

May 13, 2004

KURAYA SANSEIDO Inc.

President: Sadatake Kumakura

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

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## **Spin-Off Associated with Transfer to Holding Company Structure**

May 13, 2004 – KURAYA SANSEIDO Inc. (“Kuraya Sanseido”) today resolved at a meeting of its Board of Directors to spin off its pharmaceuticals and other wholesale businesses to KURAYA SANSEIDO Spin-off Preparation Inc. (“Spin-off Preparation Inc.”), a wholly owned subsidiary, on October 1, 2004.

Kuraya Sanseido plans to perform the spin-off pending approval by the Annual General Meeting of Shareholders on June 29, 2004.

After the spin-off, Kuraya Sanseido will become an operating holding company and change its name to MEDICEO Holdings Co., Ltd., while Spin-off Preparation Inc., which will take over the pharmaceuticals and other wholesale businesses, will change its name to KURAYA SANSEIDO Inc.

### **1. Objectives of Spin-Off**

As a first-step in integrating management, Kuraya Sanseido made ATOL CO., LTD. and EVERLTH Co., Ltd. wholly owned subsidiaries through an exchange of shares on April 1, 2004.

As the next step, on October 1, 2004, after becoming a holding company through a corporate separation and changing its name to MEDICEO Holdings Co., Ltd., Kuraya Sanseido will spin off the pharmaceutical wholesale business to Spin-off Preparation Inc., scheduled to change its name to KURAYA SANSEIDO Inc.,

Kuraya Sanseido completed management integration through the transfer to a holding company system with ATOL CO., LTD. and EVERLTH Co., Ltd. on December 12, 2003. As the environment surrounding the pharmaceuticals wholesale industry undergoes significant change, this management integration preserves the functions of the regional sales activities that Kuraya Sanseido has cultivated in each sales region, and shifts the Company toward a holding company system that will work to expand sales throughout the country, make management more efficient through concentration of management resources

and improve corporate value.

The current spin-off is necessary to achieve these objectives.

## 2. Overview of Spin-off

### (1) Spin-off Schedule

May 13, 2004:	Meeting of Board of Directors of both companies to approve spin-off agreement
May 13, 2004:	Both companies sign spin-off agreement
June 29, 2004:	General meeting of shareholders to approve spin-off agreement
October 1, 2004:	Spin-off date (planned)
October 1, 2004:	Spin-off registration (successor company) (planned)

### (2) Spin-off Method

#### 1) Spin-off Method

Spin-off separation (physical separation) through which Kuraya Sanseido becomes the separated company and Spin-off Preparation Inc. becomes the successor company.

#### 2) Reasons for Using the Spin-off Method

In transferring to a holding company system, Kuraya Sanseido will use a corporation separation scheme to separate itself into an operating holding company and a company for pharmaceuticals and other wholesale distribution businesses. After establishing the wholly owned Spin-off Preparation Inc. to start business from the day of the separation, Kuraya Sanseido will spin off its pharmaceuticals and other wholesale businesses to Spin-off Preparation Inc., and will become an operating holding company through the spin-off method.

#### 3) Allotment of Shares

Because Kuraya Sanseido presently holds all of Spin-off Preparation Inc.'s outstanding shares, Spin-off Preparation Inc. will not issue any stock after the spin-off.

#### 4) Spin-off Grants

Kuraya Sanseido will not receive any spin-off grants from Spin-off Preparation Inc..

#### 5) Rights and Obligations Transferred to Spin-off Preparation Inc.

Rights and obligations that Spin-off Preparation Inc. will acquire from Kuraya Sanseido through the spin-off exclude special provisions in the spin-off agreement between Spin-off Preparation Inc. and Kuraya Sanseido signed on May 13, 2004. The rights and obligations are based on Kuraya Sanseido's balance sheet as of March 31, 2004 and other calculations made on that day, and include assets associated with pharmaceuticals and other wholesale distribution businesses, liabilities, associated rights and obligations, and positions indicated in the agreement. Debt will be transferred through the concurrent debt assumption method.

Moreover, Spin-off Preparation Inc. will assume purchases of pharmaceuticals and other wholesale distribution businesses, all accounts payable and a portion thereof covered by Kuraya Sanseido until the spin-off, separately through the concurrent debt assumption method.

