

Consolidated Financial Statement for First Quarter of the Fiscal Year ending March 2006

August 12, 2005

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Stock Code: 9987

1. Matters concerning the preparation of the consolidated business results for the first quarter of the fiscal year ending March 31, 2006 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 two newly consolidated subsidiary company.

2. Results for the first quarter of the fiscal year ending March 31, 2006 (April 1 – June 30, 2005)

(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, 2005	342,390	9.5	2,010	9.7	5,150	17.0	2,081	(10.4)
1Q ended June 30, 2004	312,763	12.7	1,833	(54.3)	4,403	(28.1)	2,323	(30.3)
Year ended March 31, 2005	1,330,982		12,361		23,413		12,576	

	Net income per share Basic	Net income per share Diluted
	¥	¥
1Q ended June 30, 2005	22.90	-
1Q ended June 30, 2004	25.51	25.39
Year ended March 31, 2005	135.72	135.46

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

Consolidated Results of Operations

During the first quarter, Japan's economy continued to recover. The sharp increase in the cost of crude oil and other factors raised concerns about the outlook. However, capital expenditures rose along with improving corporate earnings and personal incomes are slowly climbing.

In the ethical pharmaceuticals market, total sales are estimated to have grown about 3% mainly due to the aging of Japan's population and the contribution of new drugs.

In this environment, Suzuken on April 1, 2005, as part of the restructuring of its pharmaceutical wholesaling business, spun off its OTC pharmaceutical wholesaling business and transferred this business to Kobashou Co., Ltd., a subsidiary of Kobayashi Pharmaceutical Co., Ltd. In addition, Suzuken conducted a voluntary retirement program with the goal of attracting 200 applications. The program actually received applications from 223 employees. These voluntary retirements give Suzuken a stronger base for conducting structural reforms and give these employees an opportunity to pursue other careers in line with their personal objectives.

Regarding research activities in the pharmaceutical manufacturing business, Suzuken applied in December 2003 for approval of Miglitol, an agent for treating postprandial hyperglycemia. Examinations by the Pharmaceuticals and Medical Devices Agency are proceeding and a review by specialists is now under way.

Suzuken is aiming to receive marketing approval as soon as possible after examinations by government medical-affairs workshops and other entities have been completed.

Including the contribution of ASTIS Co., Ltd., which became a consolidated subsidiary on October 1, 2004, first quarter sales increased 9.5% year on year to ¥342,390 million.

Operating income increased 9.7% to ¥2,010 million and ordinary income increased 17.0% to ¥5,150 million. However, expenses related to the voluntary early retirement program along with other items caused net income to decrease 10.4% to ¥2,081 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, 2005	756,952	224,695	29.7	2,471.94
1Q ended June 30, 2004	697,782	214,072	30.7	2,350.18
Year ended March 31, 2005	758,232	223,978	29.5	2,462.37

Consolidated cash flows

¥million	Operating cash flow	Investing cash flow	Financing cash flow	Cash and cash equivalents, end of year
1Q ended June 30, 2005	15,900	(5,649)	(1,905)	125,069
1Q ended June 30, 2004	11,837	(2,904)	(1,186)	116,115
Year ended March 31, 2005	18,094	(856)	(8,895)	116,723

Reference to financial position:

Cash and cash equivalents as of June 30, 2005 totaled ¥125,069 million, ¥8,345 more than as of March 31, 2005. First quarter cash flows were as follows.

(Operating activities)

Net cash provided by operating activities was ¥15,900 million. The main components were income taxes paid of ¥5,731 million, a ¥6,952 million decrease in trade receivables, a ¥4,320 million decrease in purchase rebates receivable, and a ¥7,524 million increase in trade payables.

(Investing activities)

Net cash used in investing activities was ¥5,649 million. Purchases of property and equipment were ¥2,962 million and there were payments of ¥2,650 million related to the transfer of a business through a spin-off.

