

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2000

May 17, 2000

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

Kuraya Sanseido Inc. (formerly Kuraya Corporation)

7-15, Yaesu 2-chome
Chuo-ku, Tokyo 104-8464, Japan

Stock exchange listings: Tokyo

Code number: 7459

Board of Directors meeting: May 17, 2000

1. Results for Fiscal 2000 (April 1, 1999-March 31, 2000)

(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 2000	570,299	[+12.2]	4,078	[-49.7]	4,347	[-49.2]
Fiscal 1999	508,116	[+6.4]	8,107	[+195.9]	8,559	[+143.3]

	Net income (loss) (¥ million)	Year-on-year change [%]	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity [%]	Ordinary income/total assets [%]	Ordinary income/net sales [%]
Fiscal 2000	(2,241)	[—]	(50.04)	—	[-4.4]	[+1.4]	[+0.8]
Fiscal 1999	3,139	[-31.2]	77.44	50.39	[+6.5]	[+2.9]	[+1.7]

Notes

1. Equity in earnings of unconsolidated subsidiaries and affiliates: ¥— million (Fiscal 1999: ¥— million)

2. Valuation gain on securities: ¥1,569 million

Valuation gain on derivatives: ¥— million

3. Changes in accounting methods: None

4. Year-on-year change figures represent comparisons with the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets [%]	Shareholders' equity per share (¥)
Fiscal 2000	319,210	51,192	[+16.0]	1,134.96
Fiscal 1999	322,760	50,685	[+15.7]	1,204.27

(3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2000	(2,168)	(13,591)	(22,196)	31,475
Fiscal 1999	—	—	—	—

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

Consolidated subsidiaries: 5 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) 3 companies

(Eliminated) None

Equity method: (New) None

(Eliminated) None

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

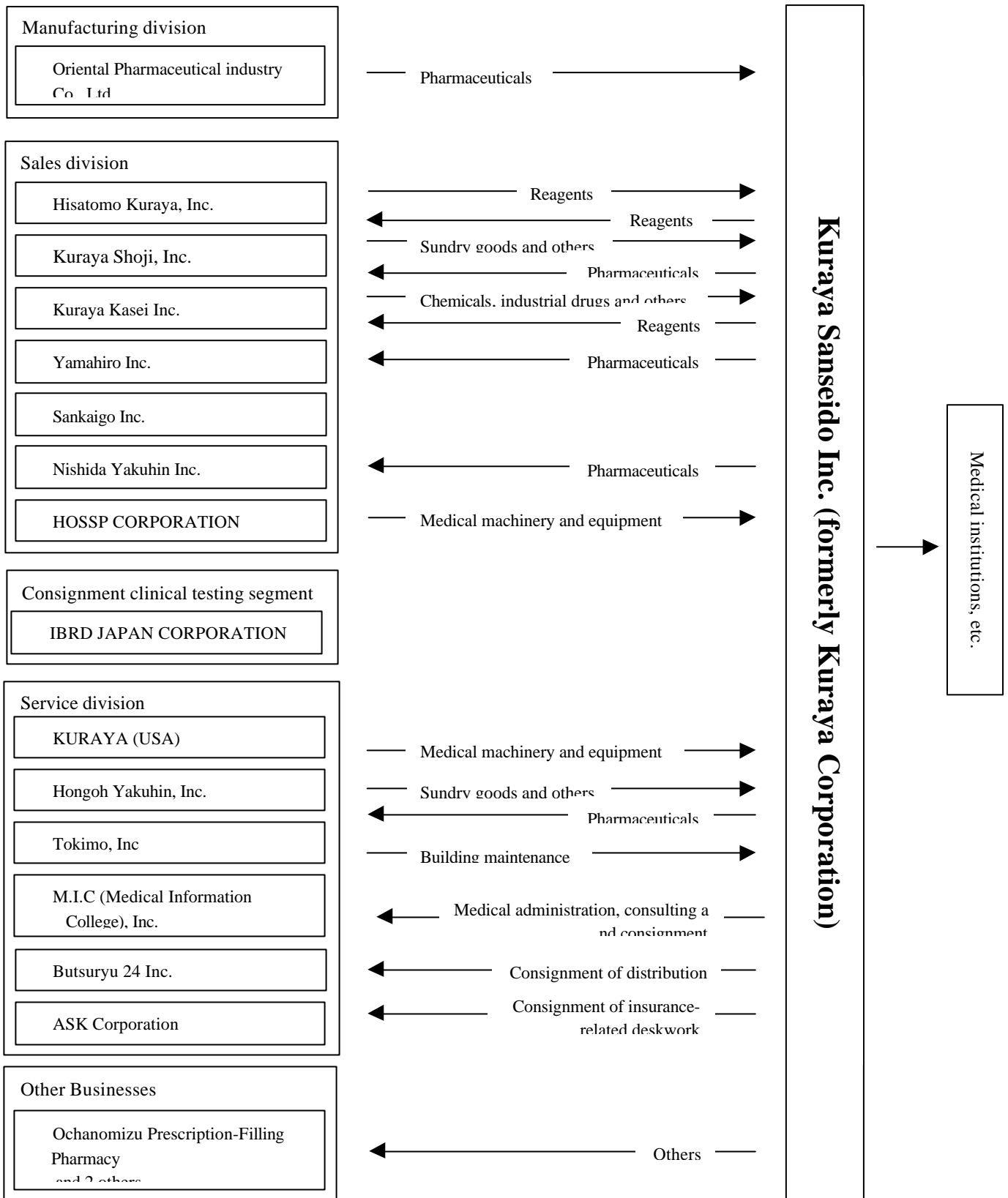
	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period Fiscal 2001			

Reference: Estimated earnings per share (fiscal 2001): ¥

Note: For consolidated results projections for the year ending March 31, 2001, please refer to the consolidated financial statements of Kuraya Sanseido Inc. (formerly Sanseido Corporation).

1. Corporate Group

The Kuraya Group consists of formerly Kuraya Corporation Inc. (“the Company”), its 14 consolidated subsidiaries and four affiliates. The group companies primarily engage in sales of pharmaceuticals and the supply of diversified services to medical institutions, prescription-filling pharmacies and the Health Insurance Association. The business operations are shown in the flow chart below.



Consolidated subsidiary
 Unconsolidated subsidiary
 Affiliated company

2. Management Policies

As a leader in Japan's health care and pharmaceutical wholesale industry, the Kuraya Group endeavors to create solid earnings with the belief that its mission is to support the health and well being of people.

