KISSEI

ANNUAL REPORT 2000

PROFILE

The operating environment for the Japanese pharmaceutical industry is undergoing dramatic changes propelled by the reform of the health insurance system, the reorganization of the provision of health care services, and the intensification of competition on a global scale.

In anticipation of these changes in its operating environment, Kissei Pharmaceutical Co., Ltd. implemented Project 21, a corporate reform plan, in 1995. This plan has guided Kissei's efforts to introduce reforms in its administrative and operational processes, profit structure, and corporate organization, and these efforts have yielded significant successes. We have established a structure for product development in the three largest pharmaceutical markets – Japan, the United States, and Europe. We also have several products, developed on our own or by licensee companies, that have performed well in overseas clinical trials. These drugs include RIZABEN®, *tranilast* for the prevention of restenosis after percutaneous transluminal coronary angioplasty (PTCA); *mitiglinide* for type 2 diabetes; and KMD-3213 for urinary disturbance associated with benign prostatic hyperplasia (BPH). In addition, we have increased the efficiency and effectiveness of our domestic marketing activities by upgrading our information system and improving our organization. We have also moved to a results-oriented personnel system.

Kissei's management vision is to be an R&D-based pharmaceutical company that contributes to human health with innovative, original drug products. To ensure that we fulfill that vision, in April 2000 we instituted a new medium-term management plan, FORWARD PLAN 21, which has two slogans: "expanding operational scale" and "strengthening competitiveness." We are committed to being a valued company that contributes to the health of people around the world and to thriving in the face of intense competition in the 21st century. Accordingly, we will continue striving to implement corporate reforms and to achieve the objectives of our medium-term plan.

CONSOLIDATED FINANCIAL SUMMARY

Kissei Pharmaceutical Co., Ltd. and its subsidiaries Years ended 31st March

	Millions of Yen Except Per Share Data					Thousands of U.S. Dollars Except Per Share Data
	1996	1997	1998	1999	2000	2000
Net Sales	¥ 57,926	¥ 59,108	¥ 56,687	¥ 55,974	¥ 57,029	$ 538,009
Gross Profit	42,931	40,940	40,786	39,854	41,147	388,179
Operating Income	16,619	14,427	13,038	11,545	12,571	118,594
Net Income	6,931	6,070	5,439	5,334	5,724	54,000
Total Assets	126,891	142,627	137,353	138,934	146,649	1,383,481
Total Shareholders' Equity	82,696	88,270	92,778	97,234	105,437	994,689
Per Share (Yen and Dollars):						
Net Income						
Primary	¥132.9	¥105.6	¥93.3	¥91.5	¥98.2	$0.926
Fully-Diluted	–	97.9	83.0	82.0	88.4	0.834
Cash Dividends	16.0	15.0	14.0	15.0	14.0	0.132
R&D Expenditures	¥ 7,271	¥ 7,460	¥ 8,873	¥ 9,284	¥ 9,231	$ 87,085
(% of Net Sales)	12.6%	12.6%	15.7%	16.6%	16.2%	
Capital Investment	1,982	3,589	1,244	1,341	1,474	13,906
(% of Net Sales)	3.4%	6.1%	2.2%	2.4%	2.6%	
Current Ratio	267.7%	364.1%	514.0%	561.2%	589.1%	
Return on Equity	8.71%	7.10%	6.00%	5.61%	5.65%	
Return on Assets	5.63%	4.50%	3.89%	3.86%	4.01%	
Number of Shares Issued (Thousands)	52,839	58,279	58,279	58,279	58,279	
Number of Employees	1,696	1,693	1,697	1,663	1,630	

Note: U.S. dollar amounts are translated at the rate of ¥106=U.S.$1, the approximate effective rate of exchange at 31st March 2000.

REVIEW OF OPERATIONS

During the fiscal year ended March 31, 2000, conditions in the Japanese economy were challenging. There was improvement in certain sectors, such as the easing of concern about the financial system, but demand did not expand.

Operating conditions in the pharmaceutical industry remained difficult. With no revisions in NHI Drug Price during the year, the scale of Japan's drug market expanded. There were, however, many new product launches, and competition among companies intensified.

In this environment, we launched several new products, including CABASER® Tablet for Parkinson's disease and PROZEI® Capsules for HIV infection. To bolster our position in our fields of strength, we introduced RYSMON® TG Ophthalmic Solution for glaucoma and high ocular tension as well as estrogen formulations ESTRADERM® TTS and ESTRADERM® M. We also worked to achieve further growth in our existing products and to increase efficiency on a Companywide basis.

As a result of these efforts, net sales totaled ¥57.0 billion, and net income reached ¥5.7 billion. We recorded a special loss of ¥3.5 billion arising from a bond write-off (Princeton Notes) as well as a special gain from the sale of marketable securities.

RESEARCH AND DEVELOPMENT

As a pharmaceutical company devoted to the research and development of innovative drugs, Kissei works from the viewpoint of meeting the needs of patients and focuses its R&D resources on five fields: the urogenital system, metabolism and endocrinology, the respiratory and cardiovascular systems, ophthalmology, and immunology and allergy. Our principal R&D strategies call for (1) strengthening our discovery of new chemical entities and our R&D capabilities, (2) actively pursuing tie-ups with promising venture companies overseas strategically, and (3) aggressively licensing in products and R&D projects.

Currently, we are proceeding with the simultaneous development of three products in Japan, the United States, and Europe. To follow these compounds, we have selected two NCEs as having the potential for international development. One of these is for the prevention of threatened premature labor, and the other is for alleviating the pain associated with ureteral calculi. We have started Phase I clinical trials in the United Kingdom on the agent for the prevention of threatened premature labor.

In fall 2000, we will incorporate our London office, thereby upgrading our product development system in Japan, the United States, and Europe. In collaborative alliances, we are conducting joint research with venture companies in the United States in leading-edge fields, such as genome-related drugs, the respiratory system, and inflammatory diseases. In the future, we will reinforce our R&D pipeline by licensing in NCEs and, in conjunction with those activities, aggressively pursue tie-ups.

