

Consolidated Financial Statements For the Year Ended March 31, 2004

May 17, 2004

SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo

Stock Code: 9987

Board of Directors meeting: May 17, 2004

Use of U.S. accounting standards: No

1. Results for Fiscal 2003, Ended March 31, 2004 (April 1, 2003 – March 31, 2004)

(1) Consolidated Results of Operations

(Fractions less than ¥ million have been omitted.)

	Net sales		Operating income		Ordinary income	
	¥ million	% change	¥ million	% change	¥ million	% change
Year ended March 31, 2004	1,194,024	12.6	19,706	4.1	29,492	7.9
Year ended March 31, 2003	1,060,210	10.9	18,938	69.0	27,343	46.2

	Net income		Net income per share Basic	Net income per share Diluted	Ordinary income/ shareholders' equity	Ordinary income/ net sales	Ordinary income/ shareholders' equity
	¥ million	% change	¥	¥	%	%	%
Year ended March 31, 2004	17,307	8.1	231.69	227.98	8.6	4.5	2.5
Year ended March 31, 2003	16,004	82.0	221.49	216.96	9.1	4.6	2.6

Notes: 1. Equity in earnings of associated companies: ¥(0) million for fiscal 2003, ended March 31, 2004

¥18 million for fiscal 2002, ended March 31, 2003

2. Average number of shares outstanding (Consolidated): 73,884,176 shares for fiscal 2003, ended March 31, 2004

71,591,546 shares for fiscal 2002, ended March 31, 2003

3. No change was made in accounting policies during the current period.

4. Change (%) for net sales, operating income, ordinary income and net income represents year-on-year comparisons

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity/ Total assets	Shareholders' equity per share
	¥ million	¥ million	%	¥
March 31, 2004	692,365	213,538	30.8	2,810.90
March 31, 2003	623,552	186,898	30.0	2,576.57

Note: Number of shares outstanding at end of period: 72,900,775 shares at March 31, 2004

72,480,310 shares at March 31, 2003

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Year ended March 31, 2004	31,902	(3,540)	(3,860)	108,369
Year ended March 31, 2003	(3,604)	5,641	(14,919)	83,578

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 38 companies

Non-consolidated subsidiaries accounted for by the equity method: None

Associated companies accounted for by the equity method: 1 company

(5) Changes in scope of consolidation and application of the equity method

Consolidation: (Newly consolidated subsidiaries) 17 companies (Excluded subsidiaries) 3 companies

Equity-method: None (Excluded) 1 company

2. Projected Results for Fiscal 2004 (April 1, 2004 – March 31, 2005)

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Interim period ending Sept. 30, 2004	633,000	11,400	5,900
Year ending March 31, 2005	1,340,000	31,000	17,500

Reference: Estimated net income per share (EPS) for the year ending March 31, 2005: ¥187.81

The financial estimates are based on information available as of May 17, 2004, and certain assumptions regarding uncertain factors which may impact the Company's business results in the future. Actual results could differ significantly from the above estimates due to subsequent changes in circumstances. Please refer to pages 10-11 of the attached materials for further discussion of the above forecasts. The calculation of the above estimated net income per share (EPS) for the year ending March 31, 2005 factors in a stock split scheduled for May 19, 2004 and the material subsequent events discussed on pages 32-33.

Results of Operations

1. Overview of the Fiscal Year Ended March 31, 2004

(1) Results of Operations

In the fiscal year ended March 31, 2004, Japan's economy showed signs of recovery, such as a rebound in consumer spending, growth in private-sector capital expenditures, and a rally in stock prices, despite lackluster employment conditions.

Overall growth in Japan's ethical pharmaceuticals market was held to between 1% and 2% year on year. This mainly reflected fewer medical check-ups due to an increase in the portion of healthcare expenses paid by patients, fewer pollen allergy patients, and a lower incidence of influenza, despite growth in the population of the elderly and the introduction of new drugs. The pharmaceuticals wholesaling industry saw consolidation steadily gather pace, as major wholesalers moved to acquire smaller companies and make them consolidated subsidiaries, and adopt holding company systems. As of March 31, 2004, the number of pharmaceuticals wholesaling companies was 147 companies, 7 fewer than a year earlier.

Under these conditions, Suzuken took a number of actions to further extend its geographic reach. The company established the Hachinohe Branch Office to expand its presence in Aomori prefecture, made alliance-partner Sanki Corporation a consolidated subsidiary, and merged with Ando Chemical Works Co., Ltd., to name a few. On the marketing front, we stepped up sales of new products and key items using the MS-Navi system, a strategic sales support tool that leverages the power of portable computers carried by marketing staff. On the logistics side, we began developing a medium-scale logistics center with the aim of capturing the No.1 share in Tokyo and surrounding areas. On the management end, as corporate social responsibility becomes increasingly recognized as important, the Suzuken Head Office obtained ISO14001 certification for environmental management. Suzuken also took steps to enhance internal controls, including the approval of plans to establish a Risk Management Committee and Internal Reporting System.

