1	3,722
Deferred income taxes	(1,551)	(0.1)	984	0.1	(2,535)
Gain in minority interests	135	(0.0)	53	0.0	81
Loss in minority interests	—		—		—
Net income	2,950	0.2	1,337	0.1	1,613

### 4-3. Consolidated Statements of Retained Earnings

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

	Year ended March 31, 2002	Year ended March 31, 2001	Year-on-Year Change
Balance, beginning of year	83,241	48,666	34,574
Increase	—	34,478	(34,478)
Increase due to merger	—	33,619	(33,619)
Increase due to increase in number of consolidated subsidiaries	—	858	(858)
Deductions	1,655	1,241	413
Cash dividends paid	1,640	1,155	485
Bonuses to directors and corporate auditors	14	86	(71)
[Bonuses to corporate auditors]	[0]	[7]	[(6)]
Net income	2,950	1,337	1,613
Balance, end of year	84,536	83,241	1,295

#### 4-4. Consolidated Statements of Cash Flows

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

	Year ended March 31, 2002	Year ended March 31, 2001	Year-on-Year Change
Cash flows from operating activities			
Income before income taxes and other adjustments	6,584	3,702	2,882
Depreciation and amortization	4,865	4,024	840
Amortization of goodwill	748	165	582
Reversal of employees' retirement allowances	—	(12,431)	12,431
Decrease (increase) in reserve for employees' retirement benefits	(1,277)	12,390	(13,667)
Provision for (reversal of) reserve for directors' retirement bonuses	70	(781)	852
Reversal of allowance for bonuses	(303)	(110)	(192)
(Reversal of) provision for allowance for doubtful receivables	(1,196)	513	(1,709)
(Reversal of) provision for reserve for losses on sales returns	(80)	92	(172)
Provision for allowance for losses on debt guarantees	(22)	(11)	(11)
Reversal of reserve for investment losses	—	(1,090)	1,090
Net interest and dividend income	(275)	(322)	46
Interest paid	524	484	39
Gain on foreign currency translation	(0)	(18)	18
Loss on disposal of fixed assets	(212)	717	(929)
Loss (gain) on marketable securities	745	(123)	869
Loss on valuation of golf memberships	184	692	(507)
Loss on restructuring of affiliated companies	43	—	43
Special retirement benefits	2,435	—	2,435
Decrease (increase) in trade receivables	3,004	(3,951)	6,956
Decrease (increase) in inventories	1,008	(5,803)	6,811
Increase in other assets	(2,560)	(291)	(2,269)
Decrease (increase) in notes and accounts payable	(409)	26,176	(26,585)
Increase in accrued consumption tax payable	502	0	502
Increase in other liabilities	1,539	1,327	211
Bonuses paid to directors	(19)	(176)	156
Subtotal	15,897	25,174	(9,277)
Interest and dividends received	308	300	8
Interest paid	(521)	(480)	(41)
Special retirement benefits paid	(2,435)	—	(2,435)
Income taxes paid	(706)	(2,610)	1,904
Net cash provided by operating activities	12,542	22,384	(9,841)
Cash flows from investing activities			
Increase in time deposits	(6,280)	(1,718)	(4,562)
Proceeds from redemption of time deposits	7,317	2,005	5,311
Payment for purchases of marketable securities	(7)	—	(7)
Proceeds from sales of marketable securities	13	—	13
Payment for purchases of property, plant and equipment	(5,663)	(4,287)	(1,376)
Proceeds from sales of property, plant and equipment	539	650	(110)
Payment for purchases of investment securities	(639)	(625)	(14)
Proceeds from sales of investment securities	10	973	(962)
Proceeds from purchases of stocks in subsidiaries related to change in scope of consolidation	—	4,412	(4,412)
Payment for issuance of loans	(301)	(3,825)	3,524
Proceeds from recovery of loans	544	140	404
Other, net	(545)	(616)	71
Net cash used in investing activities	(5,012)	(2,890)	(2,121)

Cash flows from financing activities			
Net decrease in short-term bank loans	609	(7,083)	7,692
Proceeds from long-term debt	1,811	1,470	341
Repayment of long-term debt	(3,624)	(1,602)	(2,022)
Payment for redemption of bonds	(300)	(500)	200
Payment for redemption of convertible bonds	—	(0)	0
Payment for purchases of treasury stock	(1,196)	(12)	(1,184)
Proceeds from sale of treasury stock	1	66	(64)
Dividends paid by parent company	(1,640)	(1,150)	(489)
Payment of merger acquisition costs by parent company	—	(426)	426
Dividends paid to minority shareholders	(15)	(8)	(7)
Net cash used in financing activities	(4,355)	(9,247)	4,891
Effect of translation gain/loss on cash and cash equivalents	0	18	(18)
Net increase in cash and cash equivalents	3,175	10,264	(7,089)
Cash and cash equivalents, beginning of period	70,758	28,152	42,606
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	73,933	70,758	3,175

## 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 SENSU YAKUHIN CO., LTD.

HISATOMO KURAYA, INC. was merged into the Company on October 1, 2001. Therefore, profit and loss and cash flow of this company are consolidated only through September 30.

#### (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 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 subsidiaries (HONGOYAKUHIN, INC., M.I.C. (Medical Information College), INC. and others) or to affiliated companies (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 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

##### 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 carriers.

##### 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 straight-line 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.

