

Consolidated Financial Statement for the Interim Period of Fiscal 2004

November 15, 2004

SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo
Stock Code: 9987
Board of Directors meeting: November 15, 2004
Use of U.S. accounting standards: No

1. Results for the Interim Period of Fiscal 2004 (April 1, 2004 - September 30, 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
Interim period of fiscal 2004	622,380	11.5	4,525	(49.2)	9,713	(28.1)
Interim period of fiscal 2003	558,139	15.0	8,910	5.8	13,499	7.9
Year ended March 31, 2004	1,194,024		19,706		29,492	

	Net income		Net income per share Basic	Net income per share Diluted
	¥ million	% change	¥	¥
Interim period of fiscal 2004	4,796	(42.5)	52.62	52.42
Interim period of fiscal 2003	8,339	(16.4)	115.05	112.92
Year ended March 31, 2004	17,307		231.69	227.98

- Notes:
- Equity in earnings of associated companies: ¥(3) million in the current interim period
¥(1) million in the previous interim period
¥0 million for FYE March 31, 2004
 - Average number of shares outstanding (Consolidated): 91,150,751 shares in the current interim period
72,489,385 shares in the previous interim period
73,884,176 shares in the FYE March 31, 2004
 - No change was made in accounting policies during the current period.
 - Change (%) for net sales, operating income, ordinary income and net income is based on the previous interim period.

(2) Consolidated Financial Position

	Total assets	Shareholders' Equity	Shareholders' equity/ Total assets	Shareholders' equity per share
	¥ million	¥ million	%	¥
September 30, 2004	674,948	217,058	32.2	2,375.42
September 30, 2003	624,725	195,930	31.4	2,702.45
March 31, 2004	692,365	213,538	30.8	2,810.90

- Note: Number of shares outstanding at end of period: 91,377,091 shares at the end of the current interim period.
72,501,065 shares at the end of the previous interim period
75,900,775 shares at the end of the FYE March 31, 2004

(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
Interim period of fiscal 2004	(5,819)	(4,612)	(1,932)	96,021
Interim period of fiscal 2003	12,006	(4,836)	(1,405)	89,340
Year ended March 31, 2004	31,902	(3,540)	(3,860)	108,369

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

Consolidated subsidiaries: 40 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 subsidiary) 3 companies (Excluded subsidiaries) 1 company
Equity methods: None

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

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Fiscal Year ending March 31, 2005	1,327,000	18,900	10,000

Reference: Estimated net income per share (EPS) for the year ending March 31, 2005: ¥106.65

The financial estimates are based on information available as of November 15, 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.

1. Comments on interim results

During the six-month period ending September 30, 2004, despite concerns about rising petroleum prices, the overall economy is showing signs of recovery due to increasing corporate investment, personal spending, and employment.

In the healthcare industry, since April 1, 2004, the drug tariff has declined by 4.2% as a result of the National Health Insurance drug price survey. Although drug selling prices have decreased, the ethical pharmaceutical market has grown by 2%. This increase is largely due to the continued growth of the elderly population and higher sales volumes of new drugs.

During the last five years, the number of pharmaceutical wholesaling companies decreased from 227 to 145 (as of September 2004) due to accelerated consolidation. Recently, more companies are becoming subsidiaries of larger wholesalers rather than merging. Therefore, the number of companies has declined even further, and large pharmaceutical wholesalers now dominate the market.

In response to the current environment, Suzuken has been focusing on setting appropriate selling prices as well as on improving gross profit since April 2004 when the drug tariff was lowered.

Due to the financially constrained management environment of medical institutions, some institutions and pharmacies are demanding deeper discounts from wholesalers. As a result, the competition among the wholesalers is getting tougher, and intense price negotiations with customers are contributing to the ongoing decline in drug prices. On the management front, all Suzuken employees are working to achieve the goals of the Company's mid-term management plan. Suzuken's over-the-counter drug business will be transferred to Kobashou Co., Ltd. as of April 1, 2005. At the same time, Suzuken will take an equity interest in Kobashou, Co., Ltd. On the marketing front, Suzuken is working to free our sales personnel from product delivery responsibilities in order to allow more time for marketing activities. To that end, Suzuken has been shifting product delivery functions to its subsidiaries. The Company is constructing a mid-size distribution center to improve delivery efficiency in the Tokyo metropolitan area and consolidating other distribution facilities in order to support delivery quality and contain cost.

