

# Consolidated Financial Statements for the Year Ended March 31, 2005

May 16, 2005

## SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo

Stock Code: 9987

Board of Directors meeting: May 16, 2005

Use of U.S. accounting standards: No

## 1. Results for Fiscal Year Ended March 31, 2005 (April 1, 2004 – March 31, 2005)

### (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, 2005	1,330,982	11.5	12,361	(37.3)	23,413	(20.6)
Year ended March 31, 2004	1,194,024	12.6	19,706	4.1	29,492	7.9

	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, 2005	12,576	(27.3)	135.72	135.46	5.7	3.2	1.8
Year ended March 31, 2004	17,307	8.1	231.69	227.98	8.6	4.5	2.5

Notes: 1. Equity in earnings of associated companies: ¥3 million for fiscal year ended March 31, 2005

¥(0) million for fiscal year ended March 31, 2004

2. Average number of shares outstanding (Consolidated): 91,574,388 shares for fiscal year ended March 31, 2005

73,884,176 shares for fiscal year ended March 31, 2004

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, 2005	758,232	223,978	29.5	2,462.37
March 31, 2004	692,365	213,538	30.8	2,810.90

Note: Number of shares outstanding at end of period: 90,900,347 shares at March 31, 2005

75,900,775 shares at 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
Year ended March 31, 2005	18,094	(856)	(8,895)	116,723
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: 45 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) 11 companies (Excluded subsidiaries) 2 companies

Equity-method: None (Excluded) 1 company

## 2. Projected Results for Fiscal Year Ending March 31, 2006 (April 1, 2005 – March 31, 2006)

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Interim period ending September 30, 2005	669,000	9,100	2,900
Year ending March 31, 2006	1,376,000	23,600	11,400

Reference: Estimated net income per share (EPS) for the year ending March 31, 2006: ¥123.78

*The financial estimates are based on information available as of May 16, 2005, 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.*

## Results of Operations and Financial Condition

### Results of Operations

#### 1. Overview of Fiscal Year Ended March 2005

(1) Overview of performance (Units: millions of yen\*)

Years ended March 31	2004	2005	Change (%)
Net sales	1,194,024	1,330,982	11.5
Operating income	19,706	12,361	(37.3)
Ordinary income	29,492	23,413	(20.6)
Net income	17,307	12,576	(27.3)
Net income per share	231.69	135.72	(41.4)

\* Note: Amounts of less than one million yen have been rounded down.

During the fiscal year ended March 2005, the direction of Japanese economy remained unclear. Although higher private-sector capital expenditures and a continuing recovery in corporate earnings provided solid support, weakening consumer spending and the sharp rise in crude oil prices in the second half of the year exerted a negative impact.

The Japanese market for ethical pharmaceuticals grew by an estimated 2–3%, despite the 4.2% NHI price reduction imposed by the government in April 2004. Major factors boosting demand included continued aging of Japan's population and launches of new drugs. There were also a large increase in people suffering from seasonal ailments, most notably influenza and pollen allergies.

The trend toward consolidation within the pharmaceutical wholesaling industry in Japan continued unabated. As of the end of March 2005, there were 142 companies in the industry, 75 fewer than the 217 wholesalers that existed five years earlier. Market power continued to shift toward a small number of leading corporate groups, meaning that the effective number of wholesalers is fewer than 142. Although the phase of rapid consolidation appears to have subsided, there are signs that new corporate groups may be formed to conduct joint purchasing covering large regions.

Suzuken made further regional gains in its pharmaceutical wholesaling business. Entry into Akita prefecture in August 2004 finally gave Suzuken coverage across the entire Tohoku region in the north of Japan. In October 2004, Suzuken made Shikoku-based ASTIS Co., Ltd. and Okinawa-based Okinawa Yakuhin Co., Ltd. subsidiaries. These moves cut the number of prefectures in which Suzuken has no presence to just four – all of which are in Kyushu. Negotiations with medical institutions after the April 2004 NHI price revision proved tough. Although Suzuken sought terms based on reasonable economic considerations, gross margins came under heavy pressure in the face of strident demands for discounts from hospitals and much stiffer competition among wholesalers.

In March 2005, Suzuken established two new companies, CollaboCreate, Co., Ltd. and CollaboWorks, Co., Ltd., to support the development of joint logistics ventures with

pharmaceutical manufacturers. Separately, as part of its business restructuring efforts, on April 1, 2005 Suzuken spun off its OTC pharmaceutical wholesaling operations and transferred them to Kobashou Co., Ltd., a subsidiary of Kobayashi Pharmaceutical Co., Ltd.