The Group maintains the basic goals of increasing corporate value and supplying shareholders with stable dividends. Consequently, it has continuously offered stable dividends with consideration to actual income conditions and profit appropriation, and effectively applied its retained earnings as a major resource to strengthen information, logistics and sales systems.

The Group carries out business activities such as the supply and distribution of pharmaceuticals, transmission of information and provision of customer-support services to medical institutions. The Group promotes low-cost operations by raising the efficiency and effectiveness of administrative and marketing operations to strengthen management.

The operating environment of the pharmaceutical wholesale industry remains severe as measures to contain medical costs are hindering market growth. The planned reform of the National Health Insurance system will likely have a considerable effect on medical care in Japan.

Amid these environmental changes, to meet the sophisticated needs of medical institutions and to further streamline and enhance management, Kuraya, Sanseido and Tokyo Pharmaceutical Co., Ltd. merged as of April 1, 2000, and began operations as Kuraya Sanseido Inc.

3. Results of Operations

(1) Overview of Operations

During the fiscal year ended March 31, 2000, Japan's economy continued to lack momentum without clear signs of a sustained recovery in private-sector demand, despite underlying favorable indicators.

Overall demand for pharmaceuticals, the principal field of the Group business, rallied slightly, supported by the rising proportion of elderly people in Japan's population and the introduction of new drugs. However, reflecting the intense competition among pharmaceutical wholesalers due to reorganization of the industry, sales prices declined, resulting in a deterioration in gross profit margins.

Under these circumstances, the Kuraya Group endeavored to capture a greater market share in all regions where it operates and upgrade customer support services.

As a result, on a consolidated basis, Kuraya recorded net sales of ¥570,299 million, up 12.2% from the previous fiscal term, reflecting increased sales in all operating areas and the active handling of new drugs.

The Company's operating income dropped 49.7% to ¥4,078 million, mainly affected by the decline in the gross profit margin. Ordinary profit declined 49.2% to ¥4,347 million, owing to an increased transfer to the allowance for doubtful accounts, which was required as a result of the unified reserve standards for doubtful accounts in line with the merger of the three companies.

Kuraya recorded a consolidated net loss of ¥2,241 million, taking into account such extraordinary loss items as the increased allowance for retirement benefits of ¥5.2 billion, as an early countermeasure to prepare for the planned implementation of the "accounting standard related to retirement benefits," and a one-time charge of ¥0.9 billion for the construction of a distribution center and the introduction of advanced information facilities.

As capital expenditures, the Company invested ¥12,448 million mainly for the construction of a new head office building.

Kuraya increased capital stock and capital reserve by ¥2,033 million through the conversion of unsecured convertible bonds that were issued on September 11, 1996, and December 24, 1998, respectively. The Company wholly redeemed ¥11 billion for the yen-denominated convertible bonds that matured on September 27, 1999.

As money delivered due to the merger, the Company plans to pay ¥9 per share, an amount equivalent to cash dividends for the period from October 1, 1999, to March 31, 2000, based on the number of shares as of March 31, 2000.

(2) Outlook for the Next Fiscal Year

Please refer to the Consolidated Financial Statements of Kuraya Sanseido Inc. (formerly Sanseido Co., Ltd.) for the fiscal year ended March 31, 2000.

4-1. Consolidated Balance Sheets

ASSETS

(Millions of yen)

	As of March 31, 2000		As of March 31, 1999		Increase (decrease)
Current assets	246,019	77.1%	264,288	81.9%	(18,268)
Cash and cash equivalents	32,148		70,594		(38,446)
Notes and accounts receivable	174,804		156,615		18,188
Marketable securities	2		109		(107)
Inventories	24,441		23,955		486
Deferred income taxes	662		818		(156)
Prepaid expenses	590		616		(26)
Accounts receivable	13,157		10,966		2,191
Other current assets	1,390		1,878		(487)
Allowance for doubtful receivables	(1,178)		(1,266)		87
Fixed assets	73,190	22.9	58,471	18.1	14,718
Tangible fixed assets:	57,281	17.9	43,622	13.5	13,658
Buildings and structures	19,500		11,737		7,763
Machinery, equipment and carriers	343		189		153
Land	36,243		27,842		8,400
Construction in progress	407		3,522		(3,114)
Other tangible fixed assets	787		331		455
Intangible fixed assets:	930	0.3	433	0.1	496
Consolidation adjustments	260		—		260
Other intangible fixed assets	669		433		236
Investments and other assets:	14,978	4.7	14,415	4.5	563
Investment securities	3,613		3,477		135
Long-term loans	184		373		(189)
Long-term prepaid expenses	217		363		(146)
Other	9,515		10,450		(935)
Deferred income taxes	3,809		396		3,412
Allowance for doubtful receivables	(2,360)		(646)		(1,713)
Total assets	319,210	100.0	322,760	100.0	(3,550)

4-1. Consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen)

	As of March 31, 2000		As of March 31, 1999		Increase (decrease)
Total liabilities	268,004	84.0%	271,973	84.3%	(3,968)
Current liabilities:	233,213	73.1	239,338	74.2	(6,125)
Notes and accounts payable	218,365		200,601		17,763
Short-term loans	6,586		16,598		(10,011)
Convertible bonds due within one year	—		11,000		(11,000)
Accrued expenses	2,899		1,899		1,000
Income taxes payable	213		5,524		(5,310)
Consumption tax payable	417		475		(58)
Reserve for bonuses	3,239		2,612		627
Allowance for losses on sales returns	309		279		29
Other current liabilities	1,181		347		834
Long-term liabilities:	34,791	10.9	32,634	10.1	2,156
Convertible bonds	22,891		26,958		(4,067)
Long-term debt	626		711		(84)
Reserve for retirement benefits	8,593		3,238		5,354
Allowance for directors' retirement benefits	1,114		270		843
Provision for investment losses	1,090		960		130
Other long-term liabilities	475		495		(19)
Minority interests	12	0.0	101	0.0	(89)
Shareholders' equity	51,192	16.0	50,685	15.7	507
Common stock	10,542	3.3	8,509	2.6	2,033
Additional paid-in capital	11,397	3.5	9,364	2.9	2,033
Consolidated retained earnings	29,305	9.2	32,812	10.2	(3,507)
Treasury stock	(0)	(0.0)	(0)	(0.0)	(0)
Parent-company stock held by subsidiaries	(52)	(0.0)	—	—	(52)
Total liabilities, minority interests and shareholders' equity	319,210	100.0	322,760	100.0	(3,550)