In pharmaceutical manufacturing business, we are reinforcing team marketing efforts in each market area in order to be better able to provide solutions in collaboration with our hospital and clinic customers. We are also strengthening marketing of existing products, and we have added two pharmaceuticals through co-marketing agreements. We now have three pharmaceuticals through co-marketing agreements. Regarding Miglitol, a postprandial agent for treating hyperglycemia, we submitted respondent for the references from the initial clinical interview in May 2004, and completed a literature review in July 2004. In our contract manufacturing business, Suzuken's subsidiary, Sanwa Kagaku Kenkyusho has two plants in Kumamoto and Fukushima with a combined annual output capacity of two billion tablets.

Consolidated sales increased by 11.5% to ¥622,380 million compared with the same period in the previous year. Operating income decreased by 49.2% to ¥4,525 million. Ordinary income decreased by 28.1% to ¥9,713 million. Net income decreased by 42.5% to ¥4,796 million.

2. Sales results by segment

Pharmaceutical Distribution

Sales in this segment increased by 11.0% to ¥ 605,784 million, primarily due to increases from the merger with Sanki Corporation and Ando Chemical Works, Co., Ltd. as of October 2003. However, operating income decreased by 70.6% to ¥ 2,105 million, due to decreases in gross profit from extraordinary discount pressures from medical institutions and intense competition among wholesalers.

Pharmaceutical Manufacturing

Sales in the manufacturing segment increased by 12.8% to ¥ 8,289 million, mainly due to the increase in sales of test strips used with diabetic glucose monitors. Operating income increased by 54.9% to ¥ 2,240 million due to increases in sales and decreases in selling, general and administrative expenses.

Other Healthcare-Related Services

Sales in this segment increased by 65.7% to ¥ 8,306 million, due to the opening of new pharmacies as well as sales growth in the pharmacy business at Sanki Corporation, which became a subsidiary of Suzuken in October, 2003. However, profits decreased due to revisions in pharmacy fees, and increases in selling, general and administrative expenses caused operating losses of ¥ 82 million

Note: The above figures do not include inter-segment sales.

Sales results by operational area are not disclosed, as results from consolidated subsidiaries and operations outside of Japan are negligible.

3. Outlook for the coming fiscal year

In the pharmaceutical wholesaling business, Suzuken will focus on setting appropriate selling prices with customers, and on relieving our sales personnel of product delivery responsibilities in order to allow more time for marketing activities. Our goal is to strengthen customer service and collaborative solution offerings to avoid price competition. Suzuken will strengthen its information infrastructure to quickly fulfill our customers' various needs as well as pharmaceutical manufacturers' needs by analyzing information gathered through sales activities.

In August 2004, Suzuken opened a new sales office in Akita Prefecture and realized comprehensive market coverage in the Tohoku region. During the period, Suzuken also acquired ASTIS Co., Ltd. in the Shikoku region. Therefore, only four prefectures remain in Japan where Suzuken has no physical presence.

In the pharmaceutical manufacturing business, R&D expenses are expected to increase in the second half year of fiscal 2004. We will continue to strengthen co-marketing of our existing products in order to increase sales. We will also prepare for the market launch of Miglitol, our postprandial agent for treating hyperglycemia, and streamline the marketing and post marketing functions.

In the healthcare related business, Suzuken will develop contracted clinical development and

trial coordinator outsourcing businesses (CRO business) as well as continue to strengthen our pharmacy business. Suzuken is also preparing to launch a capsule endoscope in first half of fiscal year 2005.

Our planned sales for the fiscal year ending March 2005 are ¥1,327 billion, 11.1% higher than the previous year. Planned operating income for the same period is ¥8.9 billion, 54.8% lower than the previous year. Planned ordinary income for the same period is ¥18.9 billion, 35.9% lower than the previous period. Finally, planned net income for the fiscal year ending in March 2005 is ¥10 billion (42.2% lower than the previous year).

