

August 11, 2004

KURAYA SANSEIDO Inc.
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Notice of Merger of Subsidiaries

August 11, 2004 – KURAYA SANSEIDO Inc. (“Kuraya Sanseido”) resolved today at a meeting of its Board of Directors to merge NAKAGAWA SEIKODO CO., LTD. and HOSSP CORPORATION, which are currently consolidated subsidiaries of Kuraya Sanseido, on January 1, 2005. Details are as below.

1. Purpose of the Merger

NAKAGAWA SEIKODO CO., LTD. (“Nakagawa Seikodo”) became a wholly owned subsidiary of Kuraya Sanseido through an exchange of shares on May 1, 2004.

HOSSP CORPORATION (“HOSSP”) was established in April 1999 as a joint purchasing company for pharmaceuticals and medical equipment sold by Kuraya Sanseido and Nakagawa Seikodo.

In light of the above, Kuraya Sanseido aims for the merger of the two subsidiaries to unify the companies’ functions and further strengthen their business structure, improve management efficiency and further expand logistics functions.

2. Merger Overview

(1) Merger schedule

August 11, 2004	Board of Directors of Kuraya Sanseido and the two merging companies meet to approve the merger agreement.
August 11, 2004	Signing of merger agreement by the two merging companies
Nov. 24, 2004	Extraordinary general meeting of shareholders of the two companies to approve the merger agreement (planned)
Jan. 1, 2005	Effective date of merger (planned)

(2) Merger method

The merger will be an absorption merger with Nakagawa Seikodo as the surviving company. HOSSP will be dissolved. The surviving company will assume all of the rights and obligations of the dissolved company.

Kuraya Sanseido owns all of the shares outstanding of the two companies to be merged. Therefore, no new shares will be issued as a result of the merger.

3. Outline of Merging Companies

Outline of the Companies

(As of March 31, 2004)

Corporate name	NAKAGAWA SEIKODO CO., LTD. (Surviving company)	HOSSP CORPORATION (Merged company)
Principal business	Sale of medical equipment and laboratory instruments	Sale of medical equipment, instruments and examination materials
Date of establishment	May 30, 1975	April 1, 1999
Head office address	18-15, Hongo 3-chome, Bunkyo-ku, Tokyo	1-12-27, Nobidome, Niiza-shi, Saitama
Representative	Michio Nakagawa, President and Representative Director	Minoru Ohkubo, President and Representative Director
Paid-in capital	¥280 million	¥90 million
Shares issued and outstanding	561,000	1,800
Shareholders' equity	¥2,063 million	¥98 million
Total assets	¥14,007 million	¥1,553 million
Fiscal year end	March 31	March 31
Number of employees	248	30
Major suppliers and customers	<p>Suppliers: HOSSP CORPORATION, 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.</p> <p>Customers: Hospitals, etc.</p> <p>Sales Regions: Tokyo, Ibaraki, Gunma, Saitama, Chiba, Kanagawa</p>	<p>Suppliers: Terumo Corporation, NAKAGAWA SEIKODO CO., LTD., EM Systems, FujiFilm Medical Co., Ltd., Yuyama Co., Ltd., Konica Minolta Medical & Graphic, Inc., Hogi Medical Co., Ltd., Tyco Healthcare Japan, Medicon, Inc., Boston Scientific Inc., Alcare Co., Ltd., 3M Health Care Ltd., Toray Medical Co., Ltd.</p> <p>Customers: Hospitals, etc.</p> <p>Sales Regions: Tokyo, Ibaraki, Gunma, Saitama, Chiba, Kanagawa</p>
Major shareholders and percentage of total shares owned (Note 1)	KURAYA SANSEIDO Inc. 100.0%	1. KURAYA SANSEIDO Inc. 51.0% 2. NAKAGAWA SEIKODO CO., LTD. 49.0%
Main banks	UFJ Bank Limited, Mizuho Bank, Limited, Resona Bank, Limited, Bank of Tokyo-Mitsubishi, Ltd.	Saitama Resona Bank, Limited, UFJ Bank Limited
Inter-company relations	Equity relationship	Nakagawa Seikodo owns 49% of the shares of HOSSP.
	Personnel relationship (Note 2)	Two of HOSSP CORPORATION's directors (including one representative director) are NAKAGAWA SEIKODO CO., LTD. directors, and nine of HOSSP's employees were sent from NAKAGAWA SEIKODO CO., LTD.
	Business relationship	Nakagawa Seikodo purchases 62% of its supplies from HOSSP.

Note 1: As of August 11, 2004

Note 2: As of May 27, 2004

Outline of the Companies – (2)

Results for the Last Three Fiscal Years (Nonconsolidated)

(Millions of yen)

Year ended	NAKAGAWA SEIKODO CO., LTD			HOSSP CORPORATION		
	May 31, 2002	May 31, 2003	March 31, 2004	March 31, 2002	March 31, 2003	March 31, 2004
Net sales	37,438	37,759	27,247	45,822	47,584	49,862
Operating income	51	26	51	80	146	128
Ordinary income	81	82	70	86	157	134
Net income (loss)	101	79	(194)	49	87	79
Net income (loss) per share (Yen)	180.99	142.41	(346.89)	27,657.12	48,789.00	43,890.10
Annual dividends per share (Yen)	50.00	50.00	50.00	--	--	--
Shareholders' equity per share (Yen)	3,800.78	3,869.95	3,677.91	(37,747.78)	11,041.21	54,931.31

Note: On May 20, 2003, Nakagawa Seikodo changed its fiscal year end date from May 20 to March 31, effective from 2004. Therefore, the fiscal year ended March 31, 2004 is actually the fiscal period of 10 months and 10 days from May 21, 2003 to March 31, 2004.

4. Conditions after the Merger

- (1) Corporate name: NAKAGAWA SEIKODO CO., LTD.
- (2) Lines of business: Sale of medical equipment and scientific 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 this Merger on Consolidated and Nonconsolidated Results of Kuraya Sanseido

Because the two merging companies are already consolidated subsidiaries of Kuraya Sanseido, the merger will have no effect on consolidated and nonconsolidated results for the year ending March 31, 2005.

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