4-2. Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2000		Year ended March 31, 1999		Increase (decrease)
Net sales	570,299	100.0%	508,116	100.0%	62,183
Cost of sales	515,444	90.4	455,028	89.6	60,416
Reserve for returned goods	25	0.0	26	0.0	(1)
Gross profit	54,829	9.6	53,061	10.4	1,768
Selling, general and administrative expenses	50,751	8.9	44,953	8.8	5,797
Operating income	4,078	0.7	8,107	1.6	(4,029)
Non-operating income:	2,191	0.4	1,980	0.4	211
Interest income	158		167		(8)
Dividend income	39		40		(1)
Research fee income	1,204		1,083		121
Other non-operating income	788		687		100
Non-operating expenses:	1,922	0.3	1,528	0.3	394
Interest expense	376		398		(22)
Bond issue expense	—		229		(229)
Allowance for doubtful accounts	1,246		229		1,017
Loss from doubtful accounts	—		494		(494)
Sundry loss	299		175		124
Ordinary income	4,347	0.8	8,559	1.7	(4,212)
Extraordinary gain:	139	0.0	199	0.0	(60)
Gain on sales of fixed assets	0		—		0
Gain on allowance for doubtful accounts	139		199		(60)
Extraordinary loss:	7,853	1.4	1,408	0.3	6,445
Loss on disposal of fixed assets	306		18		288
Evaluation loss of investment securities	15		174		(158)
Reserve for employees' retirement	5,225		—		5,225
Directors' retirement benefits	103		36		66
Reserve for directors' retirement benefits	771		218		552
Reserve for loss of investment	130		960		(830)
Transfer expenditure	949		—		949
Merger expenses	254		—		254
Other extraordinary loss	96		—		96
Income before income taxes and minority interests	—	—	7,351	1.4	(7,351)
Loss before income taxes and minority interests	3,367	(0.6)	—	—	(3,367)
Income taxes current	2,125	0.4	5,968	1.2	(3,843)
Income taxes deferred	(3,248)	(0.6)	(1,783)	(0.4)	(1,464)
Minority interests	—	—	26	0.0	(26)
Minority interests in loss	3	(0.0)	—	—	(3)
Net income	—	—	3,139	0.6	(3,139)
Net loss	2,241	(0.4)	—	—	(2,241)

4-3. Consolidated Statements of Retained Earnings

(Millions of yen)

	Year ended March 31, 2000		Year ended March 31, 1999		Increase (decrease)	
Balance, beginning of year	32,812				32,812	
Retained earnings	—		30,347		(30,347)	
Earned surplus reserve	—		615		(615)	
Deferred tax from prior year	—	32,812	(568)	30,394	568	2,418
Increase						
Increase from increase in number of consolidated subsidiaries	52	52	—	—	52	52
Deductions						
Cash dividends paid	787		665		122	
Bonuses to directors and corporate auditors	124		56		67	
[Bonuses to corporate auditors]	[2]		[1]		1	
[Grants-in-aid for mergers in above]	406	1,318	—	721	406	597
Net income		—		3,139		(3,139)
Net loss		2,241		—		(2,241)
Balance, end of year		29,305		32,812		(3,507)

Notes:

- Interim dividends for the year ended March 31, 1999 were ¥362 million, and the earned surplus related to interim dividends was ¥36 million.
- Interim dividends for the year ended March 31, 2000 were ¥406 million, and the earned surplus reserve related to interim dividends was ¥40 million.

3. 4-4. Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2000
Cash flow from operating activities	
Income before income taxes and other adjustments	(3,367)
Depreciation and amortization	1,477
Depreciation adjustment for consolidation	44
Provision for employees' retirement benefits	5,353
Provision for directors' retirement benefits	843
Provision for bonuses	516
Provision for doubtful receivables	1,573
Provision for returned goods	25
Provision for investment	130
Net interest and dividend income	(198)
Interest paid	376
Gain (loss) on sales of marketable securities	35
Loss on disposal of fixed assets	306
Increase in accounts receivable	(13,745)
Decrease in inventories	325
Increase (decrease) in other current assets	(1,699)
Increase in notes and accounts payable	12,317
Increase (decrease) in accrued expenses	977
Decrease (increase) in accrued consumption tax payable	(70)
Increase in other current liabilities	324
Bonuses to directors	(124)
Subtotal	5,424
Interest and dividends received	198
Interest expenses	(325)
Income taxes	(7,466)
Net cash used in operating activities	(2,168)
Cash flow from investing activities	
Proceeds from redemption of time deposits	929
Proceeds from sales of marketable securities	86
Payment for purchases of property, plant and equipment	(12,754)
Payment for purchases of investment securities	(521)
Proceeds from sales of investment securities	124
Payment for purchases of investment securities by effect of newly consolidated subsidiaries	(754)
Payment for leasehold deposits	(701)
Net cash used in investing activities	(13,591)
Cash flow from financing activities	
Net decrease in short-term bank loans	(10,207)
Repayment of long-term debt	(178)
Repayment of long-term accounts payable	(20)
Payment for convertible bond redemption	(11,000)
Payment for purchases of treasury stock	(0)
Dividends paid by parent company	(787)
Dividends paid to minority shareholders	(2)
Net cash used in financing activities	(22,196)
Net decrease in cash and cash equivalents	(37,957)
Cash and cash equivalents, beginning of period	69,255
Net increase in cash and cash equivalents	177
Cash and cash equivalents, end of period	31,475

4-5. Preparation of the Consolidated Financial Statements

(1) Scope of Consolidation

1. Number of consolidated subsidiaries: 5 companies

Kuraya Shoji, Inc., Hisatomo Kuraya, Inc., Oriental Pharmaceutical Co., Ltd., Kuraya Kasei Inc., Yamahiro Inc.

Oriental Pharmaceutical Co., Ltd., Kuraya Kasei Inc. and Yamahiro Inc. are included in consolidation from the year ended March 31, 2000, as they are substantially controlled by the parent company under the application of control standards associated with the revision of regulations governing financial statements.

