

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

February 14, 2005

SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo

Stock Code: 9987

1. Item concerning preparation of quarterly financial statements

1. Adoption of simplified accounting method: Yes

a. Inventories are calculated based on book value.

b. Simplified methods are used for items having little financial impact.

2. Changes in accounting methods compared with most recent fiscal year: No

3. Changes relevant to scope of consolidation and application of the equity method.

Consolidation: (Consolidated) 10 companies

(Excluded) 2 companies

Equity methods: (Applied) 1 company

(Excluded) 1 company

2. Results for the third quarter of Fiscal 2004 (April 1, 2004 – December 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
3Q ended December 31, 2004	987,907	9.9	7,410	(51.4)	15,438	(31.0)
3Q ended December 31, 2003	898,605	-	15,256	-	22,362	-
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	¥	¥
3Q ended December 31, 2004	8,309	(38.9)	90.72	90.49
3Q ended December 31, 2003	13,589	-	185.30	181.96
Year ended March 31, 2004	17,307		231.69	227.98

Notes:

1. Percentage changes for net sales, operating income and other items are based on the same period of the previous fiscal year.

2. A 1.2-for-1 stock split was conducted on May 19, 2004.

Operational Results

During the nine-month period that ended on December 31, 2004, Japan's economy was buffeted by sharply higher crude oil prices and a series of natural disasters that included typhoons and a powerful earthquake in Niigata Prefecture. In addition, there is uncertainty about future corporate earnings, due in part to the possible impact of a weakening Chinese economy on Japan's strong export sector.

In the pharmaceuticals market, the drug tariff has declined 4.2% on average since the National Health Insurance drug price survey on April 1, 2004. Nevertheless, total ethical pharmaceuticals sales appear to have increased slightly because of Japan's aging population and the introduction of new drugs.

In the pharmaceutical wholesaling industry, tight budgets at healthcare institutions caused prices to decline as institutions asked for deeper discounts and pharmaceutical wholesaling companies competed for market share. As a result, companies continued to find it difficult to generate earnings.

On October 1, 2004, ASTIS Co., Ltd., which has a network covering Shikoku, and Okinawa Yakuhin Co., Ltd., which operates in Okinawa Prefecture, became wholly owned subsidiaries of Suzuken. On January 1, 2005, consolidated subsidiary Suzuken Okinawa Co., Ltd. merged with Okinawa Yakuhin. Through these actions, Suzuken continued to move to enlarge its base of operations and execute its strategy of becoming the market leader in every region of Japan.

Suzuken is separating delivery and sales activities in order to improve the quality of product distribution services. This initiative is raising the share of same-day deliveries and giving the sales staff more time to spend on sales activities. In addition, steps were taken to enhance the ability of sales personnel to solve customers' problems and offer proposals for improving their management.

Regarding information management, Suzuken established a project that has prepared an information security policy and is ensuring that it is rigorously enforced. As one element of steps to build this information management framework, Suzuken on December 17, 2004 received ISMS (Information Security Management System) certification and BS7799 certification, an international standard for information security. Furthermore, the Information Security Office, which is overseen directly by the president, was established on January 1, 2005.

In the pharmaceutical manufacturing business, subsidiary Sanwa Kagaku Kenkyusho Co., Ltd. and Sumitomo Pharmaceuticals Co., Ltd. signed an agreement on December 7, 2004 concerning the co-promotion of Miglitol, a postprandial agent for treating hyperglycemia that is currently awaiting final approval in Japan. This will enable the rapid start of sales once approval is received.

Consolidated net sales in the first three quarters increased 9.9% to ¥987,907 million. Contributing to this growth were Sanki Corporation, which became a wholly owned subsidiary on October 1, 2003, Ando Chemical Works Co., Ltd., which merged with Suzuken on the same day, and ASTIS Co., Ltd., which became a wholly owned subsidiary on October 1, 2004.

Regarding earnings, Suzuken has conducted price negotiations with healthcare institutions to set appropriate selling prices. However, the decline in the gross profit margin continued. The result was a 51.4% drop in operating income to ¥7,410 million because of the lower gross margin, a 31.0% decrease in ordinary income to ¥15,438 million and a 38.9% decrease in net income to ¥8,309 million.

(2) Financial Condition

	Total Asset	Shareholder Equity	Shareholder' Equity Ratio	Shareholder's Equity per share
	¥ million	¥ million	%	¥
3Q ended December 31, 2004	809,430	221,949	27.4	2,418.76
3Q ended December 31, 2003	752,824	208,701	27.7	2,845.73
Year ended March 31, 2004	692,365	213,538	30.8	2,810.90

(3) Cash Flows

	Cash Flow by Operating Activities	Cash Flow by Investing Activities	Cash Flow by Financing Activities	Cash and Cash Equivalents, End of Period
	¥ million	¥ million	¥ million	¥million
3Q ended December 31, 2004	31,017	(1,185)	(5,909)	132,301
3Q ended December 31, 2003	40,674	(3)	(3,453)	121,091
Year ended March 31, 2004	31,902	(3,540)	(3,860)	108,369

Qualitative Information of Financial Condition

As of December 31, 2004, cash and cash equivalents totaled ¥132,301 million, an increase of ¥23,931 million, or 22.1%, compared with March 31, 2004. Net cash provided by operating activities was ¥31,017 million, net cash used in investing activities was ¥1,185 million and net cash used in financing activities was ¥5,909 million.

