

# Consolidated Financial Statement for First Quarter of the Fiscal Year ending March 2005

August 12, 2004

## SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo

Stock Code: 9987

### 1. Matters concerning the preparation of the consolidated business results for the first quarter of the fiscal year ending March 31, 2005 are highlighted as follows:

1. Simplified methods applied in accounting method:
  - a. Inventories are calculated based on book value.
  - b. Simplified methods are used for items having little financial impact.
2. Difference in accounting method from that of the previous fiscal year: None
3. Changes relevant to scope of consolidation and application of the equity method include one newly consolidated subsidiary company.

### 2. Results for the first quarter of the fiscal year ending March 31, 2005 (April 1 – June 30, 2004)

(Fractions less than ¥1 million have been omitted.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	% change	¥ million	% change	¥ million	% change	¥ million	% change
1Q ended June 30, 2004	312,763	12.7	1,833	(54.3)	4,403	(28.1)	2,323	(30.3)
1Q ended June 30, 2003	277,412		4,009		6,124		3,331	
Year ended March 31, 2004	1,194,024		19,706		29,492		17,307	

	Net income per share Basic	Net income per share Diluted
	¥	¥
1Q ended June 30, 2004	25.51	25.39
1Q ended June 30, 2003	45.96	45.11
Year ended March 31, 2004	231.69	227.98

Note: Percent changes show changes from the same period in the previous year.

Stock split of 1-to-1.2 was conducted on May 19, 2004

#### Operational results:

During the three-month period ending June 30, 2004, automobile and electrical appliance companies, as well as the unemployment rate, showed recoveries. The overall economy is showing a clear recovery.

In the ethical pharmaceutical market, on average, selling prices declined by 4.2% as a result of National Health Insurance drug price reductions on April 1, 2004. Increased pressure from medical institutions to provide discounted pricing caused a reduction in income of Suzuken.

During the quarter, Suzuken acquired ASTIS Co., Ltd., the largest pharmaceutical wholesaler in the Shikoku region, and Okinawa Yakuhin Co., Ltd. in Okinawa Prefecture via share exchange in order to strengthen its sales base. In August 2004, Suzuken opened a new sales office in Akita Prefecture, the last Prefecture in Tohoku region where Suzuken had no physical presence.

We also reorganized our sales headquarters by sales channel and product categories in June 2003. During the quarter ending on June 30, 2004, the Company worked with each sales office in Japan more closely and we enforced our marketing strategy by sales channel and by each customer in order to increase our market share with each customer.

Moreover, Suzuken shifted its delivery function to its subsidiaries in order to reduce delivery costs and allow more time for marketing activities.

Sanki Corporation and Ando Chemical Works Co., Ltd., which were merged with Suzuken in October 2003, boosted consolidated sales in the first quarter by 12.7% to ¥312,763 million. For those customers who are not negotiated with pharmaceutical selling prices, we have temporarily posted rather conservative prices. Therefore, gross profit to net sales has largely declined. As a result, operating income decreased by 54.3% to ¥1,833 million, ordinary income decreased by 28.1% to ¥4,403 million, and net income decreased by 28.1% to ¥2,323 million.

#### Consolidated financial position

(Fractions less than ¥1 million have been omitted.)

¥million	Total asset	Shareholders' equity	Shareholders' equity /Total asset	Shareholders' equity per share
1Q ended June 30, 2004	697,782	214,072	30.7	2,350.18
1Q ended June 30, 2003	613,943	190,129	31.0	2,622.80
Year ended March 31, 2004	692,365	213,538	30.8	2,810.90

#### Consolidated cash flows

¥million	Operating cash flow	Investing cash flow	Financing cash flow	Cash and cash equivalents, end of year
1Q ended June 30, 2004	11,837	(2,904)	(1,186)	116,115
1Q ended June 30, 2003	5,762	(1,164)	(1,126)	87,049
Year ended March 31, 2004	31,902	(3,540)	(3,860)	108,369

#### Reference to financial position:

The total assets for the first quarter increased ¥5,417 million from the fiscal year ended on March 31, 2004. This increase was due to an ¥8,804 million increase in cash on hand, in banks and in time deposits, a ¥2,035 million decrease in trade notes and accounts receivable, as well as a ¥2,592 million increase in inventories. The reason for the increase in current liabilities is a ¥15,460 million increase in trade notes and accounts payable, and a decrease of ¥7,638 million in income taxes payable.

