

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2004

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

July 29, 2003

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Stock exchange listings:

Tokyo, Osaka

Code number:

7459

1. Preparation of Summary of Quarterly Report

(1) Differences with accounting methods used in most recent consolidated fiscal year: Yes

a. Accounting standard for inventories

Inventories are stated as the amount of inventories on the company's books, based on inventories in the previous fiscal year. Actual inventories are not stated.

b. Accounting standard for income taxes

Income taxes are stated according to the estimated tax rate for the fiscal year based on the effective statutory tax rate.

b. Simplified procedures are used for certain other amounts that have an insignificant effect on consolidated results.

(2) Changes in scope of consolidation and application of equity method: None

2. Results for First Quarter of Fiscal 2004 (April 1, 2003 - June 30, 2003)

(1) Sales and Income (Consolidated)

(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 (%) |
|----------------------------|--------------------------|-------------------------------|------------------------------------|----------------------------|-----------------------------------|----------------------------|
| Three months ended 6/30/03 | 316,781 | | 3,038 | | 3,922 | |
| Three months ended 6/30/02 | | | | | | |
| (Ref.) Year ended 3/31/03 | 1,274,502 | | 10,159 | | 13,644 | |

| | Net income (¥ million) | Year-on-year change (%) | Earnings per share (¥) | Earnings per share (diluted) (¥) |
|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------------------|
| Three months ended 6/30/03 | 1,833 | | 13.55 | 11.88 |
| Three months ended 6/30/02 | | | | |
| (Ref.) Year ended 3/31/03 | 5,015 | | 36.48 | 31.50 |

Note: The Company is disclosing quarterly financial information starting from this quarter. Therefore, results from the same quarter in the previous fiscal year and year-on-year comparisons are not stated.

Qualitative Information on Progress of Business Results (Consolidated)

In the first quarter, challenging conditions in the Japanese economy persisted, as consumer spending and exports were flat, while price levels continued to decline and the employment situation remained severe.

In the pharmaceutical industry, the overall market showed a slight decline from the previous year, due to factors including a partial increase in the rate of patient co-payments and the reactive decline from the abolishment of restrictions on long-term prescriptions in April 2002.

Under these conditions, the Kuraya Sanseido Group worked to ensure stable profits by maintaining reasonable market prices, and to reduce selling and administrative expenses through measures such as consolidation and closure of sales offices. The Company also offered voluntary early retirement with a retirement date of September 30, 2003, and 102 employees applied.

As a result of these factors, during the first quarter, consolidated net sales were ¥316.7 billion, ordinary income was ¥3.9 billion, and net income was ¥1.8 billion.

(2) Financial Position (Consolidated)

| | Total assets (¥ million) | Shareholders' equity (¥ million) | Shareholders' equity/ total assets [%] | Shareholders' equity per share (¥) |
|----------------------------|-----------------------------|-------------------------------------|-------------------------------------------|---------------------------------------|
| Three months ended 6/30/03 | 629,458 | 113,426 | 18.0 | 837.87 |
| Three months ended 6/30/02 | | | | |
| (Ref.) Year ended 3/31/03 | 638,589 | 112,261 | 17.6 | 828.14 |

Note: The Company is disclosing quarterly financial information starting from this quarter. Therefore, results from the same quarter in the previous fiscal year and year-on-year comparisons are not stated.

(3) Cash Flows

| | Net cash provided by (used in) operating activities (¥ million) | Net cash used in investing activities (¥ million) | Net cash provided by (used in) financing activities (¥ million) | Cash and cash equivalents at end of period (¥ million) |
|----------------------------|--------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------|
| Three months ended 6/30/03 | (17,790) | (1,076) | 11,477 | 60,986 |
| Three months ended 6/30/02 | | | | |
| (Ref.) Year ended 3/31/03 | 11,509 | (6,540) | (10,123) | 68,375 |

Note: The Company is disclosing quarterly financial information starting from this quarter. Therefore, results from the same quarter in the previous fiscal year and year-on-year comparisons are not stated.

Qualitative Information on Financial Position (Consolidated)

In the first quarter, on a consolidated basis, net cash used in operating activities was ¥17,790 million, net cash used in investing activities was ¥1,076 million, and net cash provided by financing activities was ¥11,477 million. As a result, the balance of cash and cash equivalents (hereinafter referred to as "funds") at the end of the period was ¥60,986 million, a decrease of 10.8 percent, or ¥7,389 million, from the end of the previous fiscal year.