Consolidated Balance Sheets

	Current Interim Period September 30, 2004		Previous Interim Period September 30, 2003		Previous year March 31, 2004	
	¥ million	%	¥ million	%	¥ million	%
ASSETS:						
Current Assets:						
Cash on hand and in banks, and time deposits	94,534		88,340		107,369	
Trade notes and accounts receivable	322,551		298,420		330,920	
Marketable securities	100		9		101	
Inventories	91,377		80,984		88,717	
Deferred tax assets	7,187		7,390		7,827	
Purchase rebates receivable	22,114		22,209		22,990	
Other current assets	3,799		9,411		2,550	
Allowance for doubtful accounts	(5,960)		(6,379)		(6,065)	
Total current assets	535,704	79.4	500,388	80.1	554,412	80.1
Fixed Assets:						
Property and Equipment:						
Buildings and structures	31,173		27,389		29,959	
Machinery and vehicles	2,133		1,746		1,728	
Tools, furniture and fixtures	1,878		1,582		1,690	
Land	41,942		35,690		41,823	
Construction in progress	689		596		529	
Total property and equipment	77,816	11.5	67,004	10.7	75,730	10.9
Intangible Fixed Assets:	6,726	1.0	7,050	1.1	6,912	1.0
Investments and Other Assets:						
Investment securities	32,732		32,519		33,740	
Long-term loans	580		575		683	
Deferred tax assets	132		169		139	
Prepaid pension expenses	11,843		9,741		11,870	
Others	11,683		8,920		11,188	
Allowance for doubtful accounts	(2,271)		(1,643)		(2,312)	
Total investments and other assets	54,700	8.1	50,282	8.1	55,308	8.0
Total fixed assets	139,243	20.6	124,337	19.9	137,952	19.9
Total assets	674,948	100.0	624,725	100.0	692,365	100.0

	Current Interim Period September 30, 2004		Previous Interim Period September 30, 2003		Previous year March 31, 2004	
	¥ million	%	¥ million	%	¥ million	%
LIABILITIES:						
Current Liabilities:						
Trade notes and accounts payable	423,527		393,168		435,256	
Short-term bank loans	417		294		406	
Bonds due within one year	-		100		-	
Convertible bonds redeemable within one year	-		4,163		1,130	
Income taxes payable	3,076		5,839		9,200	
Reserves for sales returns	518		552		637	
Accrued bonuses	6,742		6,955		7,758	
Other current liabilities	7,675		6,523		7,609	
Total current liabilities	441,957	65.5	417,596	66.9	461,998	66.8
Long-term Liabilities:						
Long-term borrowings	471		459		909	
Deferred tax liabilities	5,290		3,810		5,815	
Deferred tax liabilities from revaluations	3,207		120		2,988	
Liability of employees' retirement benefits	3,049		3,843		3,132	
Liability for directors' and corporate auditors' retirement benefits	351		607		784	
Goodwill on Consolidation	473		-		722	
Other long-term liabilities	618		101		135	
Total long term liabilities	13,461	2.0	8,943	1.4	14,488	2.1
Total Liabilities	455,419	67.5	426,539	68.3	476,487	68.9
MINORITY INTERESTS	2,470	0.3	2,255	0.3	2,338	0.3
SHAREHOLDERS' EQUITY:						
Common stock	13,546	2.0	13,129	2.1	13,129	1.9
Additional paid-in capital	30,083	4.5	26,177	4.2	29,652	4.3
Retained earnings	180,373	26.7	168,861	27.0	177,151	25.6
Land revaluation difference	(7,037)	(1.0)	(4,270)	(0.7)	(7,361)	(1.1)
Net unrealized gain on available-for-sale securities	4,570	0.7	4,308	0.7	5,332	0.8
Foreign currency translation adjustments	(12)	(0.0)	(9)	(0.0)	(12)	(0.0)
Treasury stock, at cost	(4,464)	(0.7)	(12,267)	(1.9)	(4,352)	(0.7)
Total Shareholders' Equity	217,058	32.2	195,930	31.4	213,538	30.8
Total	674,948	100.0	624,725	100.0	692,365	100.0

Consolidated Statements of Income

	Current Interim Period September 30, 2004		Previous Interim Period September 30, 2003		Previous year March 31, 2004	
	¥ million	%	¥ million	%	¥ million	%
Net Sales	622,380	100.0	558,139	100.0	1,194,024	100.0
Cost of sales	563,207	90.5	499,876	89.6	1,068,937	89.5
Gross Profit	59,173	9.5	58,263	10.4	125,086	10.5
Reversal of sales returns	637	0.1	633	0.1	645	0.1
Provision for sales returns	518	0.1	552	0.1	612	0.1
Gross Profit after Adjustment	59,292	9.5	58,344	10.4	125,120	10.5
Selling, General and Administrative Expenses	54,766	8.8	49,434	8.8	105,413	8.8
Operating Income	4,525	0.7	8,910	1.6	19,706	1.7
Non-operating Income	5,283	0.9	4,723	0.8	10,164	0.8
Interest	158		99		281	
Dividends	121		101		176	
Purchase discounts	2,873		2,660		5,731	
Commission for supplying sales data	1,462		1,286		2,727	
Other	667		575		1,248	
Non-operating Expenses	95	0.0	133	0.0	379	0.0
Interest expenses	16		10		27	
Real estate rental expenses	19		5		19	
Loss on termination of lease contracts	11		15		104	
Restoration expenses of rental building	16		15		32	
Other	32		85		195	
Ordinary Income	9,713	1.6	13,499	2.4	29,492	2.5
Extraordinary Gain:	324	0.0	1,148	0.2	2,673	0.2
Gain on sales of fixed assets	6		-		2	
Gain on sales of investment securities	4		51		1,544	
Gain on sales of subsidiaries share	86		1,083		1,083	
Gain on termination of insurance contracts	137		-		-	
Gain from transfer of leasehold	58		-		-	
Other	30		12		42	
Extraordinary Loss:	1,216	0.2	274	0.0	1,336	0.1
Loss on sales and disposal of fixed assets	947		222		604	
Special retirement pay	193		8		34	
Other	75		42		697	
Income before Income Taxes and Minority Interests	8,820	1.4	14,374	2.6	30,829	2.6
Income Taxes:						
Current	2,924	0.5	5,972	1.1	12,433	1.0
Deferred	946	0.1	(30)	(0.0)	863	0.1
Minority interests	153	0.0	91	0.0	224	0.0
Net Income	4,796	0.8	8,339	1.5	17,307	1.5