As a result of the foregoing, net sales climbed ¥133,813 million year on year to ¥1,194,024 million. The main factors were sales contributions from the October 1, 2002 merger with Ohmori Co., Ltd. and the conversion of Sanki Corporation into a consolidated subsidiary on October 1, 2003.

Operating income was held to ¥19,706 million, due largely to a decline of 0.4 of a percentage point in the gross profit margin, despite sales growth occasioned by the merger with Ohmori and the inclusion of Sanki Corporation into the scope of consolidation.

Ordinary income was ¥29,492 million, up ¥2,149 million year on year. The main contributing factors were increases of ¥878 million in purchase discounts and ¥304 million in commissions for supplying sales data.

Net income rose ¥1,303 million year on year to ¥17,307 million. The main contributing factors were the absence of one-time effects of the previous fiscal year, including a gain of ¥12,360 million on the return of the substitutional portion of the employees' pension fund, a special retirement payment of ¥4,088 million, a loss of ¥2,654 million on the termination of the tax-qualified retirement plan. Also driving growth in net income in the fiscal year under review were an increase of ¥1,232 million in the gain on sale of investment securities; the recording of a gain of ¥1,083 million on the sale of shares in affiliated companies, specifically the sale of Suzuken Seibi Co., Ltd. and Suzuken Kensetsu Co., Ltd.; and decreases in the loss on disposal of fixed assets of ¥2,036 million and the write-down of investment securities of ¥831 million.

(2) Overview of Performance by Business Segment

Pharmaceutical Distribution

Sales in the pharmaceutical distribution segment rose 12.5% to ¥1,165,838 million, mainly due to the merger with Ohmori Co., Ltd. on October 1, 2002 and conversion of Sanki Corporation into a wholly owned subsidiary on October 1, 2003, alongside growth in the dispensing pharmacy market. Operating income in this segment increased 1.3% to ¥16,325 million.

Pharmaceutical Manufacturing

Sales in the pharmaceutical manufacturing segment were down 2.4% year on year at ¥15,084 million. This mainly reflected the decrease in contract sales accompanying the expiry of licenses overseas in the fiscal year ending March 31, 2003, which outweighed higher sales of test strips used with diabetic glucose monitors and health foods. Operating income in this segment rose 22.9% to ¥2,691 million.

Other Healthcare related Services

In the other healthcare-related services segment, sales climbed 48.0% to ¥13,101 million, mainly due to the addition of wholly owned consolidated subsidiary Sanki Corporation. However, operating income decreased 58.3% to ¥146 million.

Note:

Figures for sales by business segment exclude inter-segment sales.

Geographical segment information is not presented because the Company does not have material consolidated subsidiaries or branches in countries or regions outside Japan.

2. Outlook for Performance by Segment for the Fiscal Year Ending March 31, 2005

The ethical pharmaceuticals market is forecast to grow between 2% and 3% year on year due to growth in the population of the elderly, the effect of new drugs on the market and other factors, despite a projected average cut of 4.2% in standard pharmaceutical prices.

Under these conditions, Suzuken will take actions on a number of fronts to strengthen its competitiveness. Specifically, we will further separate delivery and marketing duties to give marketing staff more time to focus on marketing activities, encourage them to carry out proposal-based marketing and sales activities more efficiently through the use of mobile terminals, and increase delivery staff to raise the standard of logistics services.

Suzuken will also work to advance new businesses through the early launch of capsule endoscopy products and a device for monitoring sleep apnea syndrome (SAS) called the Sleep Recorder.

To extend our geographic reach further, Suzuken plans to transform ASTIS Co., Ltd., the largest pharmaceuticals wholesaler in Shikoku, and Okinawa Yakuhin Co., Ltd., which is active in Okinawa prefecture, into wholly owned subsidiaries through share exchanges on October 1, 2004. Preparations are also underway to establish our first sales office in Akita Prefecture in August 2004. This will mean that only four prefectures in Kyushu will remain outside of Suzuken's sales network.

Looking ahead, Suzuken will continue working to reinforce its business infrastructure with the goal of satisfying customer needs and becoming the No.1 in terms of collective strengths.

Forecasts for each business segment are as follows.

Suzuken projects sales of ¥1,309.8 billion in the pharmaceutical distribution segment.

In the pharmaceutical manufacturing segment, Suzuken will further advance product-related R&D at Sanwa Kagaku Kenkyusho Co., Ltd., while strengthening its hand in the pharmaceutical manufacturing outsourcing business. These and other efforts are expected to lift segment sales to ¥46.0 billion.