FINANCIAL REVIEW

During the year under review, Kissei recorded modest increases in both sales and profits. We maintained a high level of profitability, with operating income up more than 20%. The high percentage of our business that is accounted for by our own products is both our core strength and the reason for our performance during the past year.

Kissei's balance sheet shows a high degree of stability, with the shareholders' equity ratio at 71.9% and cash on hand at ¥64.1 billion. Return on equity declined during the past year. This is a result of our planned investment in the future, centered on R&D expenses. Return on equity will improve with the launch of new products.

We have essentially completed work on our plants, facilities, and machinery, and we do not anticipate increased capital investment in the near future. Cash flow continued to increase during the past year.

OUTLOOK

Conditions in the pharmaceutical industry will remain difficult for some time due to the reform of the health insurance system, the reorganization of the provision of health care services, and the intensification of competition on a global scale. With no clear signs of recovery in Japan's economy, the operating environment in Kissei's other areas of business will also remain challenging.

Based on this outlook for challenging conditions, we worked together with other members of the Kissei Group to formulate the FORWARD PLAN 21 medium-term management plan. This plan has two slogans: "expanding operational scale" by bolstering our

(As of 1st June 2000)

R&D PIPELINE IN JAPAN

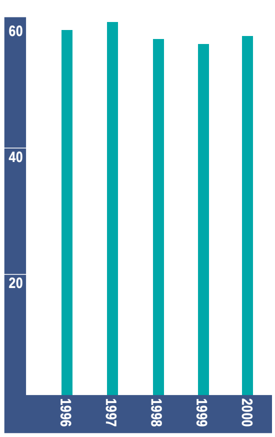
DEVELOPMENT STAGE	BRAND NAME DEVELOPMENT CODE	GENERIC NAME	THERAPEUTIC TARGET	PRODUCT ORIGIN
NDA	RIZABEN®	Tranilast	Restenosis after PTCA (additional indication)	Kissei
Pre-NDA	CABASER®	Cabergoline	Hyperprolactinemia (additional indication)	Jointly developed with Pharmacia
Phase III	KAD-1229	Mitiglinide	Type 2 diabetes	Kissei
	KSS-694		Radiation-induced xerostomia	MGI Pharma
Phase II	KMD-3213		Dysuria associated with benign prostatic hyperplasia	Kissei
	KIN-493	Oxcarbazepine	Diabetic pain	Novartis
	KCO-692	Clodronate	Osteoporosis	Leiras Oy
Phase I	KPY-998		Pulmonary diseases resulting from impaired mucociliary clearance	Inspire Pharmaceuticals

R&D PIPELINE OVERSEAS

DEVELOPMENT STAGE	GENERIC NAME DEVELOPMENT CODE	THERAPEUTIC TARGET	REGION/COUNTRY	COMPANY
Phase III	Tranilast	Restenosis after PTCA	U.S.A.	SmithKline Beecham
			Europe	
Phase II	Mitiglinide	Type 2 diabetes	U.S.A.	Purdue Pharma
	KAD-1229		Europe	Les Laboratoires Servier
	KMD-3213	Dysuria associated with benign prostatic hyperplasia	U.S.A.	Kissei
Phase I	KUR-1246	Threatened premature labor	Europe	Kissei

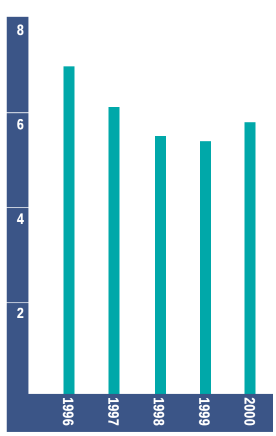
NET SALES

(Billions of Yen)



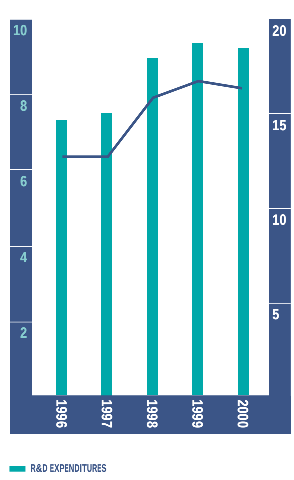
NET INCOME

(Billions of Yen)



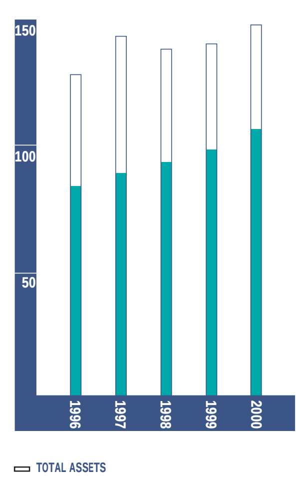
R&D EXPENDITURES

(Billions of Yen) (%)



TOTAL ASSETS AND TOTAL SHAREHOLDES' EQUITY

(Billions of Yen)



support of existing and new drugs and by emphasizing internationalization and “strengthening competitiveness” through the promotion of total marketing management on a Companywide basis. The medium-term management plan outlines a number of goals designed to help us realize our management vision.

- Ensure the entire Company works to increase sales
- Build a revenue base in overseas markets by promoting international growth through the licensing of products and technologies to other companies, centered on Europe and the United States.
- Strengthen the R&D pipeline by augmenting our research and technical base and aggressively pursuing technical tie-ups with venture companies.
- Improve productivity by steadily yet actively promoting human resources development and administrative reform while effectively utilizing management resources.
- Follow strict domestic and international ethical standards and aggressively strive to preserve the natural environment.

In the fiscal year ending March 31, 2001, we are targeting net sales of ¥57.8 billion and net income of ¥4.2 billion. During the year, we will increase our reserve for retirement benefits to the level required under the relevant accounting standards.

I would like to ask our shareholders and customers for your continued support in the years ahead.

