

September 27, 2004

KURAYA SANSEIDO Inc.
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Notice of Revisions to Interim Performance Forecasts

September 27, 2004 - KURAYA SANSEIDO Inc. ("Kuraya Sanseido") has revised its performance forecasts for the interim period of the fiscal year ending March 31, 2005 (April 1, 2004 to September 30, 2004), which were disclosed at the time of its announcement of business results on May 13, 2004, as follows.

1. Revision of performance forecasts for interim period (April 1, 2004 – September 30, 2004)

(1) Consolidated (Millions of yen; %)

	Net sales	Ordinary income	Net income
Previous forecast (A)	833,000	14,800	8,700
Revised forecast (B)	815,000	11,500	6,300
Amount of change (B-A)	(18,000)	(3,300)	(2,400)
Percentage change (%)	(2.2)	(22.3)	(27.6)
Results for the interim period of the fiscal year ended March 31, 2004	632,178	8,507	2,947

(2) Non-consolidated (Millions of yen; %)

	Net sales	Ordinary income	Net income
Previous forecast (A)	620,900	6,000	2,400
Revised forecast (B)	612,000	4,800	2,100
Amount of change (B-A)	(8,900)	(1,200)	(300)
Percentage change (%)	(1.4)	(20.0)	(12.5)
Results for the interim period of the fiscal year ended March 31, 2004	599,208	6,481	2,814

2. Reasons for the Revision of the Forecasts (Announced May 13, 2004)

The growth rate of Kuraya Sanseido's sales of ethical drugs in Japan during the interim period, compared with the same period of the previous year, was lower than forecast at the beginning of the period. As a result, net sales are expected to fall below the initial projections.

Moreover, although there was some moderate progress toward the end of the interim period in new delivery price negotiations with medical institutions, dispensing pharmacies and others following the revision of National Health Insurance (NHI) drug prices on April 1, 2004, certain customers have continued to demand unprecedented reductions in prices since the revision took effect. As a result of this factor, coupled with the effects of intensified competition, the gross profit ratio is expected to fall below the forecast.

The Kuraya Sanseido Group will promote settlement of accounts with a view toward avoiding new adjustments at the time of price negotiations by giving full consideration to the prices requested by customers with whom negotiations have not been concluded. In addition, all Group companies will make a concerted effort to reduce the cost of sales ratio through means including the expansion of bulk purchasing, and to continue to contain and reduce selling, general and administrative (SG&A) expenses through core system integration in stages, cost reductions and improved operating efficiency. However, this will not compensate for the lower gross profit ratio resulting from declining sales prices. As a result, consolidated and non-consolidated net sales, ordinary income and net income for the interim period are all expected to be lower than the previously announced forecast.

3. Revision of Forecasts for the Full Fiscal Year (Announced May 13, 2004 and July 28, 2004)

Kuraya Sanseido is currently revising its forecasts for consolidated and non-consolidated results for the full fiscal year (April 1, 2004 to March 31, 2005), and plans to announce the revisions at the time of the announcement of interim results scheduled for November 12, 2004.

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