(Operating activities)

Net cash provided by operating activities was ¥31,017 million. Major sources of cash were income before income taxes and minority interests of ¥14,664 million and an increase of ¥81,767 million in trade payables. Major uses of cash were a ¥23,329 million increase in trade receivables, a ¥27,672 million increase in inventories and income tax payments of ¥11,709 million.

(Investing activities)

Net cash used in investing activities was ¥1,185 million. There were proceeds of ¥4,266 million in association with a change in the scope of consolidation but purchases of property and equipment of ¥6,035 million.

(Financing activities)

Net cash used in financing activities was ¥5,909 million. This was primarily the result of payments of ¥2,850 million for stock repurchases and dividend payments of ¥2,217 million by the parent company.

3. 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

Net income per share: ¥109.12

Qualitative Information of Projected Results

For the fiscal year ending in March 2005, Suzuken is making no revisions to its current forecast because operating results in the first three quarters are generally in line with the revised forecast announced on November 15, 2004.

The forecast is based on information currently available and incorporates many uncertainties. Consequently, actual results may differ from these figures.

The net income per share forecast has been revised due to a decrease in the average number of shares outstanding because of stock repurchases during the third quarter.

The financial estimates are based on information available as of February 14, 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.

Consolidated Balance Sheets

ASSETS	Current Period December 31, 2004		Previous Period December 31, 2003		Fiscal Year ended March 31, 2004		Difference Fiscal Year ended March 31, 2004	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Current Assets:								
Cash on hand and in banks, and time deposits	131,138		120,636		107,369		23,769	
Trade notes and accounts receivable	376,697		354,614		330,920		45,777	
Marketable securities	51		101		101		(50)	
Inventories	122,799		110,177		88,717		34,081	
Deferred tax assets	6,956		6,320		7,827		(871)	
Purchase rebates receivable	24,813		23,450		22,990		1,822	
Other current assets	5,542		10,605		2,550		2,992	
Allowance for doubtful accounts	(6,433)		(6,730)		(6,065)		(367)	
Total current assets	661,566	81.7	619,176	82.2	554,412	80.1	107,154	19.3
Fixed Assets:								
Property and Equipment:								
Buildings and structures	33,613		29,962		29,959		3,654	
Machinery and vehicles	2,070		1,675		1,728		341	
Tools, furniture and fixtures	1,997		1,729		1,690		306	
Land	45,922		41,474		41,823		4,099	
Construction in progress	556		345		529		27	
Total property and equipment	84,160	10.4	75,187	10.0	75,730	10.9	8,430	11.1
Intangible Fixed Assets:	6,509	0.8	6,856	0.9	6,912	1.0	(403)	(5.8)
Investments and Other Assets:								
Investment securities	34,495		30,191		33,740		755	
Long-term loans	667		719		683		(15)	
Deferred tax assets	348		351		139		209	
Prepaid pension expenses	11,810		11,913		11,870		(59)	
Others	12,195		10,128		11,188		1,007	
Allowance for doubtful accounts	(2,325)		(1,701)		(2,312)		(12)	
Total investments and other assets	57,192	7.1	51,603	6.9	55,308	8.0	1,883	3.4
Total fixed assets	147,863	18.3	133,647	17.8	137,952	19.9	9,910	7.2
Total assets	809,430	100.0	752,824	100.0	692,365	100.0	117,064	16.9

LIABILITIES:	Current Period December 31, 2004		Previous Period December 31, 2003		Fiscal Year ended March 31, 2004		Difference Fiscal Year ended March 31, 2004	
	¥ million	%	¥ million	%	¥million	%	¥ million	%
Current Liabilities:								
Trade notes and accounts payable	547,790		508,695		435,256		112,534	
Short-term bank loans	5,456		412		406		5,050	
Bonds due within one year	—		100		—		—	
Convertible bonds redeemable within one year	—		3,995		1,130		(1,130)	
Income taxes payable	1,967		5,023		9,200		(7,233)	
Reserves for sales returns	554		589		637		(82)	
Accrued bonuses	3,807		4,391		7,758		(3,951)	
Other current liabilities	8,391		7,308		7,609		781	
Total current liabilities	567,968	70.2	530,515	70.5	461,998	66.8	105,969	22.9
Long-term Liabilities:								
Long-term borrowings	2,289		1,042		909		1,380	
Deferred tax liabilities	6,601		5,149		5,815		786	
Deferred tax liabilities from revaluations	3,078		93		2,988		90	
Liability of employees' retirement benefits	3,491		3,281		3,132		359	
Liability for directors' and corporate auditors' retirement benefits	569		748		784		(215)	
Goodwill on Consolidation	341		833		722		(380)	
Other long-term liabilities	637		137		135		501	
Total long term liabilities	17,010	2.1	11,286	1.5	14,488	2.1	2,522	17.4
Total Liabilities	584,979	72.3	541,802	72.0	476,487	68.9	108,492	22.8
MINORITY INTERESTS	2,501	0.3	2,320	0.3	2,338	0.3	162	6.9
SHAREHOLDERS' EQUITY:								
Common stock	13,546	1.6	13,129	1.7	13,129	1.9	417	3.2
Additional paid-in capital	32,179	4.0	28,968	3.8	29,652	4.3	2,527	8.5
Retained earnings	182,890	22.6	173,422	23.0	177,151	25.6	5,739	3.2
Land revaluation difference	(7,228)	(0.9)	(4,451)	(0.5)	(7,361)	(1.1)	132	—
Net unrealized gain on available-for-sale securities	4,735	0.6	3,924	0.5	5,332	0.8	(596)	(11.2)
Foreign currency translation adjustments	—	—	(11)	(0.0)	(12)	(0.0)	12	—
Treasury stock, at cost	(4,174)	(0.5)	(6,280)	(0.8)	(4,352)	(0.7)	177	—
Total Shareholders' Equity	221,949	27.4	208,701	27.7	213,538	30.8	8,410	3.9
Total	809,430	100.0	752,824	100.0	692,365	100.0	117,064	16.9