In December 2004, Suzuken became the first firm in Japan's pharmaceutical industry to gain international certification for BS7799, a global standard for information security management systems. Simultaneously, the company gained certification for the conformity of its systems with the ISMS standard. These achievements reflect the investment of substantial resources by Suzuken in the security of its information systems to ensure data are protected, related risks are minimized, and information management systems are fully compliant with laws governing the confidentiality of personal information.

On the operational side, to boost its market competitiveness Suzuken focused on products with high gross margins and growth potential. Suzuken also worked to reinforce links with pharmaceutical manufactures. One result of these efforts was stronger ties with Sankyo Co., Ltd., one of Japan's leading pharmaceutical firms, but a company with which Suzuken had a small volume of business.

On the logistics side, Suzuken began work on a distribution center in the Tokyo area. The new facility will help make Suzuken more competitive in this area once it begins operating later in 2005, enabling the company to provide better services to their customers.

Suzuken made further progress in its pharmaceutical manufacturing business. Miglitol, a postprandial agent for treating hyperglycemia whose application was filed in December 2003, completed the first stage of regulatory approvals by the Pharmaceuticals and Medical Devices Agency, which involves a review of clinical submissions and field trial data. The drug is now subject to review by specialists before consideration for approval by the Pharmaceutical Affairs Council. Suzuken hopes to receive marketing approval at the earliest opportunity.

Suzuken's investments in R&D continue to yield promising new compounds. Fidarestat, a therapeutic agent for diabetic neuropathy, entered the exploratory stage of early Phase II clinical studies in February 2005. Suzuken continues to review the potential role of this compound within the context of its domestic business development strategy and program restructuring activities.

Suzuken expanded joint promotional sales campaigns with pharmaceutical firms, a new initiative during the previous year, to include three products. Co-promotion also proved a successful at boosting sales of other pharmaceutical products, thereby contributing to overall growth of pharmaceutical sales.

In the year ended March 31, 2005, consolidated net sales totaled ¥1,330,982 million, an increase of 11.5% over the previous year. Operating income declined 37.3% to ¥12,361 million, while ordinary income decreased 20.6% to ¥23,413 million. Net income amounted to ¥12,576 million, down 27.3% from the previous year.

## (2) Analysis by business segment

Overview of performance by business segment

(Units: millions of yen\*)

Years ended March 31		2004	2005	Change (%)
Pharmaceutical Distribution	Net sales	1,165,838	1,294,655	11.0
	Operating income	16,325	8,156	(50.0)
Pharmaceutical Manufacturing	Net sales	15,084	17,499	16.0
	Operating income	2,691	3,230	20.0
Other Healthcare- Related Services	Net sales	13,101	18,827	43.7
	Operating income	146	121	(17.4)

\* Note: Amounts of less than one million yen have been rounded down.

### *Pharmaceutical distribution*

The effects of Japan's aging population, launches of new drugs and an unusually high incidence of influenza and hay fever offset the 4.2% average NHI price cut imposed in April 2004. Segment sales rose 11.0% year-on-year to ¥1,294,655 million, in part due to ASTIS Co., Ltd. becoming a wholly owned subsidiary on October 1, 2004. Gross sales margins declined due to a combination of demands for price cuts from medical institutions and more heated competition within the pharmaceutical wholesaling sector. Operating income fell 50.0% to ¥8,156 million.

### *Pharmaceutical manufacturing*

More aggressive co-promotion and the introduction of new products helped boost product sales. Contract manufacturing activities also expanded. Segment sales increased 16.0% year-on-year to ¥17,499 million. Operating income advanced 20.0% to ¥3,230 million, primarily reflecting the increase in sales.

### *Other healthcare-related services*

An increased number of consolidated subsidiaries, most notably following the conversion of ASTIS Co., Ltd. into a wholly owned subsidiary, contributed to a 43.7% increase in sales to ¥18,827 million. Operating income was down 17.4% to ¥121 million, however, due to higher selling, general and administrative expenses.

Note: Segment sales results do not include any intersegment transactions.

Geographical segment information is not presented since the results of foreign consolidated subsidiaries and foreign branches were not material.

## 2. Outlook for Fiscal Year Ending March 2006

### (1) Performance forecasts

(Units: millions of yen\*)

Years ended March 31	2005	2006	Change (%)
Net sales	1,330,982	1,376,000	3.4
Operating income	12,361	12,500	1.1
Ordinary income	23,413	23,600	0.8
Net income	12,576	11,400	(9.4)
Net income per share	135.72	123.78	(8.8)

\* Note: Amounts of less than one million yen have been rounded down.