However, six consolidated subsidiaries provide for retirement benefits in the amount of the projected benefit obligation at the balance sheet date, less the estimated fair value of pension assets related to contributory pension plans. 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.

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

An allowance 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 the amounts in the financial statements.

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.

Change in the Method of Presentation

The item previously presented as "Guarantee deposits" under long-term liabilities (¥887 million in the year ended March 31, 2002) is included in "Other long-term liabilities" beginning from the year ended March 31, 2002, because it is less than 1/100 of the amount of total assets.

**Notes to Consolidated Balance Sheets**

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

As of March 31, 2002		As of March 31, 2001	
1. Accumulated depreciation of property, plant and equipment		1. Accumulated depreciation of property, plant and equipment	
Buildings and structures	35,503	Buildings and structures	32,809
Other	8,252	Other	7,168
Total	43,756	Total	39,978
2. Items pertaining to unconsolidated subsidiaries and affiliates		2. Items pertaining to unconsolidated subsidiaries and affiliates	
Investment securities (stock)	823	Investment securities (stock)	949
3. Pledged assets		3. Pledged assets	
Time deposits	330	Time deposits	548
Notes and accounts receivable	943	Notes and accounts receivable	1,188
Buildings	3,647	Marketable securities	1
Land	8,163	Buildings	4,808
Investment securities	1,447	Land	8,851
Investment securities		Investment securities	1,765
Total	14,532	Total	17,162
Liabilities corresponding to above pledged assets:		Liabilities corresponding to above pledged assets:	
Accounts payable	38,742	Accounts payable	37,402
Short-term loans	5,173	Short-term loans	9,939
Current portion of long-term debt	713	Current portion of long-term debt	1,212
Long-term loans	844	Current portion of bonds	300
Long-term loans		Long-term loans	2,318
Total	45,474	Total	51,173
4. Contingent liabilities		4. Guarantees are provided for borrowings of the following companies not included in consolidation:	
Guarantees are provided for bank loans, etc. of the following companies:		Love Drugs Co., Ltd.	100
Love Drugs Co., Ltd.	165	KURAYA (USA) CORPORATION	18
Other	73	Other	92
Total	238	Total	211
5. Accounting for notes maturing at end of the fiscal year		5. Accounting for notes maturing at end of the fiscal year	
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:		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	8,297	Notes receivable	8,192
Notes payable	3,866	Notes payable	8,941

<p>6. Land Revaluation</p> <p>The Company and some of its consolidated subsidiaries carried out revaluations of land for business use in accordance with the “Land Revaluation Law” (Law No. 34, passed March 31, 1998). The net unrealized gain/loss is stated in shareholders’ equity as “Net unrealized gain (loss) on land revaluation” in the amount of the net unrealized gain or loss, less deferred tax assets related to revaluation and deferred tax liabilities related to revaluation.</p> <p>Revaluation method: Calculated according to the price recorded in the No. 10 Property Tax Ledger and No. 11 Supplementary Property Tax Ledger of Article 341 of the Regional Tax Law stipulated in Article 2, paragraph 3 of the “Executive Order on the Land Revaluation Law” (Directive No. 119 passed on March 31, 1998).</p> <p>Date of land revaluation: March 31, 2002</p> <p>Book value before revaluation: ¥64,717 million</p> <p>Book value after revaluation: ¥44,497 million</p>	<p style="text-align: center;">—</p>						
<p>7. The Company and its consolidated subsidiaries have overdraft contracts with 24 banks for the efficient procurement of working assets. At the end of this consolidated accounting period, the unexercised balance of overdraft contracts was as follows:</p> <p style="text-align: right;">(¥ million)</p> <table border="0" style="width: 100%;"> <tr> <td>Total amount of overdraft limit</td> <td style="text-align: right;">62,300</td> </tr> <tr> <td><u>Unexercised balance</u></td> <td style="text-align: right;"><u>13,100</u></td> </tr> <tr> <td>Net balance</td> <td style="text-align: right;">49,200</td> </tr> </table>	Total amount of overdraft limit	62,300	<u>Unexercised balance</u>	<u>13,100</u>	Net balance	49,200	<p style="text-align: center;">—</p>
Total amount of overdraft limit	62,300						
<u>Unexercised balance</u>	<u>13,100</u>						
Net balance	49,200						

**Notes to Consolidated Statements of Income**

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

Year ended March 31, 2002		Year ended March 31, 2001	
1. Major items and amounts in selling, general and administrative expenses:		1. Major items and amounts in selling, general and administrative expenses:	
Wages and salaries	47,493	Wages and salaries	45,523
Welfare expenses	7,563	Welfare expenses	6,609
Provision for bonuses	6,258	Provision for bonuses	6,471
Provision for employees' retirement benefits	4,071	Provision for employees' retirement benefits	3,252
Provision for directors' retirement bonuses	274	Provision for directors' retirement bonuses	211
Shipping and delivery expenses	4,451	Shipping and delivery expenses	3,774
Rental expenses	3,673	Rental expenses	3,395
Depreciation and amortization	4,251	Depreciation and amortization	3,379
Amortization of goodwill	748	Provision for doubtful receivables	595
		Amortization of goodwill	165
2. Components of gain on sales of fixed assets:		2. Components of gain on sales of fixed assets:	
Land	446	Land	32
Other	1	Other	0
Total	447	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	191	Buildings and structures	137
Other	38	Other	40
Total	229	Total	178
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings and structures	0	Land	113
Other	4	Other	2
Total	4	Total	116