June 2000

Mutsuo Kanzawa
President and Chief Executive Officer

BOARD OF DIRECTORS

(As of 29th June 2000)

Chairman:
Kunio Kanzawa

President and Chief Executive Officer:
Mutsuo Kanzawa

Executive Vice President:
Masamichi Sasaki

Executive Directors:
Masanori Iwadare
Tokumi Tamura

Managing Directors:
Hiroshi Saito
Yukiyoshi Ajisawa

Directors:
Toyotsugu Hiyoshi
Haruo Suzawa
Yoshikazu Kurashina
Toshiaki Usuda
Masayuki Takeuchi
Keiichiro Yanagisawa
Seiichiro Furihata
Kinji Iizuka
Hayao Hasegawa
Kiyoshi Kumazawa

Auditors:
Yoshiyuki Yamada
Mitsuru Tomura
Yoshinobu Kubota
Hideo Saito

ASSETS	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 3) 2000
Current Assets:			
Cash on hand and in banks	¥ 25,271	¥ 25,936	$ 244,679
Short-term investments in specified money trust	19,886	4,956	46,755
Marketable securities (Note 4)	19,974	33,258	313,755
Notes and accounts receivable	22,622	23,286	219,679
Less: allowance for doubtful accounts	(157)	(126)	(1,189)
	22,465	23,160	218,490
Inventories (Note 5)	5,373	6,398	60,358
Deferred tax assets – current	–	1,575	14,858
Other current assets	971	3,186	30,057
Total current assets	93,940	98,469	928,952
Investments and Advances:			
Investments in securities (Note 4)	8,663	8,842	83,415
Investments in unconsolidated subsidiaries	844	882	8,321
Leasehold deposits and guarantee deposits	561	414	3,906
Other investments and advances	1,154	1,093	10,311
	11,222	11,231	105,953
Property, Plant and Equipment (Note 6):			
Buildings and structures	27,147	27,507	259,500
Machinery and equipment	6,732	7,110	67,075
	33,879	34,617	326,575
Less: accumulated depreciation	(17,306)	(19,061)	(179,820)
	16,573	15,556	146,755
Land	12,977	12,960	122,264
Construction in progress	322	852	8,038
	29,872	29,368	277,057
Other Assets:			
Deferred tax assets – noncurrent	–	3,319	31,311
Deferred charges and other	3,900	4,262	40,208
	¥138,934	¥146,649	$1,383,481

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 3) 2000
Current Liabilities:			
Short-term bank loans (Note 6)	¥ 1,570	¥ 1,490	$ 14,057
Current portion of long-term debt (Note 6)	45	44	415
Notes and payables:			
Trade	5,199	5,472	51,623
Construction and acquisition of properties	61	147	1,387
Other	1,655	1,674	15,792
	6,915	7,293	68,802
Income taxes payable (Note 7)	3,346	3,240	30,566
Accrued expenses and bonuses to employees	2,107	1,992	18,792
Reserve for accrued sales returns	86	61	576
Reserve for accrued sales rebates	455	503	4,745
Reserve for accrued sales promotion expenses	150	177	1,670
Employees' saving deposits	1,863	1,829	17,255
Other current liabilities	203	86	811
Total current liabilities	16,740	16,715	157,689
Long-Term Debt (Note 6)	23,271	22,580	213,019
Reserve for Retirement Pension Costs (Note 8)	454	414	3,905
Accrued Retirement Benefits to Directors and Corporate Auditors	1,235	1,376	12,981
Total liabilities	41,700	41,085	387,594
Minority Interest in Consolidated Subsidiary	–	127	1,198
Commitments and Contingent Liabilities (Note 9)			
Shareholders' Equity:			
Common stock, par value ¥50 per Share:			
Authorised: 130,000,000 Shares			
Issued: 58,279,185 Shares at 31st March 1999 and 2000	24,220	24,220	228,491
Additional paid-in capital	24,110	24,110	227,453
Unappropriated retained earnings (Note 12)	48,916	57,123	538,896
Treasury stock	(12)	(16)	(151)
Total Shareholders' equity	97,234	105,437	994,689
	¥138,934	¥146,649	$1,383,481

The accompanying notes are an integral part of these statements.

Kissei Pharmaceutical Co., Ltd. and its subsidiaries For the years ended 31st March 1998, 1999 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	1998	1999	2000	2000
Net Sales	¥56,687	¥55,974	¥57,029	$538,009
Cost of Sales	15,901	16,120	15,882	149,830
Gross profit	40,786	39,854	41,147	388,179
Selling, General and Administrative Expenses (Notes 8, 9 and 11)	27,748	28,309	28,576	269,585
Operating income	13,038	11,545	12,571	118,594
Other Income (Expenses):				
Interest and dividend income	753	832	561	5,292
Interest expenses	(226)	(271)	(254)	(2,396)
Loss on sales or disposal of properties	(64)	(49)	(60)	(566)
Gain on sales of marketable securities	332	169	356	3,359
Gain on sales of investments in securities	–	–	1,563	14,745
Write-down of marketable securities and short-term investments in specified money trust	(531)	(30)	(3,973)	(37,481)
Write-down of investments in securities	(1,166)	(377)	(394)	(3,717)
Other, net	382	217	203	1,915
	(520)	491	(1,998)	(18,849)
Income before income taxes	12,518	12,036	10,573	99,745
Income Taxes (Note 7):				
Current	7,079	6,702	6,274	59,188
Deferred	–	–	(1,445)	(13,632)
	7,079	6,702	4,829	45,556
Minority interests	–	–	(20)	(189)
Net income	¥ 5,439	¥ 5,334	¥ 5,724	$ 54,000

	Yen			U.S. Dollars (Note 3)
Per Share:				
Net income				
Primary	¥93.3	¥91.5	¥98.2	$0.926
Fully-diluted	83.0	82.0	88.4	0.834
Cash dividends	14.0	15.0	14.0	0.132

The accompanying notes are an integral part of these statements.