In the other healthcare-related services segment, Suzuken projects sales of ¥18.8 billion on the back of efforts to expand the volume and scale of businesses.

Note:

Figures for sales by business segment include inter-segment sales.

Consolidated Balance Sheets

(Figures less than ¥1 million are rounded down)

	Current Fiscal Year As of March 31, 2004		Previous Fiscal Year As of March 31, 2003		Year-on Year Change
ASSETS:					
Current Assets:	554,412	80.1	503,777	80.8	
Cash on hand and in banks, and time deposits	107,369		83,078		24,290
Trade notes and accounts receivable	330,920		299,982		30,937
Marketable securities	101		548		(447)
Inventories	88,717		84,205		4,512
Deferred tax assets	7,827		6,971		856
Purchase rebates receivable	22,990		27,770		(4,780)
Other current assets	2,550		7,623		(5,073)
Allowance for doubtful accounts	(6,065)		(6,404)		338
Fixed Assets:	137,952	19.9	119,775	19.2	18,176
Property and Equipment:	75,730	10.9	68,817	11.0	6,913
Buildings and structures	29,959		27,085		2,873
Machinery and vehicles	1,728		3,446		(1,717)
Tools, furniture and fixtures	1,690		1,718		(28)
Land	41,823		36,386		5,436
Construction in progress	529		179		349
Intangible Fixed Assets:	6,912	1.0	7,142	1.2	(229)
Investments and Other Assets:	55,308	8.0	43,816	7.0	11,492
Investment securities	33,740		24,878		8,861
Long-term loans	683		732		(49)
Deferred tax assets	139		689		(550)
Prepaid pension expenses	11,870		-		11,870
Others	11,188		19,330		(8,142)
Allowance for doubtful accounts	(2,312)		(1,815)		(496)
Total	692,365	100.0	623,552	100.0	68,812

	Current Fiscal Year As of March 31, 2004		Previous Fiscal Year As of March 31, 2003		Year-on-Year Change
LIABILITIES:					
Current Liabilities:	461,998	66.8	421,571	67.6	40,426
Trade notes and accounts payable	435,256		402,542		32,713
Short-term bank loans	406		651		(245)
Bonds due within one year	-		100		(100)
Convertible bonds redeemable within one year	1,130		-		1,130
Consumption taxes payable	1,032		1,627		(594)
Income taxes payable	9,200		2,527		6,672
Reserves for sales returns	637		633		4
Accrued bonuses	7,758		7,264		492
Other current liabilities	6,576		6,224		351
Long-term Liabilities:	14,488	2.1	12,963	2.1	1,524
Convertible bonds	-		4,310		(4,310)
Long-term borrowings	909		870		38
Deferred tax liabilities	5,815		2,704		3,111
Deferred tax liabilities from reevaluations	2,988		171		2,817
Liability of employees' retirement benefits	3,132		3,935		(803)
Liability for directors' and corporate auditors' retirement benefits	784		868		(83)
Goodwill on Consolidation	722		-		722
Other long-term liabilities	135		102		32
Total Liabilities	476,487	68.9	434,535	69.7	41,951
MINORITY INTERESTS	2,338	0.3	2,119	0.3	219
SHAREHOLDERS' EQUITY:					
Common stock	13,129	1.9	13,129		-
Additional paid-in capital	29,652	4.3	26,159		3,492
Retained earnings	177,151	25.6	162,718		14,432
Land revaluation difference	(7,361)	(1.1)	(5,377)		(1,984)
Net unrealized gain on available-for-sale securities	5,332	0.8	2,591		2,740
Foreign currency translation adjustments	(12)	(0.0)	(9)		(3)
Treasury stock, at cost	(4,352)	(0.7)	(12,314)		7,962
Total Shareholders' Equity	213,528	30.8	186,898	30.0	26,640
Total	692,365	100.0	623,552	100.0	68,812

Consolidated Statements of Income

(Figures less than ¥1 million are rounded down)