**Notes to Consolidated Statements of Cash Flows**

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

Year ended March 31, 2002		Year ended March 31, 2001	
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	76,053	Cash and deposits	73,914
Time deposits with maturities exceeding three months	(2,119)	Time deposits with maturities exceeding three months	(3,155)
Cash and cash equivalents	73,933	Cash and cash equivalents	70,758
2. —		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:	
		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)

	<p>USHIODA SANGOKUDO YAKUHI CO., LTD.</p> <p>Current assets 27,498 Fixed assets 5,974 Goodwill 631 Current liabilities (28,631) Long-term liabilities (3,350) Minority interests (743)</p> <p>Cost of acquisition of USHIO SANGOKUDO YAKUHI CO., LTD. 1,379</p> <p>Cash and cash equivalents of USHIODA SANGOKUDO YAKUHI CO., LTD. (2,230)</p> <p>Income from acquisition of USHIODA SANGOKUDO YAKUHI CO., LTD. (851)</p> <p>Chiyaku Co., Ltd.</p> <p>Current assets 9,881 Fixed assets 2,799 Goodwill 1 Current liabilities (10,945) Long-term liabilities (860) Minority interests (428)</p> <p>Cost of acquisition of Chiyaku Co., Ltd. 447</p> <p>Cash and cash equivalents of Chiyaku Co., Ltd. (912)</p> <p>Income from acquisition of Chiyaku Co., Ltd. (465)</p> <p>SENSHU YAKUHI CO., LTD.</p> <p>Current assets 15,815 Fixed assets 6,701 Goodwill 2,850 Current liabilities (20,375) Long-term liabilities (4,620)</p> <p>Cost of acquisition of SENS SHU YAKUHI CO., LTD. 371</p> <p>Cash and cash equivalents of SENSHU YAKUHI CO., LTD. (2,103)</p> <p>Income from acquisition of SENS SHU YAKUHI CO., LTD. (1,731)</p>	
3. —	<p>3. Significant non-cash transactions (Assets and liabilities inherited through merger)</p> <p>Main components of assets and 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.</p>	

	Kuraya Corporation	
	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 for the years ended March 31, 2002 and March 31, 2001, 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.

### 2. Geographical Segment Information

Geographical segment information is not disclosed for the years ended March 31, 2002 and March 31, 2001, 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, 2002 or 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)

	Year ended March 31, 2002			Year ended March 31, 2001		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated Depreciation	Ending balance
Machinery, equipment and carriers	7,504	2,847	4,656	6,776	3,017	3,758
Tools and fixtures	4,469	2,962	1,506	6,491	4,399	2,092
Total	11,973	5,810	6,162	13,267	7,416	5,851

#### (2) Future lease payments

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

	As of March 31, 2002	As of March 31, 2001
Due within one year	2,064	2,086
Due after one year	4,266	3,905
Total	6,331	5,991

#### (3) Lease payments, depreciation expense and interest paid equivalents

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

	As of March 31, 2002	As of March 31, 2001
Lease payments	2,587	2,737
Depreciation expense	2,372	2,503
Interest paid	205	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 March 31, 2002	As of March 31, 2001
Due within one year	35	35
Due after one year	65	43
Total	101	78

## 7. Transactions with Related Parties

(April 1, 2001-March 31, 2002)

### (1) The Company and Major Corporate Shareholders

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)	¥180,627	¥502
Line item	Accrued income	Notes and accounts payable
Balance at end of period (million)	¥7,663	¥41,678

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, 2002)

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

Deferred tax assets	
Allowance for doubtful receivables	¥ 2,329 million
Accrued enterprise tax	¥ 325 million
Allowance for bonuses	¥ 1,842 million
Reserve for retirement benefits	¥ 4,778 million
Allowance for directors' retirement bonuses	¥ 783 million
Other	¥ 3,638 million
Total deferred tax assets	<u>¥13,697 million</u>
Deferred tax liabilities	
Reserve for asset compression	¥ (1,053) million
Unrealized gain on securities	¥ (3,135) million
Other	¥ (732) million
Total deferred tax liabilities	<u>¥ (4,921) million</u>
Net deferred tax assets	<u>¥ 8,776 million</u>

Note: The net amount of deferred tax assets is included in the following items on the consolidated balance sheets:

Current assets	—	Deferred income taxes	¥2,802 million
Fixed assets	—	Deferred income taxes	¥6,022 million
Fixed assets	—	Other	¥ (49) million

### 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	5.3%
Average rate of inhabitants tax	3.0%
Other	2.7%
Effective tax rate	53.1%

## 9. Marketable Securities

(As of March 31, 2002)

### 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	3,144	10,686	7,541
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	6	7	0
Other	0	0	0
(3) Other	—	—	—
Sub-total	3,151	10,693	7,542
Securities with balance sheet amounts that do not exceed acquisition cost:			
(1) Stocks	1,298	1,207	(90)
(2) Bonds			
National and local government bonds, etc.	—	—	—
Corporate bonds	33	29	(3)
Other	—	—	—
(3) Other	—	—	—
Sub-total	1,331	1,237	(94)
Total	4,482	11,930	7,447

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 ¥738 million.