### (2) Performance outlook by business segment

#### *Pharmaceutical distribution*

Although there are concerns about a possible reluctance to make purchases prior to the next biennial NHI price review in April 2006, Suzuken expects the Japanese ethical pharmaceuticals market to grow by around 2% in the year to March 2006 as population aging and new drug introductions fuel demand. Pressure from medical institutions for discounts and fierce competition within the pharmaceutical wholesaling sector are also unlikely to abate. However, Suzuken does not expect any further significant fall in gross profit margins, as occurred in the year ended March 2005.

Under these harsh operating conditions, Suzuken plans to continue basing price negotiations with medical institutions on sound economic rationales. An ongoing major focus is on raising salesforce productivity by enabling salespeople to devote more time to sales activities, making use of portable computers to boost efficiency, and concentrating on sales activities tailored to the needs of medical institutions. At the same time, Suzuken aims to improve the quality of distribution services while maintaining a competitive cost structure. The overall goal remains to strengthen the base of operations, becoming number one in each region and number one in terms of overall capabilities through activities that meet the needs of customers.

#### *Pharmaceutical manufacturing*

Suzuken continues to invest in pharmaceutical R&D, concentrating resources on the therapeutic area of diabetes. The aim is to develop drugs with international sales potential. The primary focus in the year to March 2006 is expected to be preparations for the launch of postprandial antihyperglycemic agent Miglitol based on the expectation for early regulatory approval in Japan.

#### *Other healthcare-related services*

Along with growth in existing operations, Suzuken expects segment revenues to be boosted by the launch of the capsule endoscope, a new business area, and by the start of full-scale contract distribution operations for pharmaceutical manufacturers, a new business that began in March 2005.

Suzuken is forecasting segment sales in the year ending March 2006 as follows: pharmaceutical distribution, ¥1,341,500 million; pharmaceutical manufacturing, ¥51,000 million, as subsidiary Sanwa Kagaku Kenkyusho Co., Ltd. makes further progress with R&D programs while expanding its contract manufacturing business; other healthcare-related services, ¥23,500 million, which reflects both an increase in the scope of consolidation and expansion of existing businesses.

Note: Segment sales forecasts are prior to corporate elimination for intersegment transactions.

*This document contains forecasts of operating performance and financial condition in the year ending March 2006 that are based on the assumptions, plans and projections that were available at the time. Actual business results may differ significantly from forecast for a variety of reasons.*

## Consolidated Balance Sheets

(Figures less than ¥1 million are rounded down)

ASSETS:	Current Fiscal Year As of March 31, 2005		Previous Fiscal Year As of March 31, 2004		Year-on-Year Change
	¥ million	%	¥ million	%	¥ million
<b>Current Assets:</b>					
Cash on hand and in banks, and time deposits	115,194		107,369		7,824
Trade notes and accounts receivable	361,165		330,920		30,245
Marketable securities	57		101		(44)
Inventories	100,759		88,717		12,041
Deferred tax assets	7,298		7,827		(529)
Purchase rebates receivable	27,430		22,990		4,439
Other current assets	2,917		2,550		366
Allowance for doubtful accounts	(4,352)		(6,065)		1,713
<b>Total current assets</b>	<b>610,469</b>	<b>80.5</b>	<b>554,412</b>	<b>80.1</b>	<b>56,057</b>
<b>Fixed Assets:</b>					
<b>Property and Equipment:</b>					
Buildings and structures	33,169		29,959		3,210
Machinery and vehicles	2,038		1,728		309
Tools, furniture and fixtures	1,938		1,690		248
Land	44,794		41,823		2,970
Construction in progress	1,231		529		702
<b>Total Property and Equipment</b>	<b>83,172</b>	<b>11.0</b>	<b>75,730</b>	<b>10.9</b>	<b>7,441</b>
<b>Intangible Fixed Assets:</b>	<b>7,433</b>	<b>1.0</b>	<b>6,912</b>	<b>1.0</b>	<b>520</b>
<b>Investments and Other Assets:</b>					
Investment securities	34,604		33,740		864
Long-term loans	449		683		(233)
Deferred tax assets	769		139		630
Prepaid pension expenses	11,790		11,870		(79)
Others	11,983		11,188		794
Allowance for doubtful accounts	(2,440)		(2,312)		(127)
<b>Total investments and other assets</b>	<b>57,156</b>	<b>7.5</b>	<b>55,308</b>	<b>8.0</b>	<b>1,848</b>
<b>Total fixed assets</b>	<b>147,762</b>	<b>19.5</b>	<b>137,952</b>	<b>19.9</b>	<b>9,810</b>
<b>Total assets</b>	<b>758,232</b>	<b>100.0</b>	<b>692,365</b>	<b>100.0</b>	<b>65,867</b>