Cash Flows from Operating Activities

The decrease in funds from operating activities was ¥17,790 million. Although income before income taxes and minority interests totaled ¥3,803 million, and depreciation and amortization was ¥1,327 million, the decrease mainly resulted from a decrease in accrued employees' bonuses of ¥3,606 million, a decrease in notes and accounts payable of ¥15,686 million, and cash paid for income taxes of ¥5,177 million.

Cash Flows from Investing Activities

The decrease in funds from investing activities was ¥1,076 million. The principal factor was payments for purchase of property, plant and equipment of ¥1,391 million.

Cash Flows from Financing Activities

The increase in funds from financing activities was ¥11,477 million. The principal factor was a net increase in short-term bank loans of ¥12,589 million.

Reference 1: Summary of Non-Consolidated Results for the First Quarter (April 1, 2003-June 30, 2003)

| | Net sales (¥ million) | Operating income (¥ million) | Ordinary income (¥ million) | Net income (¥ million) |
|----------------------------|--------------------------|---------------------------------|--------------------------------|---------------------------|
| Three months ended 6/30/03 | 303,076 | 2,394 | 3,348 | 2,313 |
| Three months ended 6/30/02 | | | | |

| | Total assets (¥ million) | Shareholders' equity (¥ million) |
|----------------------------|-----------------------------|-------------------------------------|
| Three months ended 6/30/03 | 599,199 | 114,006 |
| Three months ended 6/30/02 | | |

3. Projected Consolidated Results for Fiscal 2004 (April 1, 2003 - March 31, 2004)

| | Net sales (¥ million) | Ordinary income (¥ million) | Net income (¥ million) | Net income per share (¥) |
|----------------|--------------------------|--------------------------------|---------------------------|-----------------------------|
| Interim period | 652,000 | 8,500 | 3,000 | 21.63 |
| Fiscal 2004 | 1,308,000 | 16,400 | 5,800 | 41.81 |

1. Projected net income per share is calculated including the 3,340,554 shares of treasury stock to be allocated upon the exchange of shares with Izutsu Pharmaceutical Co., Ltd. and Heisei Yakuhin Co., Ltd. on September 1, 2003.
2. The projections above are formulated on the basis of information available to the Company's management at the time these materials are released. Various factors could cause actual results to differ from the projected figures.

Quantitative Information on Projected Results

At present, the Company has not changed the consolidated and non-consolidated figures in the projected results announced on May 13, 2003.

Reference 2: Projected Non-Consolidated Results for Fiscal 2004 (April 1, 2003 - March 31, 2004)

| | Net sales (¥ million) | Ordinary income (¥ million) | Net income (¥ million) | Annual dividends per share (¥) | | |
|----------------|--------------------------|--------------------------------|---------------------------|--------------------------------|----------|-------|
| | | | | Interim | Year-end | |
| Interim period | 606,000 | 6,700 | 2,900 | 6.00 | — | — |
| Fiscal 2004 | 1,216,000 | 12,700 | 5,000 | — | 6.00 | 12.00 |

Note: The projections above are formulated on the basis of information available to the Company's management at the time these materials are released. Various factors could cause actual results to differ from the projected figures.

(Attachment)