2. Non-consolidated Subsidiaries

Hongoh Yakuhin, Inc., Tokimo, Inc, M.I.C (Medical Information College), Inc., six other companies

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

(2) Application of the Equity Method

The equity method is not applied to nine unconsolidated subsidiaries and four affiliated companies, as net sales, net income and retained earnings in the aggregate of such companies are not material compared to those on a consolidated basis.

(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 major valuation of assets

(a) Valuation of Securities

Securities quoted on stock exchanges: Valued at lower of cost or market using the moving-average method

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

(b) Valuation of Inventories

Valued at cost using the moving-average method

2. Method of depreciation for depreciable assets

Method of depreciation of fixed assets

(a) Fixed Assets

The Company and its consolidated subsidiaries primarily use the declining-balance method as prescribed by the Corporation Tax Law. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed as stipulated in the Corporation Tax Law. Depreciation of assets acquired on after April 1, 1998 whose acquisition costs are between ¥100,000 and ¥200,000 is provided by the straight-line method over three years.

(b) Intangible fixed assets

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

(Additional information)

The previous accounting method is applied to software used only within the Company, which was included in and presented as Long-term prepaid expenses in Investments and other assets until the preceding consolidated fiscal year, as a transitional measure in accordance with the "Practical Guidelines on Accounting of R&D Expenses and Software" (Report No. 12 by the Accounting System Committee of the Japanese Institute of Certified Public Accountants; March 31, 1999). However, the presentation of software has been reclassified as Intangible fixed assets, effective from this consolidated fiscal year, in accordance with the above report.

(c) Long-term prepaid expenses

Long-term prepaid expenses are primarily amortized using the moving-average method as prescribed by the Corporation Tax Law.

3. Accounting Standards for Major Reserves

(a) Allowance for doubtful accounts

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

(b) Reserve for bonuses

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

(c) 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. Consolidated subsidiaries Kuraya Shoji, Inc. and Kuraya Kasei Inc. do not provide this allowance.

(d) Reserve for retirement benefits:

The Company and its consolidated subsidiaries, excluding Oriental Pharmaceutical Co., Ltd. and Yamahiro, Inc., provide for employees' retirement liability at 40 percent of the amount which would be required if all eligible employees voluntarily retired at the balance sheet date, less the portion covered by the pension plans. Consolidated subsidiaries Oriental Pharmaceutical Co., Ltd. and Yamahiro, Inc. use contributory pension plans. (Additional information)

Upon the merger of the Company and Sanseido Co., Ltd. and Tokyo Pharmaceutical Co., Ltd. effective April 1, 2000, based on an agreement among the three merger parties, the amount provided for employees' retirement liability was increased to 100 percent of the amount which would be required if all eligible employees of the consolidated subsidiaries, excluding Oriental Pharmaceutical Co., Ltd. and Yamahiro, Inc., voluntarily retired at the balance sheet date, less the portion covered by the pension plans. This amount was stated as an extraordinary loss of ¥3,367 million in the consolidated balance sheets. As a result, loss before income taxes increased by the same amount.

For the contributory pension plan portion at the end of the period, the present value of past service liability was amortized at the consolidated account settlement date and stated in the amount of ¥1,858 million as "Provision for retirement benefits" under "Extraordinary losses" in the consolidated balance sheets. As a result, loss before income taxes increased by the same amount.

(e) Allowance for directors' retirement bonuses

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

4. Accounting for Lease Transactions

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

5. Accounting for Consumption Taxes

Consumption taxes are excluded from revenues and expenses.

(5) Valuation of Assets and Liabilities of Consolidated Subsidiaries

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

(6) Amortization of the Consolidation Adjustments Account

The consolidation adjustments account is amortized equally over five years.

(7) Items related to 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 fiscal year.

(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.

4-6.

(1) Items Pertaining to Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2000		As of March 31, 1999	
1. Pledged assets	4,586	1. Pledged assets	8,509
2. Contingent liabilities		2. Contingent liabilities	
The Company guarantees loans from financial institutions other than consolidated companies		The Company guarantees loans from financial institutions other than consolidated companies	
Kuraya (USA) Corporation	11	Kuraya Kasei Inc.	427
IBRD Japan Inc.	1,090	Kuraya (USA) Corporation	24
Other	1	IBRD Japan Inc.	1,000
Total	1,103	Ochanomizu Prescription-Filling Pharmacy	45
		Other	10
		Total	1,507
3. Accumulated depreciation of property, plant and equipment	13,525	3. Accumulated depreciation of property, plant and equipment	12,290
4. Items pertaining to unconsolidated subsidiaries:		4. Items pertaining to unconsolidated subsidiaries:	
Investment securities	629	Investment securities	438
5. Treasury stock	339 sh	5. Treasury stock	262 sh
Parent-company stock held by subsidiaries	40,000 sh		

(2) Items Pertaining to Consolidated Statements of Income

(Millions of yen)

Year ended March 31, 2000		Year ended March 31, 1999	
1. Major items and amounts in SG&A expenses:		1. Major items and amounts in SG&A expenses:	
Packing and transport expenses	3,591	Packing and transport expenses	2,996
Transfer to allowance for doubtful accounts	585	Wages and salaries	20,467
Wages and salaries	22,374	Reserve for bonuses	2,612
Provision for bonuses	3,224	Reserve for employees' retirement	823
Provision for employees' retirement benefits	594	Reserve for directors' retirement benefits	51
Provision for directors' retirement bonuses	73	Depreciation and amortization	1,241
Depreciation and amortization	1,449	Rental expenses	3,415
Rental expenses	3,660		
Depreciation adjustment for consolidation	44		
2. Loss on disposal and sale of fixed assets		2. Loss on disposal and sale of fixed assets	
(a) Loss on disposal of fixed assets		(a) Loss on disposal of fixed assets	13
Buildings	231	Buildings	2
Structures	1	Structures	2
Machinery & equipment	34	Furniture and fixtures	17
Carriers	0	Total	
Furniture and fixtures	10		
Intangible fixed assets and others	26	(b) Loss on sales of fixed assets	1
Total	305	Carriers	
(b) Loss on sale of fixed assets			
Carriers	1		
Intangible fixed assets and others	0		
Total	1		
3. Content of relocation expenses:			
Expenses associated with move to new head office and new Tokyo distribution center			

(3) Items Pertaining to Consolidated Statements of Cash Flows

1. Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets

(Millions of yen)

	Fiscal 2000 (April 1, 1999-March 31, 2000)
Cash and deposits	32,148
Time deposits with maturities exceeding three months	(672)
Cash and cash equivalents	31,475

2. Major components of assets and liabilities of companies newly consolidated due to acquisition of shares:

The relation between the major components of assets and liabilities at the start of consolidation associated with the new consolidation of Yamahiro Co., Ltd. due to the acquisition of its shares and the cost of acquiring the shares and total net payments for acquisition of Yamahiro Co., Ltd. are as follows.