For impairment of the applicable stocks, the Company books an unrealized loss on revaluation if the market value at the end of the consolidated accounting period is 30 percent or more below the acquisition cost.

### 2. Other marketable securities sold during fiscal 2002 (April 1, 2001-March 31, 2002)

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

Amount sold	Total profit on sales	Total loss on sales
24	0	0

### 3. Description and balance sheet amounts of securities without market values

Other marketable securities

Unlisted domestic stocks (excluding stocks traded over-the-counter): ¥786 million

Unlisted domestic government bonds: ¥ 7 million

Unlisted foreign stocks: ¥300 million

### 4. Projected future redemption of securities with maturities and held-to-maturity bonds included in other marketable securities

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

	Within one year	1-5 years	5-10 years	More than 10 years
(1) Bonds				
National and local government bonds, etc.	—	—	—	—
Corporate bonds	32	5	—	—
Other	7	0	—	—
(2) Other	—	—	—	—
Total	39	5	—	—

(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	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.

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

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

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

3. 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

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

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

	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	—	—

## 10. Derivative Transactions

None applicable

## 11. Retirement Benefits

### 1. Description of retirement benefit system used

The Company and its consolidated subsidiaries have a defined benefit plan comprising a qualified pension plan, a contributory pension plan and a lump-sum retirement payment. The Company may, in some cases, pay additional retirement benefits to employees upon their retirement.

### 2. Retirement benefit obligation

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

	As of March 31, 2002	As of March 31, 2001
(1) Projected benefit obligation	(36,233)	(39,589)
(2) Plan assets at fair value	20,187	22,791
(3) Funded status ((1) + (2))	(16,045)	(16,798)
(4) Unaccounted for difference arising from change in accounting standards	—	—
(5) Unrecognized net (gain) or loss	1,428	904
(6) Unrecognized past service cost	—	—
(7) Net amount stated on consolidated balance sheet ((3) + (4) + (5) + (6))	(14,617)	(15,894)
(8) Prepaid pension expenses	—	—
(9) Reserve for retirement benefits ((7) - (8))	(14,617)	(15,894)

As of March 31, 2002

As of March 31, 2001

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

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

### 3. Retirement benefit expenses

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

	Year ended March 31, 2002	Year ended March 31, 2001
(1) Service cost	2,662	2,365
(2) Interest cost	1,139	1,022
(3) Expected return on plan assets	(661)	(608)
(4) Difference arising from accounting change charged to income	—	(332)
(5) Actuarial differences charged to income	940	452
(6) Past service cost charged to income	—	—
(7) Retirement benefit expenses ((1) + (2) + (3) + (4) + (5) + (6))	4,081	2,899

As of March 31, 2002

As of March 31, 2001

Notes:

- Besides the retirement benefit expenses above, the Company paid special retirement benefits of ¥2,435 million, which were recorded as an extraordinary loss.
- Retirement benefit expenses of consolidated subsidiaries using the simplified method are recorded in (1) Service cost.

Note:

- 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.

	<u>As of March 31, 2002</u>	<u>As of March 31, 2001</u>
(1) Periodic allocation method for projected benefits:	Mainly point basis	Mainly point basis
(2) Discount rate:	3.0%	3.0%
(3) Expected rate of return:	3.0%	3.0%
(4) Years over which past service cost is amortized:	Not applicable	Not applicable
(5) Years over which unrecognized net (gains) or losses are amortized (see note):	3 years	3 years
(6) Years over which difference arising from change in accounting standards is amortized:	1 year	1 year
Note:	Expensed from the following period using the straight-line method over a fixed number of years within the average remaining service time when obligations arise	

5. Corporate pension assets of multiemployer pension plan

The Company and some of its consolidated subsidiaries use a qualified pension plan, and the amount of pension assets corresponding to the Company's contribution to this plan cannot reasonably be calculated.

	<u>As of March 31, 2002</u>	<u>As of March 31, 2001</u>
.Pension plan assets based on the proportion of .contributions	33,960	36,753

## 12. Production, Orders and Sales

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

	Year ended March 31, 2002		Year ended March 31, 2001	
Ethical drugs	1,069,480	87.5%	932,088	86.8%
Over-the-counter drugs	52,059	4.3	46,799	4.4
Medical equipment, tools and clinical materials	51,622	4.2	46,338	4.3
Reagents	24,853	2.0	23,197	2.2
Others	24,205	2.0	24,590	2.3
Total	1,222,221	100.0	1,073,015	100.0

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

	Year ended March 31, 2002		Year ended March 31, 2001	
Ethical drugs	977,734	87.8%	855,323	87.2%
Over-the-counter drugs	45,822	4.1	42,123	4.3
Medical equipment, tools and clinical materials	46,208	4.2	41,460	4.2
Reagents	22,653	2.0	20,753	2.1
Others	21,325	1.9	21,368	2.2
Total	1,113,744	100.0	981,030	100.0

## 13. Subsequent Events

(Voluntary early retirement program)

Because the Company considers raising productivity essential for creating a foundation that can generate steady profits, it was resolved at the Board of Directors meeting held on May 15, 2002 to invite volunteers for early retirement.