Consolidated Statements of Cash Flows

	Current Interim Period September 30, 2004	Previous Interim Period September 30, 2003	Previous year March 31, 2004
	¥ million	¥ million	¥ million
I. Operating Activities:			
Income before income taxes and minority interests	8,820	14,374	30,829
Depreciation	2,459	2,631	5,264
Provision for (reversal of) allowance for doubtful accounts	(146)	(193)	4
Decrease in liability for employees' retirement benefits	(133)	257	(2,764)
Provision for other allowance	(1,741)	(589)	(157)
Interest and dividend income	(279)	(201)	(457)
Interest expenses	16	10	27
Gain on sales of fixed assets	(6)	-	(2)
Gain on sales of investment securities	(4)	(51)	(1,544)
Profit on sales of subsidiaries stocks	(86)	(1,083)	(1,083)
Loss on sales and disposal of fixed assets	947	222	604
Write-down of investment securities	193	8	34
Decrease (increase) in trade receivables	8,641	1,390	(478)
Increase in inventories	(2,559)	3,012	313
Decrease (increase) in purchase rebates receivable	876	5,561	6,421
Decrease in trade payables	(12,103)	(8,721)	2,316
Other	(1,728)	(2,153)	(1,917)
Subtotal	3,164	14,474	37,409
Interest and dividend income received	282	204	457
Interest expenses paid	(16)	(11)	(28)
Income tax paid	(9,250)	(2,660)	(5,935)
Net cash used in operating activities	(5,819)	12,006	31,902
II. Investing Activities:			
Disbursements for time deposits	(1)	-	-
Proceeds from time deposits	46	-	45
Proceeds from sales of marketable securities	0	38	48
Purchases of property and equipment	(4,444)	(2,107)	(5,890)
Proceeds from sales of property and equipment	1,167	498	1,024
Acquisition of intangible fixed assets	(809)	(717)	(1,397)
Purchase of investment securities	(598)	(5,033)	(6,285)
Proceeds from sales of investment securities	31	302	3,367
Purchases of subsidiaries' stock, resulting in change in scope of consolidation	(79)	-	-
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	299	-	3,724
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	299	1,774	1,774
Additional acquisitions of consolidated subsidiary stocks	-	(43)	(43)
Proceeds from sales of share in equity method affiliates	-	-	13
Disbursements for loans	(159)	(29)	(287)
Proceeds from collections of loans	278	94	389
Other, net	(643)	385	(24)
Net Cash provided by (used in) investing activities	(4,612)	(4,836)	(3,540)
III. Financing Activities			
Decrease in short-term borrowings, net	-	-	(1,080)
Repayments of long-term borrowings	(472)	(377)	(591)
Repurchasing redemption of convertible bonds	(14)	(75)	(115)
Redemption of convertible bonds	(221)	-	-
Acquisition of treasury stocks	(159)	(7)	(258)
Proceeds from Sales of treasury stocks	1	-	-
Dividends paid	(1,060)	(941)	(1,811)
Dividends paid to minority shareholders	(4)	(3)	(3)
Net cash (used in) provided by financing activities	(1,932)	(1,405)	(3,860)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	15	(1)	(10)
V. Net Decrease in Cash and Cash Equivalents	(12,347)	5,762	24,491
VI. Cash and Cash Equivalents, Beginning of Period	108,369	83,578	83,578
VII. Cash and Cash equivalents increased due to merger	-	-	299
VIII. Cash and Cash Equivalents, End of Period	96,021	89,340	108,369