(Millions of yen)

	Fiscal 2000 (April 1, 1999-March 31, 2000)
Current assets	3,968
Fixed assets	963
Consolidation adjustments	325
Total liabilities	(3,743)
Long-term liabilities	(97)
Acquisition cost of shares of Yamahiro Co., Ltd.	1,416
Cash and cash equivalents of Yamahiro Co., Ltd.	(508)
Difference: Net payment for acquisition of Yamahiro Co., Ltd.	907

3. Major Noncash Transactions

The relation between the increase in capital and capital reserve and the decrease in convertible bonds due to conversion of convertible bonds is as follows.

(Millions of yen)

	Fiscal 2000 (April 1, 1999-March 31, 2000)
Capital increase due to conversion of convertible bonds	2,033
Capital reserve increase due to conversion of convertible bonds	2,033
Decrease in convertible bonds due to conversion	4,066

(4) Items Pertaining to Lease Transactions

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

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

	Year ended March 31, 2000			Year ended March 31, 1999		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance
Machinery, equipment and carriers	4,910	2,135	2,774	3,675	2,149	1,525
Tools and fixtures	4,478	2,499	1,978	4,621	2,629	1,992
Total	9,388	4,635	4,753	8,297	4,779	3,518

2. Future lease payments (Millions of yen)

	As of March 31, 2000	As of March 31, 1999
Due within one year	1,750	1,687
Due after one year	3,133	2,113
Total	4,884	3,800

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

	As of March 31, 2000	As of March 31, 1999
Lease payments	2,162	2,097
Depreciation expense	1,961	1,902
Interest paid	187	164

4. Method of calculating depreciation expense equivalent

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

5. Method of calculating interest paid equivalent

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

(Items pertaining to operating lease transactions)

Accrued lease expenses: None

(5) Items Pertaining to Tax Effect Accounting

1. Breakdown of major causes of deferred tax assets and liabilities

(Millions of yen)

	Year ended March 31, 2000	Year ended March 31, 1999
Deferred tax assets		
Excess allowance for doubtful accounts	893	164
Excess allowance for bonuses	487	256
Disallowed deferred enterprise taxes	17	481
Excess allowance for retirement benefits	2,680	352
Reserve for directors' retirement benefits	469	113
Disallowed directors' retirement benefits	458	401
Others	241	169
Total deferred tax assets	5,248	1,938
Deferred tax liabilities		
Reserve for compression of fixed assets	697	714
Others	79	8
Total deferred tax liabilities	777	723
Net deferred tax assets	4,471	1,215

2. The effective income tax rates of the companies differed from the statutory tax rate for the following reasons: (%)

	Year ended March 31, 2000	Year ended March 31, 1999
Statutory tax rate	—	47.4
(Adjustment)		
Expenses not deductible for tax purposes	—	2.8
Average rate of inhabitants tax	—	1.4
Effect of statutory rate change	—	3.3
Other, net	—	2.0
Effective tax rate	—	56.9

5. Segment Information

1. Business Segment Information

Business segment information is not disclosed, as the consolidated net sales, operating income and total assets of the ethical drug sales business constituted more than 90 percent of the consolidated totals for the fiscal years ended March 31, 1999 and 2000.

2. Geographical Segment Information

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

3. Overseas Sales

The Company had no overseas sales for the fiscal years ended March 31, 1999 and 2000.

6. Production, Orders and Sales

(1) Sales

(Millions of yen)

	Fiscal 2000 (April 1, 1999-March 31, 2000)	
	Percentage of total	
Ethical drugs	506,908	88.9%
Over-the-counter drugs	14,619	2.6
Medical equipment, tools and clinical materials	29,068	5.1
Reagents and others	19,703	3.4
Total	570,299	100.0

(2) Purchases

(Millions of yen)

	Fiscal 2000 (April 1, 1999-March 31, 2000)	
	Percentage of total	
Ethical drugs	459,185	89.3%
Over-the-counter drugs	11,636	2.2
Medical equipment, tools and clinical materials	25,126	4.9
Reagents and others	18,498	3.6
Total	514,447	100.0

7. Market Value of Marketable Securities

(Millions of yen)

	As of March 31, 2000		
	Balance sheet amount	Market value	Valuation gain (loss)
Items classified as current assets:			
Stocks	3	4	1
Bonds	—	—	—
Others	—	—	—
Sub-total	3	4	1
Items classified as fixed assets:			
Stocks	2,471	4,038	1,567
Bonds	6	7	0
Others	—	—	—
Sub-total	2,477	4,045	1,568
Total	2,480	4,050	1,569

Notes

1: Methods of calculating market value as of March 31, 2000

(1) Listed marketable securities:

Closing prices on Tokyo Stock Exchange

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

Trading prices quoted by the Japan Securities Dealers Association

(3) Certificates of bond investment trusts: Base prices

2: Valuation gain/loss on treasury stock not shown above:

Items deducted from shareholders' equity : ¥(0 million)

3: Book value of marketable securities in the consolidated balance sheet not disclosed above

Unlisted securities other than over-the-counter bonds, ¥1,135 million

8. Contract Amounts, Market Value and Valuation Gain/Loss of Derivative Transactions

None applicable

9. Transactions with Related Parties

None applicable

Summary of Unconsolidated Financial Statements for the Fiscal Year Ended March 31, 2000

May 17, 2000

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

Kuraya Sanseido Inc. (formerly Kuraya Corporation)
2-7-15 Yaesu, Chuo-ku,
Tokyo 104-8464, Japan

Stock exchange listings: Tokyo

Code number: 7459
Board of Directors meeting: May 17, 2000
Ordinary General Meeting
of Shareholders:
Interim Dividend System: Yes

1. Results for Fiscal 2000 (April 1, 1999-March 31, 2000)

(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 2000	543,125	[+10.6]	3,565	[-53.6]	3,803	[-53.6]
Fiscal 1999	491,051	[+8.5]	7,681	[+199.4]	8,202	[+116.5]