(1) Number of applicants

150

(2) Eligible persons

To qualify, employees must be between 40 and 58 years of age as of September 30, 2002, with at least 10 continuous years of service (including employees on loan).

(3) Application period

July 16-July 31, 2002

(4) Retirement date

September 30, 2002

(5) Other

For employees retiring through this plan, in addition to paying special additional retirement benefits, the Company will provide outplacement support, including job placement assistance and career counseling.

(6) Estimated amount of retirement benefits

The Company expects to pay an estimated ¥1.9 billion in special retirement benefits in connection with this plan.

# Summary of Unconsolidated Financial Statements for the Fiscal Year Ended March 31, 2002

May 15, 2002

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  
<http://www.kurayasanseido.co.jp>

Stock exchange listings: Tokyo, Osaka  
Code number: 7459  
Board of Directors meeting: May 15, 2002  
Ordinary General Meeting  
of Shareholders: June 27, 2002  
Interim dividend system: Yes  
Use of basic unit of stock: Yes (100 shares)

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

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 2002	1,116,754	15.7	5,917	204.0	9,060	80.3
Fiscal 2001	965,348	—	1,946	—	5,026	—

	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 2002	3,581	204.4	26.30	22.81	3.1	1.6	0.8
Fiscal 2001	1,176	—	8.62	8.01	1.0	0.9	0.5

Notes:

1. Average number of shares outstanding: 136,194,006 shares (Fiscal 2001: 136,420,917 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 2002	12.00	6.00	6.00	1,626	45.4	1.5
Fiscal 2001	12.00	6.00	6.00	1,638	139.2	1.3

### (3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2002	595,689	110,637	18.6	823.65
Fiscal 2001	562,100	121,623	21.6	889.67

Notes:

1. Number of shares outstanding at end of period: 134,325,518 shares (Fiscal 2001: 136,705,869 shares)
2. Number of shares of treasury stock outstanding at end of period: 2,380,351 shares

## 2. Projected Results for Fiscal 2003 (April 1, 2002-March 31, 2003)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual dividends per share (¥)		
				Interim	Year-end	
Interim period	588,000	4,600	1,200	6.00	—	—
Fiscal 2003	1,180,000	9,300	3,600	—	6.00	12.00

Reference: Estimated earnings per share (fiscal 2003): ¥26.80

Note: Estimates of business results are rendered in accordance with Japanese regulations. All estimates are forward-looking statements based on information available as of the date of release of these financial statements. Actual results may differ substantially depending on a number of factors including but not limited to economic trends and exchange rates. For the assumptions and other issues related to the above projections, please refer to page 5 of the attachments.

## 15-1. Balance Sheets

ASSETS					
(Millions of yen, rounded down to the nearest million)					
	As of March 31, 2002		As of March 31, 2001		Year-on-Year Change
ASSETS	595,689	100.0%	562,100	100.0%	33,589
Current assets	472,644	79.3	427,013	76.0	45,630
Cash and cash equivalents	65,647		61,732		3,914
Trade notes receivable	32,809		34,210		(1,401)
Trade accounts receivable	295,601		261,664		33,936
Marketable securities	7		—		7
Treasury stock	—		0		(0)
Merchandise	42,499		42,776		(276)
Prepaid expenses	781		699		82
Deferred income taxes	2,526		1,310		1,215
Accrued income	30,087		26,530		3,556
Other current assets	4,292		516		3,775
Allowance for doubtful receivables	(1,606)		(2,428)		821
Fixed assets	123,045	20.7	135,086	24.0	(12,041)
Tangible fixed assets	83,370	14.0	100,137	17.8	(16,766)
Buildings	35,639		32,955		2,684
Structures	1,310		1,269		41
Machinery and equipment	3,814		899		2,914
Vehicles and carriers	43		49		(5)
Tools and fixtures	2,458		1,957		501
Land	39,847		60,131		(20,284)
Construction in progress	255		2,874		(2,619)
Intangible fixed assets	3,064	0.5	1,337	0.2	1,726
Land leaseholds	157		157		(0)
Telephone subscription rights	321		320		0
Facilities usage rights	89		97		(8)
Software	1,634		729		905
Other	861		32		828
Investments and other assets:	36,610	6.2	33,611	6.0	2,998
Investment securities	9,981		11,046		(1,064)
Equity in subsidiaries and affiliates	8,462		8,715		(252)
Investments	292		536		(243)
Long-term loans	61		114		(53)
Long-term loans to employees	19		23		(4)
Long-term loans to subsidiaries and affiliates	244		4,074		(3,830)
Long-term guarantee deposits	3,198		3,653		(455)
Long-term accumulated credits	212		203		9
Long-term prepaid expenses	1,232		710		521
Deferred tax assets related to revaluation	8,498		—		8,498
Other	7,792		7,976		(184)
Allowance for doubtful accounts	(3,385)		(3,443)		58
Total assets	595,689	100.0	562,100	100.0	33,589