(6) Forecast for Obligations

1) Kuraya Sanseido

Based on consideration of assets, liabilities and profitability after the spin-off, judging from calculations from Kuraya Sanseido's most recent balance sheets of the value of assets and liabilities scheduled to be transferred to Spin-off Preparation Inc., Kuraya Sanseido forecasts that the value of assets will exceed liabilities, and that liabilities will be serviced as scheduled as no interfering factors are currently recognized.

2) Spin-off Preparation Inc.

Based on consideration of assets, liabilities and profitability after the spin-off, judging from calculations from Kuraya Sanseido's most recent balance sheets of the value of assets and liabilities scheduled to be transferred to Spin-off Preparation Inc., Spin-off Preparation Inc. forecasts that the value of assets will exceed liabilities, and that liabilities will be serviced as scheduled as no interfering factors are currently recognized.

(7) New Officers to be Appointed to Spin-off Preparation Inc. on October 1, 2004

1) Directors

Taro Kimura, Shinichi Matsuo, Kazumi Takahashi, Yoshihiro Takatori

2) Auditors

Akihiko Tanaka, Yoshio Imaichi

After the spin-off, the following current representative directors of Spin-off Preparation Inc. will become Board members or auditors of the Company: Osamu Takumiya, Chairman and Representative Director; Shuichi Watanabe, President and Representative Director; Kenichi Murata, Director; Akihiro Sakamoto, Director; Hideki Noguchi, Auditor.

### 3. Key Points of Spin-off

#### 1) Outline of Spin-off (Note 1)

Corporate name	KURAYA SANSEIDO Inc. (Spin-off Company) Scheduled to become MEDICEO Holdings Co., Ltd. on October 1, 2004	KURAYA SANSEIDO Spin-off Preparation Inc. (Successor Company) Scheduled to become KURAYA SANSEIDO Spin-off Preparation Inc. on October 1, 2004
Principal business	Wholesale of pharmaceutical products, etc. (Note 2)	Wholesale of pharmaceutical products, etc. (planned) (Note 3)
Date of establishment	May 6, 1923	April 1, 2004
Head office	7-15, Yaesu 2-chome, Chuo-ku, Tokyo	7-15, Yaesu 2-chome, Chuo-ku, Tokyo
Representative	Sadatake Kumakura, President and Representative Director	Shuichi Watanabe, President and Representative Director
Paid-in capital	¥15,436 million (Note 4)	¥0.1 million
Number of outstanding shares	183,970,322 shares (Note 4)	1 shares
Shareholders' equity	¥127,206 million	¥0.1 million
Total assets	¥598,329 million	¥0.1 million
Fiscal year end	March 31	March 31
Number of employees	5,427	0
Major suppliers and customers	<p><b>Suppliers:</b> Takeda Chemical Industries, Ltd., Yamanouchi Pharmaceutical Co., Ltd., Chugai Pharmaceutical Co., Ltd., Pfizer Japan Inc., Eisai Co., Ltd., Otsuka Pharmaceutical Co., Ltd., Novartis Pharma K.K., Daiichi Pharmaceutical Co., Ltd., Mitsubishi Pharma Corp., AstraZeneca K.K.</p> <p><b>Customers:</b> Hospitals, clinics, pharmacies, subsidiaries, etc.</p> <p><b>Sales Regions:</b> 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>	

Major shareholders and percentage of shares held (Note 5)	1. Takeda Chemical Industries Ltd.	12.7%	KURAYA SANSEIDO Inc. 100%
	2. Japan Trustee Services Bank, Ltd. (trust account)	7.8%	
	3. Employees' Shareholders Association	7.8%	
	4. The Master Trust Bank of Japan, Ltd. (trust account)	3.8%	
	5. Sadatake Kamakura	2.3%	
Main banks	Mizuho Bank, Ltd. Resona Bank, Ltd. The Bank of Tokyo-Mitsubishi, Ltd. Sumitomo Mitsui Banking Corporation UFJ Bank Ltd.		
Inter-company relations	Capital relationship	KURAYA SANSEIDO Spin-off Preparation Inc. is a wholly owned subsidiary of KURAYA SANSEIDO Inc.	
	Personnel relationship	All directors and auditors of KURAYA SANSEIDO Spin-off Preparation Inc. will serve concurrently as directors and auditors of KURAYA SANSEIDO Inc.	
	Business relationship	KURAYA SANSEIDO Spin-off Preparation Inc. currently conducts no business activities, and has no business relationship with KURAYA SANSEIDO Inc.	