(Financing activities)

Net cash used in financing activities was ¥1,905 million. This was mainly the net result of payments of ¥780 million for repayments of long-term borrowings and dividends paid of ¥1,478 million.

3. Forecast for the fiscal year ending March 31, 2006 (April 1, 2005 – March 31, 2006)

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

Reference: Forecast for net income per share for the fiscal year ending March 31, 2006 ¥123.78

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

ASSETS	Current Period June 30, 2005		Previous Period June 30, 2004		Fiscal Year ended March 31, 2005		Difference Fiscal Year ended March 31, 2005	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Current Assets:								
Cash on hand and in banks, and time deposits	123,546		116,174		115,194		8,351	
Trade notes and accounts receivable	348,401		328,885		361,165		(12,764)	
Marketable securities	46		101		57		(10)	
Inventories	102,751		91,309		100,759		1,991	
Deferred tax assets	7,311		7,723		7,298		13	
Purchase rebates receivable	23,109		19,002		27,430		(4,320)	
Other current assets	3,410		1,909		2,917		493	
Allowance for doubtful accounts	(4,340)		(6,069)		(4,352)		11	
Total current assets	604,236	79.8	559,035	80.1	610,469	80.5	(6,232)	(1.0)
Fixed Assets:								
Property and Equipment:								
Buildings and structures	32,694		29,680		33,169		(475)	
Machinery and vehicles	1,990		1,720		2,038		(48)	
Tools, furniture and fixtures	1,867		1,645		1,938		(71)	
Land	44,014		41,033		44,794		(779)	
Construction in progress	3,459		2,618		1,231		2,228	
Total property and equipment	84,026	11.1	76,698	11.0	83,172	11.0	853	1.0
Intangible Fixed Assets:	8,017	1.1	6,672	1.0	7,433	1.0	583	7.9
Investments and Other Assets:								
Investment securities	38,477		33,537		34,604		3,872	
Long-term loans	417		659		449		(32)	
Deferred tax assets	664		141		769		(105)	
Prepaid pension expenses	11,769		11,842		11,790		(20)	
Others	11,758		11,464		11,983		(224)	
Allowance for doubtful accounts	(2,414)		(2,269)		(2,440)		26	
Total investments and other assets	60,672	8.0	55,376	7.9	57,156	7.5	3,515	6.2
Total fixed assets	152,716	20.2	138,746	19.9	147,762	19.5	4,953	3.4
Total assets	756,952	100.0	697,782	100.0	758,232	100.0	(1,279)	(0.2)

LIABILITIES:	Current Period June 30, 2005		Previous Period June 30, 2004		Fiscal Year ended March 31, 2005		Difference Fiscal Year ended March 31, 2005	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Current Liabilities:								
Trade notes and accounts payable	488,535		450,716		486,433		2,101	
Short-term bank loans	5,406		411		5,220		186	
Convertible bonds redeemable within one year	—		1,062		—		—	
Income taxes payable	2,090		1,562		6,195		(4,104)	
Reserves for sales returns	592		637		612		(19)	
Accrued bonuses	4,510		3,771		7,725		(3,214)	
Other current liabilities	12,174		8,668		9,125		3,049	
Total current liabilities	513,310	67.8	466,829	66.9	515,311	68.0	(2,001)	(0.4)
Long-term Liabilities:								
Long-term borrowings	1,804		845		1,891		(87)	
Deferred tax liabilities	6,917		5,542		6,814		103	
Deferred tax liabilities from revaluations	2,762		3,184		2,780		(18)	
Liability of employees' retirement benefits	3,427		3,176		3,430		(3)	
Liability for directors' and corporate auditors' retirement benefits	561		497		593		(31)	
Goodwill on Consolidation	313		692		327		(14)	
Other long-term liabilities	632		552		645		(13)	
Total long term liabilities	16,419	2.2	14,491	2.1	16,484	2.2	(64)	(0.4)
Total Liabilities	529,729	70.0	481,321	69.0	531,796	70.2	(2,066)	(0.4)
MINORITY INTERESTS	2,527	0.3	2,388	0.3	2,457	0.3	70	2.9
SHAREHOLDERS' EQUITY:								
Common stock	13,546	1.8	13,129	1.9	13,546	1.8	—	—
Additional paid-in capital	32,179	4.3	29,666	4.2	32,179	4.3	0	0.0
Retained earnings	187,812	24.8	177,934	25.5	187,397	24.7	415	0.2
Land revaluation difference	(7,494)	(1.0)	(7,072)	(1.0)	(7,468)	(1.0)	(26)	—
Net unrealized gain on available-for-sale securities	5,152	0.7	4,789	0.7	4,818	0.6	333	6.9
Foreign currency translation adjustments	—	—	(13)	(0.0)	—	—	—	—
Treasury stock, at cost	(6,500)	(0.9)	(4,361)	(0.6)	(6,495)	(0.9)	(5)	—
Total Shareholders' Equity	224,695	29.7	214,072	30.7	223,978	29.5	717	0.3
Total	756,952	100.0	697,782	100.0	758,232	100.0	(1,279)	(0.2)