Total shareholders' equity increased ¥533 million from the fiscal year ended March 31, 2004, therefore the ratio of shareholders' equity to total assets is now 30.7%, as shown in the table above.

Cash flow from operating activities increased to ¥11,837 million due to income before income taxes and minority interest of ¥4,099 million and a ¥15,305 million increase in trade payables, however ¥(9,228) million of income tax paid impacted operating cash flow.

Cash flow from investment activities was ¥(2,904) million, primarily due to purchases of property and equipment totalling ¥(2,590) million.

Cash flow from financing activities was ¥(1,186) million, mainly due to ¥(1,021) million dividends paid by Suzuken.

## 2. Forecast for the fiscal year ending March 31, 2005 (April 1, 2004 – March 31, 2005)

	Net sales	Ordinary income	Net income
	¥million	¥million	¥million
Six months ending September 30, 2004	633,000	11,400	5,900
Year ending March 31, 2005	1,340,000	31,000	17,500

Reference: Forecast for net income per share for the fiscal year ending March 31, 2005 ¥187.81

The forecasts made public at the beginning of the fiscal year stand without any modification, because the financial results have remained within the forecasted amounts.

*The financial forecast is based on information available as of August 12, 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.*

## Consolidated Balance Sheets

(Fractions less than ¥1 million have been omitted.)

	First quarter ended June 30, 2004		First quarter ended June 30, 2003		Previous year ended March 31, 2004		Change from the previous year end	
	¥ million	%	¥million	%	¥million	%	¥million	%
<b>ASSETS:</b>								
<b>Current Assets:</b>	559,035	80.1	493,151	80.3	554,412	80.1	4,623	0.8
Cash on hand and in banks, and time deposits	116,174		87,049		107,369		8,804	
Trade notes and accounts receivable	328,885		297,089		330,920		(2,035)	
Marketable securities	101		9		101		(0)	
Inventories	91,309		83,423		88,717		2,592	
Deferred tax assets	7,723		5,429		7,827		(104)	
Purchase rebates receivable	19,002		17,804		22,990		(3,988)	
Other current assets	1,909		8,743		2,550		(641)	
Allowance for doubtful accounts	(6,069)		(6,398)		(6,065)		(3)	
<b>Fixed Assets:</b>	138,746	19.9	120,791	19.7	137,952	19.9	794	0.6
<b>Property and Equipment:</b>	76,698	11.0	68,987	11.2	75,730	10.9	967	1.3
Buildings and structures	29,680		26,932		29,959		(279)	
Machinery and vehicles	1,720		3,568		1,728		(8)	
Tools, furniture and fixtures	1,645		1,661		1,690		(45)	
Land	41,033		36,386		41,823		(789)	
Construction in progress	2,618		438		529		2,089	
<b>Intangible Fixed Assets:</b>	6,672	1.0	7,209	1.2	6,912	1.0	(240)	(3.5)
<b>Investments and Other Assets:</b>	55,376	7.9	44,594	7.3	55,308	8.0	67	0.1
Investment securities	33,537		26,175		33,740		(202)	
Long-term loans	659		703		683		(24)	
Deferred tax assets	141		595		139		2	
Prepaid pension expenses	11,842		9,847		11,870		(27)	
Others	11,464		9,084		11,188		276	
Allowance for doubtful accounts	(2,269)		(1,813)		(2,312)		42	
<b>Total</b>	<b>697,782</b>	<b>100.0</b>	<b>613,943</b>	<b>100.0</b>	<b>692,365</b>	<b>100.0</b>	<b>5,417</b>	<b>0.8</b>