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

	As of March 31, 2002		As of March 31, 2001		Year-on-Year Change
<b>LIABILITIES</b>	485,051	81.4%	440,477	78.4%	44,574
Current liabilities:	454,464	76.3	406,039	72.3	48,425
Trade notes payable	14,332		14,496		(164)
Trade accounts payable	406,288		373,564		32,724
Current portion of convertible bonds	3,201		—		3,201
Accrued payables	17,695		8,424		9,270
Accrued income taxes	3,695		231		3,464
Accrued consumption taxes	1,573		1,192		381
Accrued expenses	1,259		1,375		(115)
Deposits	549		565		(15)
Advance payments received	69		81		(11)
Reserve for bonuses	5,214		5,470		(256)
Allowance for losses on sales returns	529		616		(87)
Other current liabilities	55		21		34
Long-term liabilities:	30,587	5.1	34,437	6.1	(3,850)
Convertible bonds	19,324		22,525		(3,201)
Guarantee deposits	8,914		9,986		(1,071)
Allowance for directors' retirement bonuses	1,265		1,102		163
Other long-term liabilities	1,082		824		258
<b>SHAREHOLDERS' EQUITY</b>	110,637	18.6	121,623	21.6	(10,985)
Common stock	11,152	1.9	11,152	2.0	—
Additional paid-in capital	24,321	4.1	24,321	4.3	—
Legal reserve	1,795	0.3	1,704	0.3	90
Net unrealized loss on land revaluation	(11,687)	(2.0)	—	—	(11,687)
Retained earnings	82,924	13.9	80,592	14.3	2,332
Voluntary reserve	79,080		79,340		(259)
Reserve for asset compression	1,278		1,310		(31)
Reserve for special asset compression	50		43		6
General reserve	77,751		77,986		(235)
Unallocated profit for the period	3,844		1,252		2,592
Unrealized gain on securities	3,326	0.6	3,851	0.7	(525)
Treasury stock	(1,195)	(0.2)	—	—	(1,195)
<b>Total liabilities and shareholders' equity</b>	<b>595,689</b>	<b>100.0</b>	<b>562,100</b>	<b>100.0</b>	<b>33,589</b>

## 15-2. Statements of Income

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

	Year ended March 31, 2002		Year ended March 31, 2001		Year-on-year Change
Net sales	1,116,754	100.0%	965,348	100.0%	151,405
Cost of sales	1,033,108	92.5	882,344	91.4	150,763
Provision for sales returns	(89)	(0.0)	89	0.0	(179)
Gross profit	83,735	7.5	82,913	8.6	821
Selling, general and administrative expenses	77,817	7.0	80,966	8.4	(3,149)
Operating income	5,917	0.5	1,946	0.2	3,971
Non-operating income:	4,447	0.4	4,327	0.4	120
Interest income	129		160		(31)
Dividend income	125		113		11
Interest on marketable securities	0		0		—
Research fee income	2,183		2,102		81
Real estate rental income	1,034		996		38
Other non-operating income	974		955		19
Non-operating expenses:	1,305	0.1	1,248	0.1	56
Interest expense	70		125		(55)
Bond interest expense	199		200		(1)
Real estate rental expense	737		780		(42)
Provision for doubtful receivables	—		15		(15)
Other non-operating expenses	298		126		171
Ordinary income	9,060	0.8	5,026	0.5	4,034
Extraordinary gains:	676	0.1	508	0.1	168
Gain on sales of fixed assets	326		15		310
Gain on sales of investment securities	—		26		(26)
Reversal of allowance for doubtful accounts	350		—		350
Surplus upon adoption of retirement benefit accounting standards	—		465		(465)
Extraordinary losses:	2,889	0.3	2,504	0.3	385
Loss on sale and disposal of fixed assets	214		272		(57)
Loss on valuation of investment securities	691		470		220
Loss on valuation of golf memberships	133		546		(413)
Loss on reorganization of affiliates	43		—		43
Special retirement benefits	1,806		—		1,806
Expenses related to reorganization of sales offices	—		1,214		(1,214)
Other extraordinary losses	1		—		1
Income before income taxes	6,847	0.6	3,029	0.3	3,818
Current income taxes	4,600	0.4	990	0.1	3,610
Deferred income taxes	(1,334)	(0.1)	862	0.1	(2,196)
Net income	3,581	0.3	1,176	0.1	2,405
Profit brought forward from the previous term	973		2,419		(1,446)
Interim dividends	820		818		2
Provision for legal reserve	—		81		(81)
Unappropriated profit from merger	108		—		108
Unappropriated loss from merger	—		1,444		(1,444)
Unappropriated retained earnings at the end of the term	3,844		1,252		2,592

**15-3. Statements of Appropriation of Retained Earnings**

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

Item	Year ended March 31, 2002	Year ended March 31, 2001
Unappropriated retained earnings at the end of the year	3,844	1,252
Reversal of voluntary reserves		
Reversal of reserve for asset compression	30	31
Reversal of reserve for special asset compression	50	—
Reversal of special reserve	—	600
Total unappropriated retained earnings	3,925	1,883
We propose to appropriate the foregoing as follows:		
Legal reserve	—	83
Dividends	805	820
Voluntary reserves		
Reserve for asset compression	200	—
Reserve for special asset compression	—	6
Special reserve	1,000	—
Total amount appropriated	1,918	973

## 15-4. Significant Accounting Policies

### 1. Valuation of Securities

- (1) Stocks of subsidiaries and affiliates: Valued at cost using the moving-average method
- (2) 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. Valuation of Inventories

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

### 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 benefits in the amount of the projected benefit obligation at the end of the period, less the estimated fair value of pension assets related to contributory pension plans. 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.