	Number of shares of common stock	Millions of Yen		
		Common stock	Additional paid-in capital	Unappropriated retained earnings
Balance at 31st March 1997	58,279,185	¥24,220	¥24,110	¥39,947
Net income for the year ended 31st March 1998	–	–	–	5,439
Cash dividends paid	–	–	–	(874)
Officers' bonuses	–	–	–	(60)
Balance at 31st March 1998	58,279,185	24,220	24,110	44,452
Net income for the year ended 31st March 1999	–	–	–	5,334
Cash dividends paid	–	–	–	(815)
Officers' bonuses	–	–	–	(55)
Balance at 31st March 1999	58,279,185	24,220	24,110	48,916
Prior year adjustments for retroactive recognition of deferred tax (Note 7)	–	–	–	3,407
Net income for the year ended 31st March 2000	–	–	–	5,724
Cash dividends paid	–	–	–	(874)
Officers' bonuses	–	–	–	(50)
Balance at 31st March 2000	58,279,185	¥24,220	¥24,110	¥57,123

	Number of shares of common stock	Thousands of U.S. Dollars (Note 3)		
		Common stock	Additional paid-in capital	Unappropriated retained earnings
Balance at 31st March 1999	58,279,185	$228,491	$227,453	$461,471
Prior year adjustments for retroactive recognition of deferred tax (Note 7)	–	–	–	32,142
Net income for the year ended 31st March 2000	–	–	–	54,000
Cash dividends paid	–	–	–	(8,245)
Officers' bonuses	–	–	–	(472)
Balance at 31st March 2000	58,279,185	$228,491	$227,453	$538,896

The accompanying notes are an integral part of these statements.

Kissei Pharmaceutical Co., Ltd. and its subsidiaries For the year ended 31st March 2000

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
	2000	2000
Cash Flows from Operating Activities:		
Income before income taxes	¥10,573	$99,745
Depreciation and amortisation	3,269	30,839
Decrease in allowance for doubtful accounts	(31)	(292)
Decrease in accrued bonuses to employees	(155)	(1,462)
Increase in other reserves for accrued expense items	151	1,424
Interest and dividend income	(561)	(5,292)
Interest expenses	254	2,396
Gain on sales of marketable securities	(356)	(3,359)
Gain on sales of investments in securities	(1,563)	(14,745)
Loss on sale of marketable securities included in short-term investments in specified trust	218	2,056
Write-down of marketable securities, investments in specified trust and investments in securities	4,367	41,198
Loss on sales or disposal of properties	60	566
Increase in notes and accounts receivable	(664)	(6,264)
Increase in inventories	(1,025)	(9,670)
Increase in other current assets	(2,145)	(20,236)
Increase in notes and accounts payable	273	2,576
Decrease in other current liabilities	(153)	(1,443)
Officers' bonuses	(50)	(472)
Other cash flows from operating activities, net	2	19
Sub total	12,464	117,584
Receipt of interest and dividend	326	3,075
Payment of interest	(254)	(2,396)
Payment of income taxes	(6,380)	(60,188)
Cash flows from operating activities	6,156	58,075
Cash Flows from Investing Activities:		
Deposits of time deposits	(105)	(991)
Reduction of time deposits	50	472
Acquisition of investments in specified trust	(5)	(47)
Reduction of investments in specified trust	3,653	34,462
Acquisition of marketable securities	(2,002)	(18,887)
Sales revenue of marketable securities	6,835	64,481
Acquisition of property and equipment	(1,699)	(16,028)
Sales revenue of property and equipment	16	151
Acquisition of investments in securities	(2,134)	(20,132)
Sales revenue of investments in securities	3,085	29,104
Payment of other assets (long-term prepaid expenses)	(1,380)	(13,019)
Other cash flows from investing activities	(86)	(811)
Cash flows from investing activities	6,228	58,755
Cash Flows from Financing Activities:		
Borrowing of short-term bank loans	230	2,170
Repayment of short-term bank loans	(310)	(2,925)
Borrowing of long-term debt	73	689
Repayment of long-term debt	(188)	(1,774)
Redemption of convertible notes	(565)	(5,330)
Cash dividends paid by parent company	(874)	(8,245)
Proceeds from issue of shares to minority interests in consolidated subsidiary	138	1,302
Other cash flows from financing activities	(4)	(38)
Cash flows from financing activities	(1,500)	(14,151)
Changes in cash and cash equivalents	10,884	102,679
Cash and cash equivalents at beginning of year (Note 2 (4))	33,152	312,755
Cash and cash equivalents at end of year (Note 2 (4))	¥44,036	$415,434

The accompanying notes are an integral part of these statements.

Kissei Pharmaceutical Co., Ltd. and its subsidiaries For the years ended 31st March 1998 and 1999

	Millions of Yen	
	1998	1999
Cash Flows from Operating Activities:		
Net income	¥ 5,439	¥ 5,334
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	3,263	3,417
Loss on sale or disposal of properties	64	49
Transfer from reserve for retirement pension cost	(11)	(39)
Transfer to (from) accrued retirement benefits to directors and corporate auditors	103	59
Write down of investments in securities	1,166	377
Changes in assets and liabilities:		
Decrease in notes and accounts receivable	1,607	347
Decrease/(increase) in inventories	(1,065)	983
Decrease in other current assets	1,859	238
(Decrease)/increase in notes and payables	135	(1,071)
(Decrease)/increase in income taxes payable	1,234	(562)
Decrease in accrued expenses and reserves	(27)	(82)
Increase/(decrease) in employees' saving deposits	(103)	15
Increase/(decrease) in other current liabilities	(156)	43
Other payments	(1,574)	(2,122)
Net cash provided by operating activities	11,934	6,986
Cash Flows from Investing Activities:		
Acquisition of properties	(1,244)	(1,341)
Increase in investments in and advances	(3,112)	(617)
Net cash used for investing activities	(4,356)	(1,958)
Cash Flows from Financing Activities:		
Borrowing of long-term loans from banks and other financial institutions	194	60
Cash dividends paid	(874)	(815)
Repayment of long-term loans from banks and other financial institutions	(63)	(62)
Redemption of bonds with warrants	(10,193)	–
Redemption of convertible notes	(762)	(1,626)
Increase/(decrease) in short-term bank loans	(130)	390
Net cash provided by/(used for) financial activities	(11,828)	(2,053)
Net Change in Cash and Cash Equivalents	(4,250)	2,975
Cash and Cash Equivalents at Beginning of Year	66,406	62,156
Cash and Cash Equivalents at End of Year	¥ 62,156	¥65,131

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by KISSEI PHARMACEUTICAL CO., LTD. (the "Company") and its subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain items presented in the consolidated financial statements filed with the Ministry of finance (the "MOF") in Japan have been reclassified for the convenience of readers outside Japan.

