

February 20, 2004

KURAYA SANSEIDO Inc.

President: Sadatake Kumakura

Code number: 7459 (First Section, Tokyo Stock Exchange)

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Share Exchange Agreement Signed

February 20, 2004 – The Board of Directors of KURAYA SANSEIDO Inc. (“Kuraya Sanseido”) today resolved to make NAKAGAWA SEIKODO CO., LTD. (“Nakagawa Seikodo”) a wholly owned subsidiary of Kuraya Sanseido through an exchange of shares, effective May 1, 2004. In addition, the share exchange agreement was signed today. Details are as follows.

1. Reason for Implementing the Exchange of Shares

While its main business is sales of medical equipment, laboratory instruments and other products, Nakagawa Seikodo is developing a comprehensive consulting business that takes a total view of the healthcare field by providing services including an outsourcing business for SPD (supply processing and distribution) within medical institutions.

Kuraya Sanseido, including its pharmaceutical wholesale subsidiaries, is expanding its business in healthcare-related fields. As part of this effort, to strengthen sales of medical equipment and instruments and expand the SPD business, with a focus on large hospitals, Kuraya Sanseido judged that making Nakagawa Seikodo a wholly owned subsidiary would be optimal, and agreed to make a share exchange.

2. Terms and Conditions of the Share Exchange Agreement

(1) Share exchange schedule

February 20, 2004	Approval of share exchange agreement by both companies' boards of directors
February 20, 2004	Signing of share exchange agreement by both companies
March 25, 2004	Approval of share exchange agreement at Nakagawa Seikodo's general shareholders' meeting (planned)
May 1, 2004	Date of share transfer (planned)

(2) Share exchange method

On May 1, 2004, Kuraya Sanseido will exchange shares with the shareholders of Nakagawa Seikodo. Kuraya Sanseido will become the sole parent company of Nakagawa Seikodo, and Nakagawa Seikodo will become a wholly owned subsidiary of Kuraya Sanseido.

(3) Simple exchange of shares

In accordance with the provisions of Article 358-1 of the Commercial Code, Kuraya Sanseido make the exchange of shares without obtaining approval of the share exchange agreement at Kuraya Sanseido's general meeting of shareholders.

(4) Share Exchange Ratio

	Kuraya Sanseido Inc. (parent company)	Nakagawa Seikodo Co., Ltd. (wholly owned subsidiary)
Share exchange ratio	1	3.419

Notes:

1. Share Allocation Ratio

Nakagawa Seikodo's shareholders and substantial shareholders of record on the day before the share exchange date will be granted 3.419 shares of Kuraya Sanseido's common stock for each share of Nakagawa Seikodo's common stock.

2. Basis for Calculation of Share Exchange Ratio

Kuraya Sanseido and Nakagawa Seikodo retained a third-party institution, Chuo Aoyama PwC Consulting Inc., to calculate the share allocation ratio, and decided on the share allocation ratio above after inter-company discussions based on the methodology and results of the share exchange ratio calculation done by that company.

3. Method, Results and Basis of Calculation by Third-Party Institution

Chuo Aoyama PwC Consulting Inc. conducted an analysis of Kuraya Sanseido's valuation using the market price method and net assets based on market value. It performed an analysis of Nakagawa Seikodo's valuation using comparisons with other similar companies and net assets based on market value. The results of each analysis were considered in calculating the share exchange ratios of Kuraya Sanseido and Nakagawa Seikodo.

(5) Shares to be Allocated through the Share Exchange

Kuraya Sanseido will use treasury shares in lieu of the issuance of new stock for all of the 1,918,059 shares to be allocated upon the share exchange.

(6) Amount of Increase in Capital and Capital Reserve

I. Capital: The exchange of shares will not increase capital.

However, capital may increase between February 1, 2004 and April 30, 2004, due to conversion requests for the second series of the Company's first issue of unsecured convertible bonds.

II. Capital Reserve: The capital reserve will increase by the amount of Nakagawa Seikodo's net assets that remain outstanding on the effective date of the share exchange, multiplied by the ratio of the number of shares to be transferred to Kuraya Sanseido upon the share exchange to the total number of issued shares of Nakagawa Seikodo, less the total book value of treasury shares that Kuraya Sanseido allocates to Nakagawa Seikodo shareholders.

However, the capital reserve will not increase in the event that this formula does not result in an increase.

(7) Dividends

Kuraya Sanseido plans to pay a year-end dividend of ¥6 per share, up to a total amount of ¥864,106,380, to its shareholders of record as of March 31, 2004.

However, this total amount may increase with any increase in the number of shares outstanding due to conversion requests for the second series of the Company's first issue of unsecured convertible bonds between February 1 and March 31, 2004.

Nakagawa Seikodo plans to pay a year-end dividend of ¥50 per share, up to a total amount of ¥28,050,000, to its shareholders of record as of March 31, 2004.

(8) Subsidy for Exchange of Shares

No subsidy will be paid for the exchange of shares.

(9) Terms of Kuraya Sanseido's Directors and Auditors Appointed before the Exchange of Shares

The terms of office of persons who were appointed as directors or auditors of Kuraya Sanseido before the exchange of shares shall be the terms that would have applied if the share exchange had not taken place.

3. Situation of Kuraya Sanseido after the exchange of shares

- (1) Corporate name: KURAYA SANSEIDO Inc.
- (2) Business area: Wholesale distribution of pharmaceutical products
- (3) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
- (4) Representative: Sadatake Kumakura, President and Representative Director
- (5) Paid-in capital: ¥13,480 million

4. Situation of Nakagawa Seikodo after the exchange of shares

- (1) Corporate name: NAKAGAWA SEIKODO CO., LTD.
- (2) Principal business: Sale of medical equipment and laboratory instruments
- (3) Head office: 18-15, Hongo 3-chome, Bunkyo-ku, Tokyo
- (4) Representative: Michio Nakagawa, President and Representative Director
- (5) Paid-in capital: ¥280 million

5. Effect of the share exchange on consolidated and non-consolidated results

The share exchange will have a negligible effect on consolidated and non-consolidated results for the year ending March 31, 2005 and subsequent fiscal years.