	First quarter ended June 30, 2004		First quarter ended June 30, 2003		Previous year ended March 31, 2004		Change from the previous year end	
	¥ million	%	¥million	%	¥million	%	¥million	%
<b>LIABILITIES:</b>								
<b>Current Liabilities:</b>	466,829	66.9	408,478	66.5	461,998	66.8	4,831	1.0
Trade notes and accounts payable	450,716		394,496		435,256		15,460	
Short-term bank loans	411		613		406		5	
Bonds due within one year	-		100		-		-	
Convertible bonds redeemable within one year	1,062		-		1,130		(67)	
Income taxes payable	1,562		1,090		9,200		(7,638)	
Reserves for sales returns	637		633		637		(0)	
Accrued bonuses	3,771		3,410		7,758		(3,987)	
Other current liabilities	8,668		8,135		7,609		1,059	
<b>Long-term Liabilities:</b>	14,491	2.1	13,123	2.2	14,488	2.1	2	0.0
Convertible bonds	-		4,244		-		-	
Long-term borrowings	845		730		909		(63)	
Deferred tax liabilities	5,542		3,295		5,815		(273)	
Deferred tax liabilities from reevaluations	3,184		171		2,988		196	
Liability of employees' retirement benefits	3,176		3,949		3,132		44	
Liability for directors' and corporate auditors' retirement benefits	497		631		784		(287)	
Goodwill on consolidation	692		-		722		(29)	
Other long-term liabilities	552		100		135		416	
<b>Total Liabilities</b>	<b>481,321</b>	<b>69.0</b>	<b>421,602</b>	<b>68.7</b>	<b>476,487</b>	<b>68.9</b>	<b>4,834</b>	<b>1.0</b>
<b>MINORITY INTERESTS</b>	<b>2,388</b>	<b>0.3</b>	<b>2,212</b>	<b>0.3</b>	<b>2,338</b>	<b>0.3</b>	<b>49</b>	<b>2.1</b>
<b>SHAREHOLDERS' EQUITY:</b>								
Common stock	13,129	1.9	13,129		13,129	1.9	-	-
Additional paid-in capital	29,666	4.2	26,169		29,652	4.3	13	0.0
Retained earnings	177,934	25.5	164,960		177,151	25.6	783	0.4
Land revaluation difference	(7,072)	(1.0)	(5,377)		(7,361)	(1.1)	289	-
Net unrealized gain on available-for-sale securities	4,789	0.7	3,547		5,332	0.8	(542)	(10.2)
Foreign currency translation adjustments	(13)	(0.0)	(9)		(12)	(0.0)	(0)	-
Treasury stock, at cost	(4,361)	(0.6)	(12,291)		(4,352)	(0.7)	(9)	-
<b>Total Shareholders' Equity</b>	<b>214,072</b>	<b>30.7</b>	<b>190,129</b>	<b>31.0</b>	<b>213,538</b>	<b>30.8</b>	<b>533</b>	<b>0.3</b>
<b>Total</b>	<b>697,782</b>	<b>100.0</b>	<b>613,943</b>	<b>100.0</b>	<b>692,365</b>	<b>100.0</b>	<b>5,417</b>	<b>0.8</b>

## Consolidated Profit and Loss Statement

(Fractions less than ¥1 million have been omitted.)