In addition, the consolidated statements of cash flows have become required to be disclosed with effect from the fiscal year ended 31st March, 2000 in accordance with the new Accounting Standards for Consolidated Statements of Cash Flows issued by the Business Accounting Deliberation Council. The consolidated statements of cash flows for prior years had been prepared based on standards that are substantially different from the new rules which become effective for the year 2000, and included in the accompanying consolidated financial statements for convenience of the readers. The prior years' consolidated statements of cash flows are therefore not comparable to those for the year 2000 and presented separately from the statement of cash flows for the year ended 31st March 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of Consolidation

The Company had seven subsidiaries at 31st March 2000 (six at 31st March 1999 and five at 31st March 1998). The consolidated financial statements include the accounts of the Company and two of its subsidiaries for the year ended 31st March 2000 (together, referred to as the "Companies"). The consolidated subsidiaries are listed below:

Name of subsidiaries	Equity ownership percentage*	Paid-in capital
KISSEI SHOJI CO., LTD.	100%	¥ 50 million
KISSEI COMTEC CO., LTD.	70	208

*As at 31st March, 2000

The accounts of all other subsidiaries were not consolidated since their total assets, net sales and net income (loss) in the aggregate are not significant, respectively, in relation to those of the consolidated financial statements of the Companies.

(2) Consolidation and Elimination

In preparing the accompanying consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been eliminated.

The Companies use a fiscal year ending 31st March of each year.

In eliminating investments in common stock of consolidated subsidiaries against the underlying equity in net assets of the subsidiaries, differences between the cost of investments and the underlying equity in net assets were not recognized until 1999 because the Company held 100% of the consolidated subsidiaries' equity since their foundation. During the current year ended 31st March, 2000, KISSEI COMTEC CO., LTD. (the "COMTEC") issued additional shares of common stock to third parties and as a result, the equity ownership percentage of the Company was reduced by 30% to 70%. In eliminating investments in common stock of the COMTEC against the underlying equity in net assets of the COMTEC, the increase in the underlying equity in net assets due to the change of equity ownership percentage was recognized as "Gain" in the consolidated statement of income in the year ended 31st March 2000.

(3) Investments in Unconsolidated Subsidiaries

The investments in unconsolidated subsidiaries are carried at cost, cost being determined by the moving average method since the investments in these companies would have no significant effect on the consolidated net income if they were accounted for by the equity method.

(4) Cash and Cash Equivalents

Until the year ended 31st March 1999, cash and cash equivalents include cash in banks, short-term investments in specified money trust, and marketable securities in conformity with the then-effective Japanese accounting practice.

Effectively, in the year ended 31st March 2000, the scope of cash and cash equivalent was newly defined and changed. New scope of cash and cash equivalent does not include time deposits for over three months, bonds redeemable over three months, corporate shares and short-term investment in specified money trust. The scope of cash and cash equivalent in the year ended 31st March 1998 and 1999 was as follows if the new basis had been applied:

	Millions of Yen	
	1998	1999
Cash and cash equivalent with old basis	¥62,156	¥65,131
Less: • time deposits for over three months	(26)	(50)
• bonds redeemable over three months and corporate shares	(9,203)	(12,043)
• Short-term investment in specified money trust	(19,784)	(19,886)
Cash and cash equivalent with new basis	¥33,143	¥33,152

(5) Valuation of Securities

Securities with quoted market values are valued at the lower of cost or market, cost being determined by the moving average method. Securities without quoted market values are valued at cost, cost being determined by the moving average method. Securities with quoted market values included in "Short-term investments in specified money trust" are valued at the lower of cost or market, cost being determined by the moving average method.

(6) Inventory Valuation
Inventories are stated at cost, cost being determined by the average method.

(7) Property, Plant and Equipment
Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of assets, which are prescribed by Japanese tax laws. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

According to the recent amendment of the Japanese tax laws, the depreciation for the buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), which were acquired on or after 1st April 1998, has been computed by the straight-line method. This change did not have a significant impact on the consolidated results of operations.

The Companies have adopted the estimated useful lives of the buildings which were shortened due to the amendment of Japanese income tax laws. As a result, depreciation expenses for the year ended 31st March 1999 increased by ¥90 million, operating income and net income decreased by ¥83 million, respectively, compared with the previous useful lives.

The cost of property and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gain or loss is reflected in income.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(8) Amortisation
Amortisation of intangible assets and long-term prepaid expenses included in “Other Assets” is computed on the straight-line method, over a period prescribed by the Japanese tax laws.

Software costs for internal use are amortised over their expected useful lives (less than 5 years) on a straight-line basis.

Research and development costs incurred for specific projects in search of new products and new technology are charged to income as incurred.

(9) Accounting for Consumption Tax
Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions).

The consumption tax withheld upon sale and consumption tax paid by the Companies on its purchases of goods and services is not included in the amounts of respective revenue and cost or expense items in the accompanying consolidated statements of income. The consumption tax withheld and consumption tax paid are recorded as assets or liabilities and the net balance is included in “Notes and payables - Other” of the balance sheets at 31st March 1999 and 2000.

(10) Foreign Currency Translation
Foreign currencies and short-term receivables and payables denominated in foreign currencies held by the Companies are translated into Japanese yen at exchange rates prevailing at the respective balance sheet dates.

Long-term receivables and payables denominated in foreign currencies, including investments in securities, are translated at the historical rates prevailing at transaction dates.