#### (Supplementary information)

Treasury stock (¥0 million in the year ended March 31, 2001), which had been stated in assets, is stated as a negative item in shareholders' equity beginning in the year ended March 31, 2002, in accordance with the revised regulations for financial statements.

## Notes to Unconsolidated Balance Sheets

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

As of March 31, 2002		As of March 31, 2001	
1. Accumulated depreciation of property, plant and equipment		1. Accumulated depreciation of property, plant and equipment	
Buildings	25,473	Buildings	23,381
Structures	2,582	Structures	2,421
Machinery and equipment	2,169	Machinery and equipment	1,789
Vehicles and carriers	100	Vehicles and carriers	84
Tools and fixtures	4,867	Tools and fixtures	4,295
<b>Total</b>	<b>35,193</b>	<b>Total</b>	<b>31,972</b>
2. Pledged assets		3. Pledged assets	
Time deposits	15	Time deposits	15
Buildings	859	Buildings	909
Land	2,294	Land	2,670
Investment securities	232	Investment securities	243
<b>Total</b>	<b>3,401</b>	<b>Total</b>	<b>3,838</b>
Liabilities corresponding to above pledged assets		Liabilities corresponding to above pledged assets	
Trade accounts payable	36,410	Trade accounts payable	33,687
3. Notes related to subsidiaries and affiliates		2. Notes related to subsidiaries and affiliates	
Trade accounts receivable	63,675	Trade accounts receivable	29,007
Trade accounts payable	6,631	Trade accounts payable	7,797
Accounts payable	8,330		
4. Number of shares authorized: 500,000,000 shares Number of shares outstanding: 136,705,869 shares		4. Number of shares authorized: 500,000,000 shares Number of shares outstanding: 136,705,869 shares	
5. Incidental liabilities		5. Incidental liabilities	
Guarantees are provided for bank loans, etc., for the following companies:		Guarantees are provided for bank loans, etc., for the following subsidiaries, etc.:	
SENSHU YAKUHIN CO., LTD.	4,500	HISATOMO KURAYA, INC.	1,691
KURAYA KASEI, INC.	394	KURAYA KASEI, INC.	472
KURAYA SHOJI, INC.	248	KURAYA SHOJI, INC.	252
ORIENTAL PHARMACEUTICAL CO., LTD.	206	ORIENTAL PHARMACEUTICAL CO., LTD.	220
Love Drugs Co., Ltd.	165	Love Drugs Co., Ltd.	100
Other	84	KURAYA (USA) CORPORATION	18
			(U.S.\$149 thousand)
		Other	99
<b>Total</b>	<b>5,598</b>	<b>Total</b>	<b>2,855</b>
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 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:	
Notes receivable	7,287	Notes receivable	7,052
Notes payable	1,275	Notes payable	1,256

<p>7. Land Revaluation</p> <p>The Company carried out revaluations of land for business use in accordance with the “Land Revaluation Law” (Law No. 34, passed March 31, 1998). The net unrealized gain/loss is stated in shareholders’ equity as “Net unrealized gain (loss) on land revaluation” in the amount of the net unrealized gain or loss, less deferred tax assets related to revaluation and deferred tax liabilities related to revaluation.</p> <p>Revaluation method: Calculated according to the price recorded in the No. 10 Property Tax Ledger and No. 11 Supplementary Property Tax Ledger of Article 341 of the Regional Tax Law stipulated in Article 2, paragraph 3 of the “Executive Order on the Land Revaluation Law” (Directive No. 119 passed on March 31, 1998).</p> <p>Date of land revaluation: March 31, 2002</p> <p>Book value before revaluation: ¥59,931 million</p> <p>Book value after revaluation: ¥39,746 million</p>	<p>—</p>						
<p>8. The Company has overdraft contracts with 7 banks for the efficient procurement of working assets. At the end of this consolidated accounting period, the unexercised balance of overdraft contracts was as follows:</p> <p style="text-align: right;">(¥ million)</p> <table border="0" style="width: 100%;"> <tr> <td>Total amount of overdraft limit</td> <td style="text-align: right;">38,500</td> </tr> <tr> <td><u>Unexercised balance</u></td> <td style="text-align: right;"><u>—</u></td> </tr> <tr> <td>Net balance</td> <td style="text-align: right;">38,500</td> </tr> </table>	Total amount of overdraft limit	38,500	<u>Unexercised balance</u>	<u>—</u>	Net balance	38,500	<p>—</p>
Total amount of overdraft limit	38,500						
<u>Unexercised balance</u>	<u>—</u>						
Net balance	38,500						