	Net income (loss) (¥ million)	Year-on-year change [%]	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity [%]	Ordinary income/total assets [%]	Ordinary income/net sales [%]
Fiscal 2000	(2,241)	[—]	(50.00)	—	[-4.5]	[+1.2]	[+0.7]
Fiscal 1999	3,020	[+463.0]	74.52	48.55	[+6.3]	[+2.8]	[+1.7]

Notes

- Average number of shares outstanding during the term: Fiscal 2000 44,839,103 shares
Fiscal 1999 40,538,831 shares
- Changes in Accounting Methods: None
- Year-on year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Dividends

	Annual dividends per share (¥)			Total dividends (annual) (¥ million)	Payout ratio [%]	Dividend rate for shareholders' equity [%]
	Interim	Year-end				
Fiscal 2000	18.00	9.00	9.00	812	[—]	[+1.6]
Fiscal 1999	18.00	9.00	9.00	741	[+24.5]	[+1.5]

The year-end dividend for fiscal 2000 was calculated considering the money delivered due to the merger (the equivalent amount of cash dividends paid for the period from October 1, 1999 to March 31, 2000) as cash dividends.

(3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets [%]	Shareholders' equity per share (¥)
Fiscal 2000	307,691	50,389	[+16.4]	1,116.14
Fiscal 1999	315,397	49,846	[+15.8]	1,184.31

Notes: Total number of shares outstanding : As of March 31, 2000 45,145,931 shares
As of March 31, 1999 42,088,671 shares

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual dividends per share (¥)		
				Interim	Year-end	
Interim period Fiscal 2001				—	—	—

Reference: Estimated earnings per share (fiscal 2001): ¥

Note: For non-consolidated results projections for the year ending March 31, 2001, please refer to the non-consolidated financial statements of Kuraya Sanseido Inc. (formerly Sanseido Corporation).

11-1. Balance Sheets

ASSETS

(Millions of yen)

	As of March 31, 2000		As of March 31, 1999		Increase (decrease)
	307,691	100.0%	315,397	100.0%	(7,705)
Current assets	235,867	76.7	258,760	82.0	(22,893)
Cash and cash equivalents	29,872		69,971		(40,099)
Trade notes receivable	22,368		22,129		238
Trade accounts receivable	146,427		130,480		15,946
Marketable securities	—		62		(62)
Treasury stock	0		0		0
Merchandise	22,796		23,197		(400)
Prepaid expenses	574		602		(27)
Deferred income taxes	580		797		(217)
Accounts receivable	13,039		10,912		2,127
Other current assets	1,302		1,823		(521)
Allowance for doubtful receivables	(1,094)		(1,218)		124
Fixed assets	71,824	23.3	56,636	18.0	15,187
Tangible fixed assets:	54,861	17.8	41,833	13.3	13,027
Buildings	17,963		10,600		7,362
Structures	738		531		206
Machinery and equipment	214		136		77
Vehicles and carriers	42		26		15
Furniture and fixtures	756		324		431
Land	34,739		26,691		8,048
Construction in progress	407		3,522		(3,114)
Intangible fixed assets	652	0.2	425	0.1	226
Leasehold interest	117		117		—
Software	231		—		231
Other	302		308		(5)
Investments and other assets:	16,310	5.3	14,376	4.6	1,933
Investment securities	2,972		3,039		(66)
Equity in affiliates	2,611		830		1,781
Capital subscriptions	364		464		(100)
Long-term loans	157		228		(70)
Long-term loans to employees	7		7		(0)
Long-term trade receivable	2,303		809		1,494
Long-term prepaid expenses	189		338		(149)
Deferred income taxes	3,658		389		3,268
Long-term deposit received	2,291		2,527		(236)
Leasehold deposits	2,688		2,491		196
Other	1,380		3,894		(2,513)
Allowance for doubtful accounts	(2,314)		(644)		(1,669)
Total assets	307,691	100.0	315,397	100.0	(7,705)

11-1. Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY		(Millions of yen)			
	As of March 31, 2000		As of March 31, 1999		Increase (decrease)
Total liabilities	257,302	83.6%	265,550	84.2%	(8,248)
Current liabilities:	223,472	72.6	233,632	74.1	(10,160)
Trade notes payable	22,533		22,917		(383)
Trade accounts payable	188,076		173,553		14,523
Short-term loans	5,025		15,390		(10,365)
Current portion of long-term debt	—		19		(19)
Convertible bonds due within one year	—		11,000		(11,000)
Accrued liabilities	846		28		817
Accrued expenses	2,999		1,834		1,164
Income taxes payable	83		5,391		(5,307)
Consumption tax payable	375		454		(79)
Advance received	12		13		(0)
Reserve for bonuses	3,003		2,508		495
Allowance for losses on sales returns	303		274		29
Other current liabilities	211		247		(35)
Long-term liabilities:	33,830	11.0	31,918	10.1	1,911
Convertible bonds	22,891		26,958		(4,067)
Long-term debt	—		36		(36)
Long-term accrued liabilities	354		475		(120)
Reserve for retirement benefits	8,394		3,197		5,196
Reserve for directors' retirement bonuses	979		270		708
Provision for investment losses	1,090		960		130
Other long-term liabilities	120		19		101
Shareholders' equity	50,389	16.4	49,846	15.8	542
Common stock	10,542	3.4	8,509	2.7	2,033
Additional paid-in capital	11,397	3.7	9,364	3.0	2,033
Legal reserve	774	0.3	686	0.2	87
Other retained earnings	27,674	9.0	31,286	9.9	(3,611)
Voluntary reserve	29,255		27,898		1,356
Provision for retirement benefits	—		510		(510)
Reserve for compression of fixed assets	994		1,027		(33)
General reserve	28,261		26,361		1,900
Unappropriated retained earnings	—		3,387		(3,387)
Unabsorbed loss account	1,581		—		(1,581)
[Net income in above]	[—]		[3,020]		(3,020)
[Net loss in above]	[2,241]		[—]		(2,241)
Total liabilities and shareholders' equity	307,691	100.0	315,397	100.0	(7,705)

11-2. Statements of Income

(Millions of yen)