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For reference:

Overview of Companies

(Kuraya Sanseido: As of September 30, 2003; Nakagawa Seikodo: As of May 20, 2003)

Corporate name	KURAYA SANSEIDO Inc.		NAKAGAWA SEIKODO CO., LTD.	
Principal business	Wholesale distribution of pharmaceuticals		Sale of medical equipment and laboratory instruments	
Date of establishment	May 6, 1923		May 30, 1975	
Head office	7-15, Yaesu 2-chome, Chuo-ku, Tokyo		18-15, Hongo 3-chome, Bunkyo-ku, Tokyo	
Representative	Sadatake Kumakura, President and Representative Director		Michio Nakagawa, President and Representative Director	
Paid-in capital	¥13,480 million*		¥280 million	
Number of outstanding shares	144,017,730 shares*		561,000 shares	
Shareholders' equity	¥118,827 million		¥2,171 million	
Total assets	¥599,292 million		¥10,887 million	
Fiscal year end	March 31		March 31**	
Number of employees	5,452		227**	
Major suppliers and customers	<p>Suppliers: Takeda Chemical Industries, Ltd., Yamanouchi Pharmaceutical Co., Ltd., Chugai Pharmaceutical Co., Ltd., Pfizer Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Co., Ltd., Eisai Co., Ltd., Novartis Pharma K.K., Daiichi Pharmaceutical Co., Ltd., Mitsubishi Pharma Corp., AstraZeneca KK</p> <p>Customers: Hospitals, clinics, pharmacies, subsidiaries, and others</p> <p>Sales Regions: Tokyo, Hyogo, Hokkaido, Miyagi, Yamagata, Fukushima, Saitama, Chiba, Kanagawa, Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano, Gifu, Shizuoka, Aichi, Mie, Shiga, Kyoto, Osaka, Nara, Wakayama, Okayama, Hiroshima</p>		<p>Suppliers: Terumo Corporation, Johnson & Johnson Inc., Hogy Medical Co., Ltd., Tyco Healthcare Japan, Inc., Medicon, Inc., Boston Scientific Inc., Alcare Co., Ltd., 3M Health Care Ltd., Toray Medical Co., Ltd., Sumitomo Bakelite Co., Ltd.</p> <p>Customers: Hospitals and others</p> <p>Sales Regions: Tokyo, Ibaraki, Gunma, Saitama, Chiba, Kanagawa</p>	
Major shareholders and percentage of total shares held (excluding treasury stock)	1. Takeda Chemical Industries, Ltd.	13.2%	1. Kimiko Ltd.	19.7%
	2. Employees' Shareholders Assn.	8.4%	2. Kimiko Nakagawa	17.8%
	3. Japan Trustee Services Bank, Ltd. (trust account)	5.4%	3. Hiroshi Nakagawa	12.2%
	4. The Master Trust Bank of Japan, Ltd. (trust account)	2.4%	4. Michio Nakagawa	11.2%
	5. Sadatake Kumakura	2.4%	5. Kenichiro Suzuki	6.2%
Main banks	Mizuho Bank, Ltd., Resona Bank, Ltd., The Bank of Tokyo-Mitsubishi, Ltd., Sumitomo Mitsui Banking Corporation, UFJ Bank, Ltd.		UFJ Bank, Ltd., Mizuho Bank, Ltd., Resona Bank, Ltd., The Bank of Tokyo-Mitsubishi, Ltd., Sumitomo Mitsui Banking Corporation	
Inter-company relations	Equity relationship	None		
	Personnel relationship	None		
	Business relationship	In April 1999, Kuraya Sanseido and Nakagawa Seikodo established HOSSP Corporation (head office in Niiza, Saitama Prefecture), with each company contributing 49% of the capital, which has continued to the present. The direct business relationship between Kuraya Sanseido and Nakagawa Seikodo is very minor (about 0.05%).		

*As of January 31, 2004 **As of September 30, 2003

Overview of Companies – (2)
Results from the latest three fiscal terms

Kuraya Sanseido Inc.

(Millions of yen)

Fiscal year ended	Consolidated			Non-consolidated		
	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2001	March 31, 2002	March 31, 2003
Net sales	1,073,015	1,222,221	1,272,502	965,348	1,116,754	1,200,543
Operating income	1,949	5,780	10,159	1,946	5,917	8,286
Ordinary income	5,403	9,130	13,644	5,026	9,060	11,572
Net income	1,337	2,950	5,015	1,176	3,581	4,957
Net income per share (¥)	9.80	21.67	36.48	8.62	26.30	36.24
Cash dividends per share (¥)	/			12.00	12.00	12.00
Shareholders' equity per share (¥)	899.68	823.75	828.14	889.67	823.65	829.40

Nakagawa Seikodo Co., Ltd.

(Millions of yen)

Fiscal year ended	Consolidated			Non-consolidated		
	May 20, 2001	May 20, 2002	May 20, 2003	May 20, 2001	May 20, 2002	May 20, 2003
Net sales	/			35,620	37,438	37,759
Operating income	/			92	51	26
Ordinary income	/			116	81	82
Net income	/			126	101	79
Net income per share (¥)	/			225.36	180.99	142.41
Cash dividends per share (¥)	/			50.00	50.00	50.00
Shareholders' equity per share (¥)	/			3,716.13	3,800.78	3,869.95