When accounts denominated in foreign currencies are covered by forward exchange contracts, such accounts are translated at the contracted rates of exchange.

Any translation gains or losses are included in the determination of net income for the relevant year.

(11) Income Taxes
Income taxes are provided for based on the amount required by the tax returns for the financial year. The tax effects of temporary differences in recognition of assets and liabilities between financial accounting and tax reporting are also recorded since the year ended 31st March 2000.

See Note 7 below for a description of deferred tax accounting.

(12) Allowances, Accrued Bonuses to Employees and Reserves for Accrued Expense Items
Certain accrued expenses which are essentially an estimate of amounts to be determined in future years, are provided by the Companies, which are subject to limits established by Japanese tax laws for allowable deductions. The basis of recognising such accrued expenses is as follows:

(i) Allowance for doubtful accounts
“Allowance for doubtful accounts” is provided in an amount equivalent to the maximum limit established by Japanese tax laws for allowing deductions (a prescribed percentage of the year-end balance of receivables), plus the amounts of individual accounts deemed uncollectible.

(ii) Accrued bonuses to employees
“Accrued bonuses to employees” is provided for in an amount based on an estimated amount which the Companies should pay to employees in Summer as applicable to their services for the six-month period ended on the balance sheet date.

(iii) Reserve for accrued sales returns
“Reserve for accrued sales returns” is computed on a basis of the maximum amount deductible under Japanese tax laws, which is determined by reference to actual experience in the preceding two years.

(iv) Reserve for accrued sales rebates
“Reserve for accrued sales rebates” is provided for in an amount equivalent to the expected amount payable by the Company to dealers in respect of the balance of accounts receivable at the balance sheet date. In estimating the amount of rebates, the Company applies the actual rebate rates allowed in the six month period preceding the balance sheet date. The reserve for accrued sales rebates is not deductible for tax purposes until paid.

(v) Reserve for accrued sales promotion expenses
“Reserve for accrued sales promotion expenses” is provided for in an amount which the Company expects to pay in relation to dealers’ inventories at the balance sheet date. In estimating the amount of sales promotion expenses, the Company applies the rate of such expenses against dealers’ inventories based on the experience in the six month period preceding the balance sheet date. The reserve for accrued sales promotion expenses is not deductible for tax purposes until paid.

(vi) Reserve for retirement pension costs
“Reserve for retirement pension costs” is provided for future amortisation of past service liabilities arising from the Company’s funded retirement pension plan which covers retirement benefits to employees of the Company. The balance of the reserve represents the present value of the past service liabilities of the pension plan. The reserve for retirement pension costs is not deductible for tax purposes until paid.

(vii) Accrued retirement benefits to directors and corporate auditors
“Accrued retirement benefits to directors and corporate auditors” is provided for in an amount equal to the liability the Company would have to pay if all directors and corporate auditors resigned at the balance sheet date. Provisions for accrued retirement benefits to directors and corporate auditors are not deductible for tax purposes until paid.

(13) Appropriation of Retained Earnings
Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors is subject to approval by the shareholders at a meeting which must be held within three months after the end of each financial year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements include the results of such appropriations applicable to the immediately preceding financial year as approved at the shareholders' meeting, and effected, during the relevant year. Dividends are paid to shareholders on the shareholders' register as at the end of each financial year. As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through appropriation, instead of being charged to income of the year.

The Japanese Commercial Code provides that interim cash dividends may be paid as a part of the annual dividend upon approval by the Board of Directors. The Company pays such interim dividends to its shareholders on the shareholders' register at 30th September.

(14) Net Income and Dividends per Share
Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each financial year appropriately adjusted for subsequent free distribution of shares (stock splits).

Cash dividends per share shown for each year in the accompanying consolidated statements of income represent dividends approved or declared as applicable to the respective years.

Fully-diluted net income per share is computed, based on the assumption that the convertible notes were fully converted into common stock on the date of issue or at the beginning of the respective years subsequent to the issue, with appropriate adjustments of related interest expenses (net of tax).

(15) Reclassification of Accounts
Prior years amounts have been reclassified to conform with the current year's presentation except for the consolidated statements of cash flows.

3. UNITED STATES DOLLAR AMOUNTS

The Comapnies maintains its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥106=U.S.$1, the approximate effective rate of exchange at 31st March 2000. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realised or settled in dollars at ¥106=U.S.$1 or at any other rate.

4. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities (current assets) and investments in securities (non-current assets) at 31st March 1999 and 2000consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Marketable securities:			
Listed corporate shares	¥ 133	¥ 2	$ 19
Bonds	9,042	6,192	58,415
Certificates of investment trust and other	10,799	27,064	255,321
	¥19,974	¥33,258	$313,755
Investments in securities:			
Listed corporate shares	¥ 6,180	¥ 6,375	$ 60,141
Bonds	2,000	2,000	18,868
Unlisted corporate shares	483	467	4,406
	¥ 8,663	¥ 8,842	$ 83,415

Market value of listed corporate shares shown above, at 31st March 1999 and 2000 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Listed corporate shares included in:			
Current assets	¥ 187	¥ 2	$ 19
Unrealised gains	¥ 54	¥ 0	$ 0
Non-current assets	¥8,990	¥8,910	$84,057
Unrealised gains	¥2,810	¥2,535	$23,915

5. INVENTORIES

Inventories at 31st March 1999 and 2000, consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Merchandise	¥ 673	¥1,344	$12,679
Finished goods	1,465	1,710	16,132
Work-in-process	1,802	2,009	18,953
Raw materials	927	942	8,887
Supplies	506	393	3,707
	¥5,373	¥6,398	$60,358

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding at 31st March 1999 and 2000 were represented generally by one year notes issued by the Companies to banks. Short-term bank loans entered into during the year ended 31st March 1999 and 2000 bore interest at an average annual rate of 1.39% and of 1.29%, respectively.