	Year ended March 31, 2000		Year ended March 31, 1999		Increase (decrease)
Net sales	543,125	100.0%	491,051	100.0%	52,074
Cost of sales	492,385	90.6	440,400	89.7	51,984
Reserve for returned goods	29	0.0	27	0.0	1
Gross profit	50,710	9.4	50,623	10.3	87
Selling, general and administrative expenses	47,145	8.7	42,941	8.7	4,203
Operating income	3,565	0.7	7,681	1.6	(4,116)
Non-operating income:	2,115	0.4	2,008	0.4	107
Interest income	151		161		(9)
Interest dividends	60		79		(19)
Proceeds from redemption of time deposits	—		31		(31)
Research fee income	1,169		1,071		98
Allowance for doubtful accounts	40		50		(10)
Rental income	181		178		3
Other non-operating income	511		436		75
Non-operating expenses:	1,877	0.4	1,487	0.3	389
Interest expense and discount expenses	133		154		(20)
Bond interest expense	210		211		(0)
Bond issue expense	—		229		(229)
Gain on allowance for doubtful accounts	1,237		229		1,007
Loss from doubtful accounts	—		494		(494)
Sundry loss	295		167		127
Ordinary income	3,803	0.7	8,202	1.7	(4,399)
Extraordinary gains	122	0.0	197	0.0	(74)
Gain on sales of fixed assets	0		—		0
Gain on allowance for doubtful accounts	122		197		(75)
Extraordinary loss	7,368	1.3	1,406	0.3	5,961
Loss on disposal of fixed assets	306		18		287
Evaluation loss of investment securities	2		173		(170)
Reserve for employees' retirement	5,067		—		5,067
Directors' retirement bonuses	—		36		(36)
Provision for directors' retirement bonuses	658		218		439
Reserve for loss of investment	130		960		(830)
Transfer expenditure	949		—		949
Merger expenses	254		—		254
Income before income taxes	—	—	6,993	1.4	(6,993)
Loss before income taxes	3,442	(0.6)	—	—	(3,442)
Income taxes current	1,851	0.4	5,736	1.2	(3,885)
Income taxes deferred	(3,051)	(0.6)	(1,763)	(0.4)	(1,287)
Net income	—	—	3,020	0.6	(3,020)
Net loss	2,241	(0.4)	—	—	(2,241)
Profit brought forward from the previous term	1,513		399		1,114
Prior year adjustments due to application of tax-effect accounting	—		(576)		576
Liquidation of reserve for compression due to application of tax	—		942		(942)
Interim dividends	406		362		43
Provision for legal reserve	40		36		4
Grants-in-aid for mergers	406		—		406
Unappropriated retained earnings at the end of the term	—		3,387		(3,387)
Unabsorbed loss at the end of the term	1,581		—		(1,581)

Significant Accounting Policies

1. Valuation of Securities

Securities quoted on stock exchanges: Valued at cost or market using the moving-average method
Other securities: Valued at cost using the moving-average method

2. Valuation of Inventories

Merchandise: Valued at cost or market using the moving-average method

3. Depreciation of Fixed Assets

Tangible fixed assets

The Company uses the declining-balance method based on the Corporation Tax Law. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed as stipulated in the Corporation Tax Law. Depreciation of assets acquired on or after April 1, 1998 whose acquisition costs are between ¥100,000 and ¥200,000 is provided by the straight-line method over three years.

Intangible fixed assets

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

(Additional information)

The previous accounting method is applied to software used only within the Company, which was included in and presented as "Long-term prepaid expenses" in "Investments and other assets" until the preceding consolidated fiscal year, as a transitional measure in accordance with the "Practical Guidelines on Accounting of R&D Expenses and Software" (Report No. 12 by the Accounting System Committee of the Japanese Institute of Certified Public Accountants; March 31, 1999). However, the presentation of software has been reclassified in "Intangible fixed assets," effective from this fiscal year, in accordance with the above report.

Long-term prepaid expenses

Long-term prepaid expenses are primarily amortized using the moving-average method as prescribed by the Corporation Tax Law.

4. Accounting Standards for Major Reserves

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.

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.

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.

Reserve for retirement benefits:

The Company provides for employees' retirement liability at 40 percent of the amount which would be required if all eligible employees voluntarily retired at the balance sheet date, less the portion covered by the pension plans.

(Additional information)

Upon the merger of the Company and Sanseido Co., Ltd. and Tokyo Pharmaceutical Co., Ltd. effective April 1, 2000, based on an agreement among the three merger parties, the amount provided for employees' retirement liability was increased to 100 percent of the amount which would be required if all eligible employees voluntarily retired at the balance sheet date, less the portion covered by the pension plans. This amount was stated as an extraordinary loss of ¥3,327 million in the balance sheets. As a result, loss before income taxes increased by the same amount.

Allowance for directors' retirement bonuses

An allowance is provided to cover directors' retirement bonuses.

(Additional information)

Past-year equivalent amounts for the allowance for directors' retirement bonuses were to be charged to income on a straight-line basis over a three-year period beginning with the year ended March 31, 2000. However, with the merger of the Company with Sanseido Co., Ltd. and Tokyo Pharmaceutical Co., Ltd. effective April 1, 2000, all directors plan to resign from their posts, and as a result, the full amount of the past-year portion is being expensed in the year ending March 31, 2000, and is stated as an extraordinary loss of ¥437 million.

Allowance for investment losses

To cover possible losses on investments in affiliated companies, an allowance is provided in the amount of the potential loss, taking into consideration the financial condition of the companies and other factors.

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

(1) Contributory pension plan

The Company has used a contributory pension plan (funded at 60 percent of the amount of employee retirement benefits) since October 1, 1988.

Pension assets as of March 31, 2000 were ¥5,659 million.

(Additional information)

Upon the merger of the Company and Sanseido Co., Ltd. and Tokyo Pharmaceutical Co., Ltd. effective April 1, 2000, based on an agreement among the three merger parties, the present value of past service liability as of the balance sheet date was amortized and booked as "Provision for retirement benefits" under "Extraordinary loss" in the amount of ¥1,739 million. As a result, loss before income taxes increased by the same amount.

(2) Consumption tax

Consumption tax is excluded from the amounts in the Statements of Income.

Dividends per share	Fiscal 2000 (April 1, 1999-March 31, 2000)			Fiscal 1999 (April 1, 1998-March 31, 1999)		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common stock	18.00	9.00	9.00	18.00	9.00	9.00

(¥)

Note: Cash dividends for the year ended March 31, 2000 were calculated assuming the year-end dividend (equivalent to dividends per share between October 1, 1999 and March 31, 2000) as the money delivered due to the merger.