	First Quarter April 1 – June 30, 2004		First Quarter April 1 – June 30, 2003		Change		Previous year April 1, 2003 – March 31, 2004	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
<b>Net sales</b>	312,763	100.0	277,412	100.0	35,350	12.7	1,194,024	100.0
<b>Cost of sales</b>	283,833	90.8	249,401	89.9	34,431	13.8	1,068,937	89.5
<b>Gross profit</b>	28,929	9.2	28,010	10.1	919	3.3	125,086	10.5
Reversal of sales returns	624	0.2	630	0.2	(5)	(0.9)	645	0.1
Provision for sales returns	624	0.2	630	0.2	(5)	(0.9)	612	0.1
<b>Gross profit after adjustment</b>	28,929	9.2	28,010	10.1	919	3.3	125,120	10.5
<b>Selling, general and administrative expenses</b>	27,096	8.6	24,000	8.6	3,096	12.9	105,413	8.8
<b>Operating income</b>	1,833	0.6	4,009	1.5	(2,176)	(54.3)	19,706	1.7
<b>Non-operating income:</b>	2,625	0.8	2,183	0.7	441	20.2	10,164	0.8
Interests and dividends	160		116		44		457	
Purchase discounts	1,367		1,141		225		5,731	
Commission for supplying sales data	728		638		89		2,727	
Other	369		286		82		1,248	
<b>Non-operating expenses:</b>	54	0.0	68	0.0	(14)	(20.7)	379	0.0
Interest expenses	7		7		0		27	
Other	46		61		(14)		351	
<b>Ordinary income</b>	4,403	1.4	6,124	2.2	(1,721)	(28.1)	29,492	2.5
<b>Extraordinary gain:</b>	117	0.1	11	0.0	165	-	2,673	0.2
Gain on sales of Investment Securities	0		8		(7)		1,544	
Gain on sales of subsidiaries share	-		-		-		1,083	
Gain on termination of insurance contracts	117		-		117		-	
Other	59		3		56		44	
<b>Extraordinary loss:</b>	481	0.2	70	0.0	411	581.1	1,336	0.1
Loss on sales and disposal of fixed assets	449		31		418		604	
Loss on write-down of fixed assets	-		-		-		165	
Loss on revaluation of inventories	-		-		-		146	
Other	32		39		(7)		419	
<b>Income before income taxes and minority interests</b>	4,099	1.3	6,065	2.2	(1,966)	(32.4)	30,829	2.6
<b>Income taxes</b>	1,700	0.6	2,681	1.0	(980)	(36.6)	13,297	1.1
<b>Minority interests</b>	74	0.0	52	0.0	22	43.3	224	0.0
<b>Net income</b>	2,323	0.7	3,331	1.2	(1,008)	(30.3)	17,307	1.5

## Consolidated Statements of Cash Flows

(Fractions less than ¥1 million have been omitted.)