Summary of Consolidated Quarterly Financial Statements

1. Consolidated Balance Sheets

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

| | As of June 30, 2003 | | As of March 31, 2003 | |
|-----------------------------------------------------------------------|------------------------|--------------|-------------------------|--------------|
| ASSETS | 629,458 | 100.0% | 638,589 | 100.0% |
| Current assets | 490,302 | 77.9 | 498,551 | 78.1 |
| Cash on hand and in bank | 62,787 | | 70,153 | |
| Notes and accounts receivable – trade | 341,412 | | 340,233 | |
| Inventories | 56,841 | | 55,900 | |
| Accounts receivable | 26,051 | | 29,917 | |
| Other current assets | 7,385 | | 6,291 | |
| Allowance for doubtful accounts | (4,174) | | (3,944) | |
| Fixed assets | 139,156 | 22.1 | 140,037 | 21.9 |
| Tangible fixed assets: | 95,514 | 15.2 | 95,464 | 14.9 |
| Buildings and structures | 40,007 | | 40,603 | |
| Land | 48,265 | | 48,402 | |
| Other tangible fixed assets | 7,241 | | 6,458 | |
| Intangible fixed assets | 7,284 | 1.1 | 7,629 | 1.2 |
| Investments and other assets: | 36,356 | 5.8 | 36,943 | 5.8 |
| Investment securities | 12,484 | | 11,956 | |
| Other | 29,165 | | 30,167 | |
| Allowance for doubtful accounts | (5,293) | | (5,180) | |
| Total assets | 629,458 | 100.0 | 638,589 | 100.0 |
| LIABILITIES | 511,513 | 81.3 | 521,900 | 81.7 |
| Current liabilities: | 471,166 | 74.9 | 481,680 | 75.4 |
| Notes and accounts payable – trade | 429,965 | | 445,652 | |
| Short-term bank loans | 25,761 | | 13,268 | |
| Reserve for bonuses | 3,407 | | 7,014 | |
| Allowance for losses on sales returns | 704 | | 704 | |
| Other current liabilities | 11,326 | | 15,041 | |
| Long-term liabilities: | 40,346 | 6.4 | 40,219 | 6.3 |
| Convertible bonds | 19,323 | | 19,324 | |
| Long-term debt | 956 | | 1,137 | |
| Employees' retirement benefits | 17,030 | | 16,420 | |
| Officers' retirement benefits | 1,704 | | 1,827 | |
| Allowance for losses on debt guarantees | 292 | | 292 | |
| Other long-term liabilities | 1,039 | | 1,217 | |
| MINORITY INTERESTS | 4,518 | 0.7 | 4,427 | 0.7 |
| Minority interests | 4,518 | 0.7 | 4,427 | 0.7 |
| SHAREHOLDERS' EQUITY | 113,426 | 18.0 | 112,261 | 17.6 |
| Common stock | 12,751 | 2.0 | 12,751 | 2.0 |
| Additional paid-in capital | 25,919 | 4.1 | 25,919 | 4.1 |
| Legal reserve | 88,348 | 14.0 | 87,874 | 13.7 |
| Revaluation surplus | (11,858) | (1.9) | (12,259) | (1.9) |
| Unrealized gain on certain investment securities | 2,892 | 0.5 | 2,602 | 0.4 |
| Treasury stock, at cost | (4,627) | (0.7) | (4,626) | (0.7) |
| Total liabilities, minority interests and shareholders' equity | 629,458 | 100.0 | 638,589 | 100.0 |

2. Consolidated Statements of Income

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

| | Three months ended | | Year ended | |
|---------------------------------------------------|--------------------|--------|----------------|--------|
| | June 30, 2003 | | March 31, 2003 | |
| Net sales | 316,781 | 100.0% | 1,274,502 | 100.0% |
| Cost of sales | 287,907 | 90.9 | 1,159,579 | 91.0 |
| Gross profit | 28,873 | 9.1 | 114,923 | 9.0 |
| Selling, general and administrative expenses | 25,834 | 8.1 | 104,763 | 8.2 |
| Operating income | 3,038 | 1.0 | 10,159 | 0.8 |
| Non-operating income | 1,164 | 0.3 | 4,830 | 0.4 |
| Non-operating expenses | 280 | 0.1 | 1,346 | 0.1 |
| Ordinary income | 3,922 | 1.2 | 13,644 | 1.1 |
| Extraordinary gains | 171 | 0.1 | 103 | 0.0 |
| Extraordinary losses | 290 | 0.1 | 2,547 | 0.2 |
| Income before income taxes and minority interests | 3,803 | 1.2 | 11,200 | 0.9 |
| Income taxes | 1,865 | 0.6 | 5,672 | 0.5 |
| Gain in minority interests | 104 | 0.0 | 512 | 0.0 |
| Net income | 1,833 | 0.6 | 5,015 | 0.4 |

3. Consolidated Statements of Retained Earnings

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

| | Three months ended June 30, 2003 | Year ended March 31, 2003 |
|-------------------------------------------------|-------------------------------------|------------------------------|
| CAPITAL SURPLUS | | |
| Capital surplus, beginning of year | 25,919 | 24,321 |
| Increase in capital surplus | 0 | 1,598 |
| Increase due to conversion of convertible bonds | 0 | 1,598 |
| Capital surplus, end of year | 25,919 | 25,919 |
| RETAINED EARNINGS | | |
| Retained earnings, beginning of year | 87,874 | 84,536 |
| Increase in retained earnings | 1,833 | 5,203 |
| Net income | 1,833 | 5,015 |
| Increase due to merger | | 57 |
| Increase due to exclusion from consolidation | | 22 |
| Disposition of land revaluation surplus | | 107 |
| Decrease in retained earnings | 1,359 | 1,865 |
| Cash dividends paid | 812 | 1,610 |
| Bonuses to directors and corporate auditors | 146 | 16 |
| [Bonuses to corporate auditors] | [6] | [0] |
| Unrealized loss on disposal of treasury stock | | 238 |
| Disposition of land revaluation surplus | 400 | |
| Retained earnings, end of year | 88,348 | 87,874 |