LIABILITIES:	Current Fiscal Year As of March 31, 2005		Previous Fiscal Year As of March 31, 2004		Year-on-Year Change
	¥ million	%	¥ million	%	¥ million
<b>Current Liabilities:</b>					
Trade notes and accounts payable	486,433		435,256		51,177
Short-term bank loans	5,220		406		4,813
Bonds due within one year	-		1,130		(1,130)
Income taxes payable	6,195		9,200		(3,005)
Reserves for sales returns	612		637		(25)
Accrued bonuses	7,725		7,758		(33)
Other current liabilities	9,125		7,609		1,516
<b>Total current liabilities</b>	<b>515,311</b>	<b>68.0</b>	<b>461,998</b>	<b>66.8</b>	<b>53,313</b>
<b>Long-term Liabilities:</b>					
Long-term borrowings	1,891		909		982
Deferred tax liabilities	6,814		5,815		998
Deferred tax liabilities from reevaluations	2,780		2,988		(208)
Liability of employees' retirement benefits	3,430		3,132		298
Liability for directors' and corporate auditors' retirement benefits	593		784		(191)
Goodwill on consolidation	327		722		(394)
Other long-term liabilities	645		135		510
<b>Total long term liabilities</b>	<b>16,484</b>	<b>2.2</b>	<b>14,488</b>	<b>2.1</b>	<b>1,995</b>
<b>Total Liabilities</b>	<b>531,796</b>	<b>70.2</b>	<b>476,487</b>	<b>68.9</b>	<b>55,308</b>
<b>MINORITY INTERESTS</b>	<b>2,457</b>	<b>0.3</b>	<b>2,338</b>	<b>0.3</b>	<b>118</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Common stock	13,546	1.8	13,129	1.9	417
Additional paid-in capital	32,179	4.3	29,652	4.3	2,527
Retained earnings	187,397	24.7	177,151	25.6	10,245
Land revaluation difference	(7,468)	(1.0)	(7,361)	(1.1)	(106)
Net unrealized gain on available-for-sale securities	4,818	0.6	5,332	0.8	(513)
Foreign currency translation adjustments	-	-	(12)	(0.0)	12
Treasury stock, at cost	(6,495)	(0.9)	(4,352)	(0.7)	(2,143)
<b>Total Shareholders' Equity</b>	<b>223,978</b>	<b>29.5</b>	<b>213,538</b>	<b>30.8</b>	<b>10,439</b>
<b>Total</b>	<b>758,232</b>	<b>100.0</b>	<b>692,365</b>	<b>100.0</b>	<b>65,867</b>

## Consolidated Statements of Income

(Figures less than ¥1 million are rounded down)

	Current Fiscal Year April 1, 2004-March 31, 2005		Previous Fiscal Year April 1, 2003-March 31, 2004		Year-on Year Change
	¥ million	%	¥ million	%	¥ million
<b>Net Sales</b>	1,330,982	100.0	1,194,024	100.0	136,958
<b>Cost of sales</b>	1,201,972	90.3	1,068,937	89.5	133,035
<b>Gross Profit</b>	129,010	9.7	125,086	10.5	3,923
Reversal of sales returns	642	0.0	645	0.1	(3)
Provision for sales returns	580	0.0	612	0.1	(31)
<b>Gross Profit after Adjustment</b>	129,071	9.7	125,120	10.5	3,951
<b>Selling, General and Administrative Expenses</b>	116,710	8.8	105,413	8.8	11,297
<b>Operating Income</b>	12,361	0.9	19,706	1.7	(7,345)
<b>Non-operating Income:</b>	11,522	0.9	10,164	0.8	1,357
Interest	368		281		87
Dividends	209		176		32
Purchase discounts	6,468		5,731		736
Commission for supplying sales data	3,102		2,727		374
Other	1,373		1,248		125
<b>Non-operating Expenses:</b>	469	0.0	379	0.0	90
Interest expenses	65		27		38
Real estate rental expenses	129		19		110
Loss on revaluation of inventories	96		-		96
Loss on termination of lease contracts	38		104		(66)
Other	139		228		(88)
<b>Ordinary Income</b>	23,413	1.8	29,492	2.5	(6,079)
<b>Extraordinary Gain:</b>	1,612	0.1	2,673	0.2	(1,060)
Gain on sales of fixed assets	135		2		133
Gain on sales of investment securities	1,083		1,544		(461)
Gain on sales of subsidiaries share	86		1,083		(997)
Gain on termination of insurance contracts	145		-		145
Other	161		42		118
<b>Extraordinary Loss:</b>	2,776	0.2	1,336	0.1	1,440
Loss on sales and disposal of fixed assets	2,069		604		1,465
Write-down of investment securities	236		34		201
Loss on disposal of inventories	-		165		(165)
Loss on revaluation of inventories	-		146		(146)
Other	470		385		84
<b>Income before Income Taxes and Minority Interests</b>	22,249	1.7	30,829	2.6	(8,579)
<b>Income Taxes:</b>					
Current	8,361	0.7	12,433	1.0	(4,072)
Deferred	1,102	0.1	863	0.1	238
<b>Minority interests</b>	209	0.0	224	0.0	(15)
<b>Net Income</b>	12,576	0.9	17,307	1.5	(4,731)