Information with respect to short-term bank loans outstanding for the years ended 31st March 1999 and 2000 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Maximum month-end balance	¥2,070	¥2,160	$20,377
Average month-end balance	¥1,903	¥1,924	$18,151

As is customary in Japan, substantially all of the notes are with banks, each of which has concluded basic agreements with the Companies to the effect that, with respect to all present or future loans with such bank, the Companies shall, under certain circumstances, provide collateral (including sums on deposit with such bank), or guarantors therefor, immediately upon the bank's request, and that any collateral furnished pursuant to such agreement or otherwise will be applicable to all indebtedness to such bank. The Companies has not received any such requests to date.

Long-term debt of the Companies at 31st March 1999 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Loans with other financial institutions not secured bearing interests at rates ranging from 3.15% to 6.40% due from 1999 to 2030	¥ 705	¥ 591	$ 5,575
0.7% convertible notes due 2006	9,698	9,586	90,434
0.8% convertible notes due 2008	12,913	12,447	117,425
	23,316	22,624	213,434
Less: current maturities due within one year	(45)	(44)	(415)
	¥23,271	¥22,580	$213,019

The 0.7% convertible notes due 29th September 2006 were issued on 23rd August 1996 in the principal amount of ¥10,000 million. The notes can be repurchased at any time in their entirety at the option of the Company and may be redeemed in whole at a price of ¥104 from 1st October 2001 to 30th September 2002, ¥103 from 1st October 2002 to 30th September 2003, ¥102 1st October 2003 to 30th September 2004, ¥101 from 1st October 2004 to 30th September 2005, ¥100 from 1st October 2005 to 28th September 2006. The Company repurchased ¥112 million of the bonds during the year ended 31st March 2000. The holder of each convertible notes is entitled to convert ¥1,000,000 for shares at a current conversion price of ¥2,952 per share. The conversion price is subject to adjustment for subsequent stock splits and other circumstances.

The notes are convertible at any time prior to 28th September 2006. The number of shares which would be issued upon conversion of the notes outstanding at 31st March 2000 was 3,247 thousand shares.

The 0.8% convertible notes due 30th September 2008 were issued on 23rd August 1996 in the principal amount of ¥15,000 million. The notes can be repurchased at any time in their entirety at the option of the Company and may be redeemed in whole at a price of ¥105 from 1st October 2002 to 30th September 2003, ¥104 from 1st October 2003 to 30th September 2004, ¥103 1st October 2004 to 30th September 2005, ¥102 from 1st October 2005 to 30th September 2006, ¥101 from 1st October 2006 to 30th September 2007, ¥100 from 1st October 2007 to 29th September 2008. The Company repurchased ¥466 million of the bonds during the year ended 31st March 2000. The holder of each convertible notes is entitled to convert ¥1,000,000 for shares at a current conversion price of ¥2,952 per share. The conversion price is subject to adjustment for subsequent stock splits and other circumstances.

The notes are convertible at any time prior to 29th September 2008. The number of shares which would be issued upon conversion of the notes outstanding at 31st March 2000 was 4,216 thousand shares.

The Companies' assets pledged as collateral for short-term loans at 31st March 2000 are summarised as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment,		
net of accumulated depreciation:		
Buildings and structures	¥1,265	$11,934
Machinery and equipment	6	57
Land	167	1,575
	¥1,438	$13,566

The aggregate annual maturities of long-term loans outstanding at 31st March 2000 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending 31st March		
2001	¥ 44	$ 415
2002	72	679
2003	72	679
2004 and thereafter	22,436	211,661
	¥22,624	$213,434

7. INCOME TAXES

Income taxes in Japan applicable to the Companies for the years ended 31st March 1998, 1999 and 2000 consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates indicated below:

	Rates on taxable income		
	1998	1999	2000
Corporate income tax	37.5%	34.5%	30.0%
Enterprise tax	12.2	11.2	9.7
Resident income taxes	7.8	7.2	6.1
	57.5%	52.9%	45.8%
Statutory tax rate in effect to reflect the deductibility of enterprise tax when paid	51.2%	47.6%	41.7%

Income tax rates as shown in the accompanying consolidated statements of income differ from the above-mentioned statutory tax rates. The principal reason such differences arise is that entertainment expenses for purposes of sales promotion, etc. as defined by Japanese tax law are not allowable as tax deductions. In addition, the difference arises because no tax effects have been recognised until the year ended 31st March 1999 on certain timing differences between financial accounting and tax reporting, primarily in relation to accrued enterprise tax, accrued sales rebates, accrued sales promotion expenses, retirement pension costs and accrued retirement benefits to directors and corporate auditors, all of which are not deductible until paid.

With effect from the year ended 31st March 2000, the Companies adopted a deferred tax accounting, thereby tax effects on temporary differences are adequately reflected and recognised as additions to or deductions from "Income taxes" in the accompanying consolidated statements of income.

The change in accounting basis for income taxes was made in accordance with the new accounting standards promulgated by the Japanese government.

As a result of the change, "Net income" for the year ended 31st March 2000, was increased by ¥1,445 million ($13,632 thousand) and "Unappropriated retained earnings" was increased by ¥4,852 million ($45,774 thousand), when compared with the previous basis.

Deferred tax assets (both current and noncurrent) consisted of the following elements:

	31st March 2000	
	Millions of Yen	Thousands of U.S. Dollars
Temporary differences due to:		
Write-down of securities	¥1,862	$17,566
Prepaid research and development expenses	855	8,066
Accrued retirement benefits to directors and corporate auditors	562	5,302
Accrued enterprise tax	322	3,038
Accrued bonuses to employees	241	2,273
Reserve for accrued sales rebates	206	1,943
Reserve for retirement pension costs	169	1,594
Other	677	6,387
	¥4,894	$46,169

Reconciliation of actual tax rate is shown below:

• Effective statutory tax rate	41.7%
• Adjustments;	
Entertainment expenses and other not deductible	4.6
Dividends income not taxable	(0.3)
Per capital levy of local resident income taxes	0.2
Other factor	(0.5)
• Actual tax rate	45.7%

8. EMPLOYEES' RETIREMENT PLAN

Employees of the Companies are, under most circumstances, entitled to receive either a lump sum payment or a pension or a combination thereof, in amounts which are determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs. The Companies pays the full cost of the plan to a Japanese bank, which acts as trustee of such plan. Charges to income for the employees' retirement plan for the three years ended 31st March 2000 were ¥654 million, ¥698 million and ¥708 million ($6,679 thousand), respectively.