4. Consolidated Statements of Cash Flows

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

| | Three months ended June 30, 2003 | Year ended March 31, 2003 |
|-----------------------------------------------------------------------------------|-------------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 3,803 | 11,200 |
| Depreciation and amortization | 1,327 | 5,203 |
| Increase in employees' retirement benefits – net | 610 | 1,811 |
| Decrease in officers' retirement benefits | (123) | (27) |
| Increase (decrease) in accrued employees' bonuses | (3,606) | 818 |
| Increase in allowance for doubtful accounts | 344 | 373 |
| Increase in allowance for returns | | 28 |
| Provision for allowance for losses on debt guarantees | | (8) |
| Increase in notes and accounts receivable – trade | (1,544) | (2,871) |
| Increase in inventories | (959) | (2,314) |
| Increase (decrease) in notes and accounts payable | (15,686) | 1,495 |
| Others | 3,171 | 3,185 |
| Subtotal | (12,663) | 18,896 |
| Cash paid for income taxes | (5,177) | (6,182) |
| Others | 49 | (1,204) |
| Net cash provided by operating activities | (17,790) | 11,509 |
| Cash flows from investing activities | | |
| Payments for purchase of property, plant and equipment | (1,391) | (6,205) |
| Other, net | 315 | (334) |
| Net cash used in investing activities | (1,076) | (6,540) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term bank loans – net | 12,589 | (3,641) |
| Proceeds from long-term debt | 276 | 800 |
| Repayment of long-term debt | (553) | (1,405) |
| Repayment of convertible bonds | (0) | (4) |
| Proceeds from issuance of stock | | 4 |
| Purchase of treasury stock | (1) | (4,250) |
| Cash dividends paid | (812) | (1,610) |
| Cash dividends paid to minority shareholders | (21) | (15) |
| Net cash used in financing activities | 11,477 | (10,123) |
| Effect of exchange rate change on cash and cash equivalents | | 2 |
| Net increase (decrease) in cash and cash equivalents | (7,389) | (5,151) |
| Cash and cash equivalents at beginning of period | 68,375 | 73,933 |
| Increase in cash and equivalents due to merger | | 13 |
| Cash and cash equivalents of newly consolidated subsidiaries at beginning of year | | (420) |
| Cash and cash equivalents at end of period | 60,986 | 68,375 |

5. Segment Information

(1) Business segment information

First quarter (April 1, 2003 – June 30, 2003) and previous fiscal year (April 1, 2002 – March 31, 2003)

Business segment information is not disclosed because the net sales, operating income and assets of the pharmaceutical wholesale distribution business account for more than 90 percent of the total net sales, operating income and assets of all segments.

(2) Geographic segment information

First quarter (April 1, 2003 – June 30, 2003) and previous fiscal year (April 1, 2002 – March 31, 2003)

Geographic segment information is not disclosed because the company has no consolidated subsidiaries or offices in countries or regions outside Japan.

(3) Overseas sales

First quarter (April 1, 2003 – June 30, 2003) and previous fiscal year (April 1, 2002 – March 31, 2003)

None

6. Production, Orders and Sales

(1) Sales

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

| | Three months ended | | Year ended March 31, 2003 | |
|-------------------------------------------------|--------------------|-------|---------------------------|-------|
| | June 30, 2003 | | | |
| Ethical drugs | 277,310 | 87.6% | 1,110,137 | 87.1% |
| Over-the-counter drugs | 11,994 | 3.8 | 53,379 | 4.2 |
| Medical equipment, tools and clinical materials | 14,927 | 4.7 | 59,856 | 4.7 |
| Reagents | 6,751 | 2.1 | 27,973 | 2.2 |
| Others | 5,796 | 1.8 | 23,156 | 1.8 |
| Total | 316,781 | 100.0 | 1,274,502 | 100.0 |

(2) Purchases

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

| | Three months ended | | Year ended March 31, 2003 | |
|-------------------------------------------------|--------------------|-------|---------------------------|-------|
| | June 30, 2003 | | | |
| Ethical drugs | 252,484 | 87.5% | 1,020,074 | 87.9% |
| Over-the-counter drugs | 11,485 | 4.0 | 47,362 | 4.1 |
| Medical equipment, tools and clinical materials | 13,230 | 4.6 | 52,297 | 4.5 |
| Reagents | 6,229 | 2.1 | 21,552 | 1.8 |
| Others | 5,168 | 1.8 | 19,542 | 1.7 |
| Total | 288,598 | 100.0 | 1,160,828 | 100.0 |

7. Other

None