	Current Fiscal Year		Previous Fiscal Year		Year-on Year Change
	April 1, 2003-March 31, 2004		April 1, 2002-March 31, 2003		
Net Sales	1,194,024	100.0	1,060,210	100.0	133,813
Cost of sales	1,068,937	89.5	944,707	89.1	124,229
Gross Profit	125,086	10.5	115,503	10.9	9,583
Reversal of sales returns	645	0.1	597	0.1	47
Provision for sales returns	612	0.1	633	0.1	(21)
Gross Profit after Adjustment	125,120	10.5	115,467	10.9	9,652
Selling, General and Administrative Expenses	105,413	8.8	96,529	9.1	8,884
Operating Income	19,706	1.7	18,938	1.8	768
Non-operating Income:	10,194	0.8	8,958	0.8	1,206
Interest	281		348		(67)
Dividends	176		158		18
Purchase discounts	5,731		4,853		878
Commission for supplying sales data	2,727		2,422		304
Other	1,248		1,175		72
Non-operating Expenses:	379	0.0	553	0.0	(173)
Interest expenses	27		41		(13)
Real estate rental expenses	-		56		(56)
Loss on termination of lease contracts	104		256		(151)
Other	247		199		48
Ordinary Income	29,492	2.5	27,343	2.6	2,149
Extraordinary Gain:	2,673	0.2	12,980	1.2	(10,307)
Prior period adjustment profit	-		6		(6)
Gain on sales of fixed assets	2		233		(231)
Gain on sales of investment securities	1,544		311		1,232
Gain on sales of subsidiaries share	1,083		-		1,083
Gain on release of future responsibility for contributory national pension plan	-		12,360		(12,360)
Other	42		68		(26)
Extraordinary Loss:	1,336	0.1	11,014	1.0	(9,677)
Loss on sales and disposal of fixed assets	604		2,640		(2,036)
Write-down of investment securities	34		865		(831)
Loss on disposal of inventories	165		-		165
Loss on revaluation of inventories	146		-		146
Special retirement pay	-		4,088		(4,088)
Loss on termination of non-contributory pension plan	-		2,654		(2,654)
Other	385		765		(379)
Income before Income Taxes and Minority Interests	30,829	2.6	29,310	2.8	1,519
Income Taxes:					
Current	12,433	1.0	5,749	0.6	6,684
Deferred	863	0.1	7,365	0.7	(6,501)
Minority interests	224	0.0	191	0.0	33
Net Income	17,307	1.5	16,004	1.5	1,303

Consolidated Statements of Cash Flows

(Figures less than ¥1 million are rounded down)

	Current Fiscal Year	Previous Fiscal Year
	April 1, 2003- March 31, 2004	April 1, 2002- March 31, 2003
	¥ million	¥ million
I. Operating Activities:		
Income before income taxes and minority interests	30,829	29,310
Depreciation	5,264	5,258
Provision for (reversal of) allowance for doubtful accounts	4	213
Decrease in liability for employees' retirement benefits	(2,764)	(3,390)
Provision for other allowance	(157)	941
Interest and dividend income	(457)	(506)
Interest expenses	27	41
Gain on sales of fixed assets	(2)	(233)
Gain on sales of investment securities	(1,544)	(311)
Profit on sales of subsidiaries stocks	(1,083)	-
Gain on release of future responsibility for contributory national pension plan	-	(12,360)
Loss on sales and disposal of fixed assets	604	2,640
Loss on sales of investment securities	2	-
Write-down of investment securities	34	865
Special retirement pay	-	4,088
Loss on termination of non-contributory pension plan	-	2,654
Decrease (increase) in trade receivables	(478)	15,643
Increase in inventories	313	(1,665)
Decrease (increase) in purchase rebates receivable	6,421	1,525
Decrease in trade payables	2,316	(29,882)
Other	(1,919)	(6,498)
Subtotal	37,409	8,332
Interest and dividend income received	457	513
Interest expenses paid	(28)	(40)
Special retirement pay paid	-	(4,045)
Income tax paid	(5,935)	(8,363)
Net cash provided by (used in) operating activities	31,902	(3,604)
II. Investing Activities:		
Disbursements for time deposits	-	(15)
Proceeds from time deposits	45	92
Proceeds from sales of marketable securities	48	416
Purchases of property and equipment	(5,890)	(2,978)
Proceeds from sales of property and equipment	1,024	3,026
Acquisition of intangible fixed assets	(1,397)	(1,889)
Proceeds from sales of intangible fixed assets	12	-
Proceeds from sales of investment securities	(6,285)	(3,278)
Purchase of investment securities	3,367	9,349
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	1,774	-
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	3,724	-
Additional acquisitions of consolidated subsidiary stocks	(43)	-
Proceeds from sale of share in equity-method affiliates	13	-
Disbursements for loans	(287)	(9)
Proceeds from collections of loans	389	233
Other, net	(36)	693
Net Cash used in (provided by) investing activities	(3,540)	5,641
III. Financing Activities:		
Decrease in short-term borrowings, net	(1,080)	(12,007)
Repayments of long-term borrowings	(591)	(867)
Redemption of convertible bonds	(115)	(532)
Acquisition of treasury stocks	(258)	(24)
Dividends paid	(1,811)	(1,484)
Dividends paid to minority shareholders	(3)	(3)
Net cash used in financing activities	(3,860)	(14,919)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(10)	(7)
V. Net Decrease in Cash and Cash Equivalents	24,491	(12,889)
VI. Cash and Cash Equivalents, Beginning of Period	83,578	92,290
VII. Cash and Cash equivalents increased due to merger	299	4,177
VIII. Cash and Cash Equivalents, End of Period	108,369	83,578