Consolidated Statements of Income

	Current Period June 30, 2005		Previous Period June 30, 2004		Difference		Fiscal Year ended March 31, 2005	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Net Sales	342,390	100.0	312,763	100.0	29,626	9.5	1,330,982	100.0
Cost of sales	310,292	90.6	283,833	90.8	26,458	9.3	1,201,972	90.3
Gross Profit	32,097	9.4	28,929	9.2	3,167	11.0	129,010	9.7
Reversal of sales returns	517	0.2	624	0.2	(107)	(17.2)	642	0.0
Provision for sales returns	517	0.2	624	0.2	(107)	(17.2)	580	0.0
Gross Profit after Adjustment	32,097	9.4	28,929	9.2	3,167	11.0	129,071	9.7
Selling, General and Administrative Expenses	30,086	8.8	27,096	8.6	2,990	11.0	116,710	8.8
Operating Income	2,010	0.6	1,833	0.6	177	9.7	12,361	0.9
Non-operating Income	3,243	0.9	2,625	0.8	618	23.6	11,522	0.9
Interest and dividends	167		160		6		578	
Purchase discounts	1,826		1,367		459		6,468	
Commission for supplying sales data	897		728		169		3,102	
Other	352		369		(16)		1,373	
Non-operating Expenses	104	0.0	54	0.0	49	91.0	469	0.0
Interest expenses	29		7		21		65	
Other	74		46		28		403	
Ordinary Income	5,150	1.5	4,403	1.4	746	17.0	23,413	1.8
Extraordinary Gain:	1,159	0.3	177	0.1	981	552.8	1,612	0.1
Gain on sales of fixed assets	165		—		165		135	
Gain on sales of investment securities	273		0		273		1,083	
Gain on sales of subsidiaries share	—		—		—		86	
Gain on termination of insurance contracts	—		117		(117)		145	
Gain on transfer of business	711		—		711		—	
Other	8		59		(51)		161	
Extraordinary Loss:	2,414	0.7	481	0.2	1,932	401.1	2,776	0.2
Loss on sales and disposal of fixed assets	242		449		(207)		2,069	
Loss on revaluation of investment securities	—		—		—		236	
Special retirement pay	2,166		—		2,166		129	
Other	6		32		(26)		341	
Income before Income Taxes and Minority Interests	3,894	1.1	4,099	1.3	(204)	(5.0)	22,249	1.7
Income Taxes	1,745	0.5	1,700	0.6	44	2.6	9,463	0.8
Minority Interests	67	0.0	74	0.0	(6)	(9.3)	209	0.0
Net Income	2,081	0.6	2,323	0.7	(242)	(10.4)	12,576	0.9