Items Pertaining to Unconsolidated Balance Sheets

(Millions of yen / shares / US\$ thousand)

	Year ended March 31, 2000	Year ended March 31, 1999
1. Accumulated depreciation of property, plant and equipment	12,416	11,742
2. Pledged assets		
Cash and cash equivalents	45	45
Buildings	843	2,187
Land	2,212	4,791
Investment securities	52	52
Total	3,153	7,076
Liabilities corresponding to the above pledged assets		
Short-term loans	—	3,205
Trade accounts payable	15,592	15,470
Total	15,592	18,675
3. Number of shares of common stock		
Authorized	89,600,000 shares	89,600,000 shares
Issued and outstanding	45,145,931 shares	42,088,671 shares
4. Contingent liabilities		
Hisatomo Kuraya, Inc.	1,987	1,716
Kuraya Shoji, Inc.	292	277
Kuraya (USA) Corporation	11	24
	(US\$110 thousand)	(US\$201 thousand)
IBRD Japan Inc.	1,090	1,000
Kuraya Kasei Inc.	608	427
Other Companies	3	10
Total	3,993	3,456
5. Major assets and liabilities of affiliated companies		
Trade accounts receivable	3,531	664
Trade accounts payable	2,176	612

6. Major foreign currency-denominated assets

Year ended March 31, 2000				Year ended March 31, 1999			
		(\$US thousand)	(¥ million)			(\$US thousand)	(¥ million)
Assets	Cash and cash equivalents (Time deposits)	5,137	545	Assets	Current assets (Other guarantee)	5,034	606

7. Breakdown of increase in shares issued during the term

Form of issuance	Convertible bonds
Number of shares issued	3,057,260 shares
Issue price	¥4,066 million
Capital increase	¥2,033 million

Items Pertaining to Unconsolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2000	Year ended March 31, 1999
1. Major components of selling, general and administrative expenses		
Packaging and transport	3,350	2,821
Salaries and wages	20,664	19,530
Provision for bonuses	2,988	2,508
Provision for retirement benefits	585	814
Provision for directors' retirement bonuses	51	51
Legal welfare expenses	2,777	2,787
Transfer to allowance for doubtful accounts	549	-
Depreciation and amortization	1,375	1,186
Rental expenses	3,540	3,358
2. Loss on disposal of fixed assets		
(1) Loss on disposal of fixed assets		
Buildings	231	12
Structures	1	2
Machinery and equipment	34	-
Furniture and fixtures	10	2
Software	26	-
Total	305	17
(2) Loss on sales of fixed assets		
Carriers	0	1
Other fixed assets, intangible	0	—
Total	0	1

3. Content of Relocation Expenses

Relocation expenses are expenses associated with the move to the new head office and new Tokyo Distribution Center.

Items Pertaining to Tax Effect Accounting

1. Breakdown of major deferred tax assets and liabilities

(Millions of yen)

	Year ended March 31, 2000	Year ended March 31, 2000
Deferred tax assets		
Excess allowance for doubtful accounts	875	164
Excess allowance for bonuses	447	247
Enterprise taxes	0	469
Excess allowance for retirement benefits	2,609	347
Reserve for directors' retirement benefits	412	113
X	458	401
Others	210	157
Total deferred tax assets	5,015	1,901
Deferred tax liabilities		
Reserve for compression of fixed assets	697	714
Others	79	-
Total deferred tax liabilities	776	714
Net deferred tax assets	4,238	1,186

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

(%)

	Year ended March 31, 2000	Year ended March 31, 2000
Statutory tax rate	—	47.4
(Adjustments)		
Expenses not deductible for tax purposes	—	2.4
Average rate of inhabitants tax, etc.	—	1.5
Effect of statutory rate change	—	3.4
Other, net	—	2.1
Effective tax rate	—	56.8

Note: These figures are omitted for the year ended March 31, 2000 due the loss before income taxes.

Items Pertaining to Lease Transactions

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

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

(Millions of yen)

	Year ended March 31, 2000			Year ended March 31, 1999		
	Acquisition cost	Accumulated depreciation	Ending balance	Acquisition cost	Accumulated depreciation	Ending balance
Machinery & equipment	1,705	213	1,491	204	80	124
Vehicles and carriers	2,848	1,753	1,094	3,306	1,973	1,333
Tools and fixtures	3,821	2,156	1,665	4,228	2,487	1,740
Total	8,375	4,124	4,251	7,739	4,541	3,198

(2) Future lease payments

(Millions of yen)

	As of March 31, 2000	As of March 31, 1999
Due within one year	1,549	1,586
Due after one year	2,814	1,888
Total	4,363	3,475

(3) Equivalent amount of lease payments and depreciation expense

(Millions of yen)

	As of March 31, 2000	As of March 31, 1999
Lease expenses	1,941	1,988
Depreciation expense	1,775	1,804
Interest paid equivalent	169	152

(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. (Items pertaining to operating lease transactions)

Accrued lease expenses: None

12. Market Value of Marketable Securities

(Millions of yen)

	As of March 31, 2000			As of March 31, 1999		
	Balance sheet amount	Market value	Valuation gain (loss)	Balance sheet amount	Market value	Valuation gain (loss)
(1) Items classified as current assets:						
Stocks	0	0	0	41	41	(0)
Bonds	—	—	—	—	—	—
Others	—	—	—	21	21	—
Sub-total	0	0	0	63	63	(0)
(2) Items classified as fixed assets:						
Stocks	2,460	3,988	1,528	2,380	3,526	1,146
Bonds	6	7	0	6	6	0
Others	—	—	—	—	—	—
Sub-total	2,466	3,995	1,529	2,386	3,533	1,147
Total	2,467	3,996	1,529	2,449	3,596	1,146

Note

1: Methods of calculating market value

(1) Listed marketable securities:

Closing prices on Tokyo Stock Exchange and other major stock exchanges

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

Trading prices quoted by the Japan Securities Dealers Association

(3) Certificates of bond investment trusts: Base prices

2: Treasury stock is included in current assets:

Valuation gain (loss): ¥0 million (Fiscal 2000) ¥0 million (Fiscal 1999)

3: Book value of marketable securities in the consolidated balance sheet not disclosed above

(Millions of yen)

	As of March 31, 2000	As of March 31, 1999
Unlisted stocks	3,117	1,483
[Stocks of affiliated companies in above]	[2,611]	[830]

13. Contract Amounts, Market Value and Valuation Gain/Loss of Derivative Transactions

None applicable