## Notes to Unconsolidated Statements of Income

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

Year ended March 31, 2002		Year ended March 31, 2001	
1. Major items and amounts in selling, general and administrative expenses:		1. Major items and amounts in selling, general and administrative expenses:	
Wages and salaries	35,874	Wages and salaries	38,479
Welfare expenses	5,736	Welfare expenses	5,773
Business consignment expenses	4,493	Business consignment expenses	4,045
Provision for bonuses	5,214	Provision for bonuses	5,470
Provision for employees' retirement benefits	3,269	Provision for employees' retirement benefits	2,786
Provision for directors' retirement bonuses	174	Provision for directors' retirement bonuses	158
Shipping and delivery expenses	3,578	Shipping and delivery expenses	3,226
Rental expenses	3,037	Rental expenses	3,076
Depreciation and amortization	3,583	Depreciation and amortization	3,058
		Provision for doubtful receivables	766
2. Components of gain on sale of fixed assets:		2. Components of gain on sale of fixed assets:	
Vehicles and carriers	0	Vehicles and carriers	0
Land	325	Land	15
Total	326	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	173	Buildings	103
Structures	4	Structures	20
Machinery and equipment	17	Machinery and equipment	5
Vehicles and carriers	0	Vehicles and carriers	1
Tools and fixtures	16	Tools and fixtures	29
Total	212	Total	158
Loss on sale of fixed assets:		Loss on sale of fixed assets:	
Buildings	0	Vehicles and carries	0
Tools and fixtures	1	Tools and fixtures	0
Total	2	Land	113
		Total	113
4. Non-operating income includes a total of ¥549 million in interest income, dividend income, real estate rental income, and other income from affiliated companies.			

### Decrease in number of shares outstanding during fiscal 2001

	Number of shares purchased	Acquisition cost
Purchase of treasury stock	2,380,200 shares	¥1,195 million

## 16. 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)

	Year ended March 31, 2002			Year ended March 31, 2001		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance
Machinery & equipment	1,716	692	1,024	1,708	426	1,282
Vehicles and carriers	4,232	1,306	2,926	3,288	1,622	1,666
Tools and fixtures	2,366	1,769	597	4,194	3,167	1,026
Total	8,315	3,768	4,547	9,192	5,217	3,975

### (2) Future lease payments

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

	Year ended March 31, 2002	Year ended March 31, 2001
Due within one year	1,395	1,330
Due after one year	3,225	2,663
Total	4,621	3,994

### (3) Lease payments, depreciation expense and interest paid equivalents

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

	Year ended March 31, 2002	Year ended March 31, 2001
Lease payments	1,751	2,170
Depreciation expense	1,606	1,993
Interest paid equivalent	150	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)

No stocks of subsidiaries and affiliates were valued at market in either the year ended March 31, 2002 or the year ended March 31, 2001.

## 18. Deferred Tax Accounting

(As of March 31, 2002)

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

Deferred tax assets	
Allowance for doubtful receivables	¥ 1,422 million
Accrued enterprise tax	¥ 307 million
Allowance for bonuses	¥ 1,560 million
Reserve for retirement benefits	¥ 2,639 million
Allowance for directors' retirement bonuses	¥ 532 million
Other	¥ 1,488 million
Total deferred tax assets	<u>¥ 7,951 million</u>
Deferred tax liabilities	
Reserve for asset compression	¥(1,053) million
Unrealized gain on securities	¥(2,418) million
Other	¥ (720) million
Total deferred tax liabilities	<u>¥(4,193) million</u>
Net deferred tax assets	<u>¥(3,758) 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	3.3%
Average rate of inhabitants tax	2.5%
Other	(0.2)%
Effective tax rate	47.7%

## 19. Subsequent Event

(Voluntary early retirement program)

Because the Company considers raising productivity essential for creating a foundation that can generate steady profits, it was resolved at the Board of Directors meeting held on May 15, 2002 to invite volunteers for early retirement.

## 20. Management Changes (as of June 27, 2002)

### (1) Changes in Representatives (announced on April 26, 2002)

Chairman and Representative Director	Takashi Yamada	(currently President and Chief Executive Officer)
President and Chief Executive Officer	Sadatake Kumakura	(currently Executive Vice President and Representative Director)

### (2) Other management changes

#### 1) Candidates for new appointment as directors

Board of Director	Taro Kimura	(currently Senior Executive Officer of Ethical Drug Sales Division, Executive Vice Director of Purchase Planning Department)
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#### 2) Candidates for new appointment as auditors

None

#### 3) Resigning directors

Board of Director	Susumu Wada	(currently Board of Director, Health Care Division)
Board of Director	Michihiro Ueda	(currently Board of Director, Distribution Division)

Note: Susumu Wada is due to be appointed as President and Representative Director of ORIENTAL PHARMACEUTICAL CO., LTD., a consolidated subsidiary.

#### 4) Resigning auditors

None

#### 5) Promoted directors

None

### (3) Changes in Corporate Executive Officers

#### 1) Candidates for appointment as corporate executive officers (as of July 1, 2002)

Executive Officer	Kyujiro Shimomaki	currently Director of Distribution Planning Department
Executive Officer	Tsuyoshi Uehara	currently Executive Director of System Division Director of System Planning Department

#### 2) Resigning corporate executive officers (as of June 30, 2002)

Head Executive Officer	Keizo Kaneko	currently Audit Department
Head Executive Officer	Masatoshi Ikawa	currently Audit Department
Head Executive Officer	Tetsuro Ishihara	currently Ethical Drug Sales Division
Head Executive Officer	Tomota Yoshinari	currently General Affairs and Human Resource
Head Executive Officer	Takuro Masuda	currently Ethical Drug Sales Division Director of Medical Affairs
Head Executive Officer	Toshio Kutsuzawa	currently Reagents Sales Division
Senior Executive Officer	Morio Mimura	currently Health Care Division Western Regional Director

#### 3) Promotions of corporate executive officers

None