## Consolidated Statements of Cash Flows

(Figures less than ¥1 million are rounded down)

	Current Fiscal Year	Previous Fiscal Year
	April 1, 2004- March 31, 2005	April 1, 2003- March 31, 2004
	¥ million	¥ million
<b>I. Operating Activities:</b>		
Income before income taxes and minority interests	22,249	30,829
Depreciation	5,241	5,264
Provision for (reversal of) allowance for doubtful accounts	(2,099)	4
Decrease in liability for employees' retirement benefits	(348)	(2,764)
Provision for other allowance	(1,110)	(157)
Interest and dividend income	(578)	(457)
Interest expenses	65	27
Gain on sales of fixed assets	(135)	(2)
Gain on sales of investment securities	(1,083)	(1,544)
Profit on sales of subsidiaries stocks	(86)	(1,083)
Loss on sales and disposal of fixed assets	2,069	604
Loss on sales of investment securities	32	2
Write-down of investment securities	236	34
Special retirement pay	129	-
Decrease (increase) in trade receivables	(7,797)	(478)
Increase (decrease) in inventories	(5,632)	313
Decrease (increase) in purchase rebates receivable	(2,581)	6,421
Decrease in trade payables	20,410	2,316
Other	431	(1,919)
<b>Subtotal</b>	<b>29,413</b>	<b>37,409</b>
Interest and dividend income received	580	457
Interest expenses paid	(65)	(28)
Special retirement pay paid	(88)	-
Income tax paid	(11,744)	(5,935)
<b>Net cash provided by (used in) operating activities</b>	<b>18,094</b>	<b>31,902</b>
<b>II. Investing Activities:</b>		
Disbursements for time deposits	(5)	-
Proceeds from time deposits	433	45
Proceeds from sales of marketable securities	110	48
Purchases of property and equipment	(8,025)	(5,890)
Proceeds from sales of property and equipment	3,086	1,024
Acquisition of intangible fixed assets	(2,273)	(1,397)
Proceeds from sales of intangible fixed assets	195	12
Purchase of investment securities	(1,111)	(6,285)
Proceeds from sales of investment securities	1,665	3,367
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	302	1,774
Purchase of subsidiaries' stock, resulting in change in scope of consolidation	(79)	-
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	4,266	3,724
Additional acquisitions of consolidated subsidiary stocks	-	(43)
Proceeds from sale of share in equity-method affiliates	-	13
Disbursements for loans	(206)	(287)
Proceeds from collections of loans	526	389
Other, net	259	(36)
<b>Net Cash used in (provided by) investing activities</b>	<b>(856)</b>	<b>(3,540)</b>
<b>III. Financing Activities:</b>		
Decrease in short-term borrowings, net	(102)	(1,080)
Repayments of long-term borrowings	(1,137)	(591)
Redemption of convertible bonds	(14)	(115)
Payments for redemption of convertible bonds	(221)	-
Acquisition of treasury stocks	(5,171)	(258)
Proceeds from sales of treasury stocks	3	-
Dividends paid	(2,247)	(1,811)
Dividends paid to minority shareholders	(4)	(3)
<b>Net cash used in financing activities</b>	<b>(8,895)</b>	<b>(3,860)</b>
<b>IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	<b>11</b>	<b>(10)</b>
<b>V. Net Decrease in Cash and Cash Equivalents</b>	<b>8,354</b>	<b>24,491</b>
<b>VI. Cash and Cash Equivalents, Beginning of Period</b>	<b>108,369</b>	<b>83,578</b>
<b>VII. Cash and Cash equivalents increased due to merger</b>	<b>-</b>	<b>299</b>
<b>VIII. Cash and Cash Equivalents, End of Period</b>	<b>116,723</b>	<b>108,369</b>