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Activation of New Core Systems

May 13, 2003 – Kuraya Sanseido Inc. (“the Company”) and its Group of companies are moving ahead with full development of new core systems, which are being activated in stages starting in April 2003.

1. Purpose of Constructing the New Core Systems

The Company is aiming to increase its competitiveness by optimizing resources, operations and functions, establishing a low cost structure, increasing productivity and expanding its functions. To implement this basic strategy in the area of systems, the Company recently began putting new core systems into operation.

These new core systems will be capable of handling the demands of a corporate scale of ¥2 trillion in net sales, the target of the Company’s long-term vision up to March 2009. The systems will gradually be phased in at each company in the Kuraya Sanseido Group.

2. Overview of the New Core Systems

(1) Sales and Distribution System

- 1) The system will enable reform of current operations and efficient business execution.
- 2) The system will feature expandability and speed to enable sharing of the system with Group companies.

(2) Accounting System

- 1) Adoption of a system that enables “cashless” accounting work will promote more efficient accounting operations.
- 2) A mechanism was created that increases the precision of administrative and accounting data to support management administration and speedy decision making.
- 3) A mechanism was created to enable sharing of the system with Group companies, thus contributing to earlier consolidated reporting and disclosure of quarterly financial information.

3. Benefits from Operation of the New Core Systems

The sales and distribution system will use an information search system to quickly gather sales data for the entire Group, supporting the Group's ability to offer a stable supply of products that meet customer needs. In addition, it will strengthen sales by contributing to timely planning and implementation of diverse marketing strategies tailored to each manufacturer and sales area. It will thus allow more efficient purchasing operations throughout the Group by allowing companies to set and maintain inventory levels that match sales conditions, as well as reduce distribution costs.

The accounting system will strengthen necessary functions Group-wide with less labor and higher efficiency, and will realize efficient use of personnel through simplification of work.

4. Schedule for Activation of the New Core Systems

(1) Sales and Distribution System

The Company put this system into operation on May 6, 2003. The system will go into operation at Group companies starting in October 2003.

(2) Accounting System

The Company put this system into operation on April 1, 2003. The system will go into operation at Group companies starting in October 2003.

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