\* Summaries of notes 1-5 are on the following page.

Notes:

- 1: The outline of KURAYA SANSEIDO Inc. is current as of March 31, 2004, and the outline of KURAYA SANSEIDO Spin-off Preparation Inc. is current as of April 1, 2004
- 2: Scheduled to become a holding company through the spin-off.
- 3: Scheduled to take over the pharmaceuticals and other wholesale businesses after the spin-off.
- 4: As of April 30, 2004.
- 5: Does not include treasury stock holdings

## 2) Results from the Latest Three Fiscal Terms

(Millions of yen)

	KURAYA SANSEIDO Inc. (Spin-off Company)					
	Consolidated			Non-consolidated		
Fiscal year ended	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2002	March 31, 2003	March 31, 2004
Net sales	1,222,221	1,274,502	1,283,925	1,116,754	1,200,543	1,218,355
Operating income	5,780	10,159	15,354	5,917	8,286	10,542
Ordinary income	9,130	13,644	19,312	9,060	11,572	13,819
Net income	2,950	5,015	7,878	3,581	4,957	6,359
Net income per share (¥)	21.67	36.48	55.19	26.30	36.24	41.71
Cash dividends per share (¥)	/			12.00	12.00	12.00
Shareholders' equity per share (¥)	823.75	828.14	893.84	823.65	829.40	881.98

## 4. Spin-off Details

## (1) Divisions

Pharmaceutical and other wholesale distribution businesses operated by Kuraya Sanseido on the day before the spin-off, excluding sales to pharmaceutical and other wholesale distribution business subsidiaries.

- (2) Excluding sales to pharmaceutical and other wholesale distribution business subsidiaries, sales in pharmaceuticals and other wholesale distribution businesses for the year ended March 31, 2004 were as follows:

Net sales                    ¥972,944 million

- (3) Assets and liabilities to be transferred

Total assets                    ¥314,019 million

Total liabilities                    ¥304,458 million

Note: The figures above are based on figures as of March 31, 2004.

Amounts transferred through the spin-off may differ.

## 5. Kuraya Sanseido after the Spin-off

- (1) Corporate name: MEDICEO Holdings Co., Ltd.
- (2) Principal business: Will hold the stock of subsidiaries engaged in the business of wholesale distribution of ethical pharmaceuticals, over-the-counter pharmaceuticals, medical equipment, diagnostic reagents, and in medical-related businesses, and will thus control and oversee the management activities of these companies. These companies are positioned to provide management functions for the Group, as they possess necessary functions for public companies and for Group management in purchasing, distribution, finance, accounting, planning, public relations and IR.
- (3) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
- (4) Representatives: Sadatake Kumakura, President and Representative Director
- (5) Paid-in capital: ¥15,436 million
- (6) Total assets: ¥294,874 million
- (7) Fiscal year-end: March 31
- (8) Influence on performance: No influence on consolidated performance.

The influence on unconsolidated performance is not recorded at present due to undetermined factors in part of the spin-off details, as mentioned in the notes to the Summary of Unconsolidated Balance Sheets for the Fiscal Year Ended March 31, 2004. Further details will be announced in the Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2005, scheduled to be released on July 28, 2004.

## 6. KURAYA SANSEIDO Spin-off Preparation Inc. after the Spin-Off

- (1) Corporate name: KURAYA SANSEIDO Inc.
- (2) Principal business: Wholesale distribution of pharmaceutical products
- (3) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
- (4) Representative: Shuichi Watanabe, President and Representative Director
- (5) Paid-in capital: ¥0.1 million
- (6) Total assets: ¥314,019 million
- (7) Fiscal year end: March 31

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Reference

Consolidated Group Company Organization following Corporate Separation (October 1, 2004)