	Current period April 1, 2004- June 30, 2004	Previous period April 1, 2003 June 30, 2003	Previous fiscal year April 1, 2003- March 31, 2004
	¥ million		¥ million
<b>I. Operating Activities:</b>			
Income before income taxes and minority interests	4,099	6,065	30,829
Depreciation	1,179	1,261	5,264
Provision for (reversal of) allowance for doubtful accounts	(38)	(9)	4
Decrease in liability for employees' retirement benefits	4	153	(2,764)
Provision for other allowance	(4,441)	(4,090)	(157)
Interest and dividend income	(160)	(116)	(467)
Gain on sales of investment securities	(0)	(8)	(1,544)
Profit on sales of subsidiaries stocks	-	-	(1,083)
Loss on sales and disposal of fixed assets	449	31	604
Decrease (increase) in trade receivables	2,155	2,893	(478)
Increase in inventories	(2,532)	781	313
Decrease (increase) in purchase rebates receivable	3,988	9,966	6,421
Decrease in trade payables	15,305	(8,164)	2,316
Other	903	(623)	(1,858)
<b>Subtotal</b>	<b>20,911</b>	<b>8,142</b>	<b>37,409</b>
Interest and dividend income received	163	120	457
Interest expenses paid	(8)	(7)	(28)
Income tax paid	(9,228)	(2,493)	(5,935)
<b>Net cash provided by (used in) operating activities</b>	<b>11,837</b>	<b>5,762</b>	<b>31,902</b>
<b>II. Investing Activities:</b>			
Purchases of property and equipment	(2,590)	(1,333)	(5,890)
Proceeds from sales of property and equipment	607	7	1,024
Acquisition of intangible fixed assets	(377)	(456)	(1,397)
Purchase of investment securities	(546)	(12)	(6,285)
Proceeds from sales of investment securities	1	302	3,367
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	-	-	1,774
Proceeds from acquisition of subsidiaries' stock, resulting in change in scope of consolidation	289	-	3,724
Disbursements for loans	(2)	(7)	(287)
Proceeds from collections of loans	43	37	389
Other, net	(330)	298	39
<b>Net Cash used in (provided by) investing activities</b>	<b>(2,904)</b>	<b>(1,164)</b>	<b>(3,540)</b>
<b>III. Financing Activities:</b>			
Decrease in short-term borrowings, net	-	-	(1,080)
Repayments of long-term borrowings	(98)	(178)	(591)
Redemption of convertible bonds	(7)	(28)	(115)
Acquisition of treasury stocks	(55)	(5)	(258)
Dividends paid	(1,021)	(910)	(1,811)
Dividends paid to minority shareholders	(4)	(3)	(3)
<b>Net cash used in financing activities</b>	<b>(1,186)</b>	<b>(1,126)</b>	<b>(3,860)</b>
<b>IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	<b>(0)</b>	<b>0</b>	<b>(10)</b>
<b>V. Net Decrease in Cash and Cash Equivalents</b>	<b>7,745</b>	<b>3,471</b>	<b>24,491</b>
<b>VI. Cash and Cash Equivalents, Beginning of Period</b>	<b>108,369</b>	<b>83,578</b>	<b>83,578</b>
<b>VII. Cash and Cash equivalents increased due to merger</b>	<b>-</b>	<b>-</b>	<b>299</b>
<b>VIII. Cash and Cash Equivalents, End of Period</b>	<b>116,115</b>	<b>87,049</b>	<b>108,369</b>

## Overview of Performance by Business Segment

### Current first quarter (April 1, 2004 – June 30, 2004)

¥million	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Total	Elimination/ Corporate	Consolidated
Sales to customers	304,627	4,103	4,032	312,763	-	312,763
Intersegment sales	1,322	7,182	407	8,912	(8,912)	-
Total sales	305,949	11,286	4,439	321,675	(8,912)	312,763
Operating expenses	305,537	10,074	4,494	320,106	(9,176)	310,930
Operating income	411	1,212	(54)	1,569	263	1,833

### Previous first quarter (April 1, 2003 – June 30, 2003)

¥million	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Total	Elimination/ Corporate	Consolidated
Sales to customers	271,355	3,612	2,444	277,412	-	277,412
Intersegment sales	622	6,722	1,187	8,531	(8,531)	-
Total sales	271,977	10,334	3,631	285,944	(8,531)	277,412
Operating expenses	269,044	9,372	3,595	282,012	(8,609)	273,402
Operating income	2,933	961	36	3,932	77	4,009

### Previous fiscal year (April 1, 2003 – March 31, 2004)

¥million	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Total	Elimination/ Corporate	Consolidated
Sales to customers	1,165,838	15,084	13,101	1,194,024	-	1,194,024
Intersegment sales	3,562	26,489	3,033	33,085	(33,085)	-
Total sales	1,169,400	41,574	16,134	1,227,109	(33,085)	1,194,024
Operating expenses	1,153,075	38,882	15,988	1,207,946	(33,629)	1,174,317
Operating income	16,325	2,691	146	19,163	543	19,706

\*Geographical segment information is not disclosed as the results of foreign consolidated subsidiaries and foreign branches were not material.

\*Export sales information is not disclosed as export sales of the companies were less than 10 percent of consolidated net sales.