At the most recent valuation date of the fund assets at 31st March 2000, the assets of the pension fund aggregated ¥5,652 million ($53,321 thousand) and the past service liabilities amounted to ¥461 million ($4,349 thousand), which are being amortised over a 20 year period.

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Finance Leases

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

Lease rental expenses on finance lease contracts without ownership-transfer for the year ended 31st March 1998, 1999 and 2000 were summarised as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1998	1999	2000	2000
Lease rental expenses	¥743	¥639	¥608	$5,736

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (machinery and equipment), which included the portion of interest thereon, were summarised as follows:

	31st March 2000	
	Millions of Yen	Thousands of U.S. Dollars
Acquisition cost	¥2,882	$27,189
Accumulated depreciation	1,405	13,255
Net book value	¥1,477	$13,934
Depreciation	¥ 608	$ 5,736

Depreciation is computed on the straight-line method over the lease term of the leased assets with no residual value.

The amount of outstanding future lease payments due at 31st March 1999 and 2000, which included the portion of interest thereon, was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Future lease payments:			
Within one year	¥ 527	¥ 588	$ 5,547
Over one year	870	889	8,387
Total	¥1,397	¥1,477	$13,934

The amount of outstanding future lease payments on operating leases due at 31st March 1999 and 2000 was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Future lease receptions:			
Within one year	¥54	¥69	$651
Over one year	7	12	113
Total	¥61	¥81	$764

(2) Contingent Liabilities

The Company had contingent liabilities arising from notes discounted by banks in the ordinary course of business in the amount of ¥1,403 million ($13,236 thousand) at 31st March 2000.

In addition, the Company was contingently liable for guarantee of loans borrowed by its unconsolidated subsidiaries in an amount of ¥28 million ($264 thousand) at 31st March 2000.

10. SEGMENT INFORMATION

The Companies operate essentially in one industrial segment, pharmacy.

Net sales of pharmacy segment account for over 90% of total sales and therefore, industrial segment information is not applicable.

As the Companies are all incorporated in Japan, information by geographic segment is not applicable either.

Export sales information of the Companies for the three years ended 31st March 2000 is omitted because export sales account for less than 10% of total sales.

11. ANALYSIS OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

An analysis of selling, general and administrative expenses for each of the three years in the period ended 31st March 2000 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1998	1999	2000	2000
Advertising and sales promotion expenses	¥ 3,836	¥ 3,529	¥ 3,624	$ 34,189
Payroll costs	7,118	7,301	7,289	68,764
Research and development costs	8,873	9,284	9,231	87,085
Travelling expenses	1,483	1,508	1,487	14,028
Depreciation	754	766	846	7,981
Other	5,684	5,921	6,099	57,538
	¥27,748	¥28,309	¥28,576	$269,585

12. SUBSEQUENT EVENT

The following appropriations of unappropriated retained earnings, which have not been reflected in the financial statements at 31st March 2000, were approved by the shareholders' meeting held on 29th June 2000:

	Millions of Yen	Thousands of U.S. Dollars
Retained earnings:		
Balance at 31st March 2000	¥57,123	$538,896
Appropriations		
Cash dividends (¥7 per share)	408	3,849
Officers' bonuses	50	472
Balance to be carried forward	¥56,665	$534,575

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors
KISSEI PHARMACEUTICAL CO., LTD.

We have audited the accompanying consolidated balance sheets of KISSEI PHARMACEUTICAL CO., LTD. and its consolidated subsidiaries as at 31st March 1999 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended 31st March 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly, the consolidated financial position of KISSEI PHARMACEUTICAL CO., LTD. and its consolidated subsidiaries as at 31st March 1999 and 2000, and the consolidated results of their operations and the cash flows for each of the three years in the period ended 31st March 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

Supplementary Information to Readers

As described in Note 2, "Summary of Significant Accounting Policies" and Note 7, "Income Taxes", of the Notes to the Consolidated Financial Statements, the Companies have prepared these statements in compliance with the new accounting rules and regulations which became effective from the year ended 31st March 2000, with respect to presentation of consolidated finacial statements, accounting for research and development costs and accounting for deferred income tax.

Accordingly, the accompanying consolidated financial statements of the Companies for the year ended 31st March, 2000 have been prepared in accordance with these new accouting rules and regulations.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation

Tokyo, Japan
29th June 2000

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Phone. (03) 5684-3530

Established:
August 9, 1946

Capital:
¥24,220 million

Number of Employees:
1,453

Central Research Laboratories:
Hotaka

Pharmaceutical Laboratories:
Hotaka

Toxicological Laboratories:
Hotaka

Plants:
Matsumoto, Shiojiri

Distribution Centers:
Shiojiri, Sapporo, Fukuoka

Information Center:
Matsumoto

Branches:
Sapporo, Sendai, Kan-etsu, Tokyo, Yokohama, Matsumoto,
Nagoya, Kyoto, Osaka, Takamatsu, Hiroshima, Fukuoka

Offices:
Sendai-daini, Koriyama, Takasaki, Utsunomiya, Mito, Niigata,
Tama, Chiba, Atsugi, Gifu, Mie, Shizuoka, Kanazawa, Kita Osaka,
Sakai, Kobe, Himeji, Okayama, Kitakyushu, Nagasaki,
Kumamoto, Kagoshima, Okinawa

Overseas Office:
London

Subsidiary Companies:
Kissei U.S.A., Inc.
Kissei Shoji Co., Ltd.
Kissei Comtec Co., Ltd.
Kissei Technos Co., Ltd.
Jonan Paperware Co., Ltd.
Mitsui Kanko Co., Ltd.
Kissei Comtec America, Inc.

(As of 29th June 2000)

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