Consolidated Statements of Cash Flows

	Current Period June 30, 2005	Previous Period June 30, 2004	Fiscal year ended March 31, 2005
	¥ million	¥ million	¥ million
I. Operating Activities:			
Income before income taxes and minority interests	3,894	4,099	22,249
Depreciation	1,262	1,179	5,241
Provision for (reversal of) allowance for doubtful accounts	(32)	(38)	(2,099)
Decrease in liability for employees' retirement benefits	17	4	(348)
Provision for other allowance	(3,198)	(4,441)	(1,110)
Interest and dividend income	(167)	(160)	(578)
Gain on sales of investment securities	(273)	(0)	(1,083)
Loss on sales and disposal of fixed assets	242	449	2,069
Special retirement pay	2,166	—	129
Payment for spin-off (business transfer)	(711)	—	—
Decrease (increase) in trade receivables	6,952	2,155	(7,797)
Decrease (increase) in inventories	(1,670)	(2,532)	(5,632)
Decrease (increase) in purchase rebates receivable	4,320	3,988	(2,581)
Decrease (increase) in trade payables	7,524	15,305	20,410
Other	1,165	903	542
Subtotal	21,493	20,911	29,413
Interest and dividend income received	167	163	580
Interest expenses paid	(29)	(8)	(65)
Special retirement paid	—	—	(88)
Income tax paid	(5,731)	(9,228)	(11,744)
Net cash used in operating activities	15,900	11,837	18,094
II. Investing Activities:			
Purchases of property and equipment	(2,962)	(2,590)	(8,025)
Proceeds from sales of property and equipment	895	607	3,086
Acquisition of intangible fixed assets	(1,605)	(377)	(2,273)
Purchase of investment securities	(27)	(546)	(1,111)
Proceeds from sales of investment securities	350	1	1,665
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	—	—	302
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	31	289	4,266
Payments for spin-off (business transfer)	(2,650)	—	—
Disbursements for loans	(8)	(2)	(206)
Proceeds from collections of loans	41	43	526
Other, net	285	(330)	913
Net Cash provided by (used in) investing activities	(5,649)	(2,904)	(856)
III. Financing Activities			
Decrease in short-term borrowings, net	358	—	(102)
Repayments of long-term borrowings	(780)	(98)	(1,137)
Repurchasing redemption of convertible bonds	—	(7)	(14)
Redemption of convertible bonds	—	—	(221)
Acquisition of treasury stocks	(5)	(55)	(5,171)
Proceeds from sales of treasury stocks	0	—	3
Dividends paid	(1,467)	(1,021)	(2,247)
Dividends paid to minority shareholders	(10)	(4)	(4)
Net cash (used in) provided by financing activities	(1,905)	(1,186)	(8,895)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	0	(0)	11
V. Net Decrease in Cash and Cash Equivalents	8,345	7,745	8,354
VI. Cash and Cash Equivalents, Beginning of Period	116,723	108,369	108,369
VII. Cash and Cash Equivalents, End of Period	125,069	116,115	116,723

Overview of Performance by Business Segment

Current first quarter (April 1, 2005– June 30, 2005)

¥million	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Total	Elimination/ Corporate	Consolidated
Sales to customers	332,292	4,239	5,857	342,390	--	342,390
Intersegment sales	1,930	7,435	547	9,913	(9,913)	--
Total sales	334,223	11,675	6,404	352,303	(9,913)	342,390
Operating expenses	333,267	10,573	6,568	350,409	(10,030)	340,379
Operating income	955	1,102	(168)	1,893	116	2,010

Previous 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 fiscal year (April 1, 2004 – March 31, 2005)

¥million	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Total	Elimination/ Corporate	Consolidated
Sales to customers	1,294,655	17,499	18,827	1,330,982	--	1,330,982
Intersegment sales	6,024	28,305	1,753	36,082	(36,082)	--
Total sales	1,300,680	45,805	20,580	1,367,065	(36,082)	1,330,982
Operating expenses	1,292,523	42,574	20,458	1,355,557	(36,936)	1,318,621
Operating income	8,156	3,230	121	11,507	853	12,361

*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.