Consolidated Statements of Income

	Current Period December 31, 2004		Previous Period December 31, 2003		Difference		Fiscal Year ended March 31, 2004	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Net Sales	987,907	100.0	898,605	100.0	89,302	9.9	1,194,024	100.0
Cost of sales	895,893	90.7	806,007	89.7	89,886	11.2	1,068,937	89.5
Gross Profit	92,013	9.3	92,597	10.3	(583)	(0.6)	125,086	10.5
Reversal of sales returns	634	0.1	645	0.1	(10)		645	0.1
Provision for sales returns	515	0.1	564	0.1	(48)		612	0.1
Gross Profit after Adjustment	92,133	9.3	92,678	10.3	(545)	(0.6)	125,120	10.5
Selling, General and Administrative Expenses	84,722	8.6	77,422	8.6	7,300	9.4	105,413	8.8
Operating Income	7,410	0.7	15,256	1.7	(7,846)	(51.4)	19,706	1.7
Non-operating Income	8,203	0.8	7,387	0.8	816	11.1	10,164	0.8
Interest and dividends	392		360		31		457	
Purchase discounts	4,709		4,171		537		5,731	
Commission for supplying sales data	2,242		1,998		244		2,727	
Other	859		855		3		1,248	
Non-operating Expenses	175	0.0	280	0.0	(105)	(37.6)	379	0.0
Interest expenses	39		20		19		27	
Other	135		260		(124)		351	
Ordinary Income	15,438	1.5	22,362	2.5	(6,924)	(31.0)	29,492	2.5
Extraordinary Gain:	896	0.1	2,655	0.3	(1,758)	(66.2)	2,673	0.2
Gain on sales of fixed assets	135		0		135		2	
Gain on sales of investment securities	461		1,537		(1,075)		1,544	
Gain on sales of subsidiaries share	86		1,083		(997)		1,083	
Gain on termination of insurance contracts	145		—		145		—	
Other	67		33		33		42	
Extraordinary Loss:	1,671	0.2	625	0.1	1,045	167.0	1,336	0.1
Loss on sales and disposal of fixed assets	1,262		392		869		604	
Loss on revaluation of investment securities	164		49		114		34	
Other	244		183		61		697	
Income before Income Taxes and Minority Interests	14,664	1.4	24,391	2.7	(9,727)	(39.9)	30,829	2.6
Income Taxes	6,131	0.6	10,557	1.2	(4,426)	(41.9)	13,297	1.1
Minority Interests	223	0.0	244	0.0	(21)	(8.6)	224	0.0
Net Income	8,309	0.8	13,589	1.5	(5,280)	(38.9)	17,307	1.5

Consolidated Statements of Cash Flows

	Current Period December 31, 2004	Previous Period December 31, 2003	Fiscal year ended March 31, 2004
	¥ million	¥ million	¥ million
I. Operating Activities:			
Income before income taxes and minority interests	14,664	24,391	30,829
Depreciation	3,823	3,914	5,264
Provision for (reversal of) allowance for doubtful accounts	(133)	101	4
Decrease in liability for employees' retirement benefits	(102)	(2,659)	(2,764)
Provision for other allowance	(4,954)	(3,609)	(157)
Interest and dividend income	(392)	(360)	(457)
Gain on sales of investment securities	(461)	(1,537)	(1,544)
Profit on sales of subsidiaries stocks	(86)	(1,083)	(1,083)
Loss on sales and disposal of fixed assets	1,262	392	604
Decrease (increase) in trade receivables	(23,329)	(30,226)	(478)
Decrease (increase) in inventories	(27,672)	(21,146)	313
Decrease (increase) in purchase rebates receivable	34	5,962	6,421
Decrease (increase) in trade payables	81,767	75,756	2,316
Other	(2,055)	(3,842)	(1,858)
Subtotal	42,364	46,053	37,409
Interest and dividend income received	395	361	457
Interest expenses paid	(32)	(20)	(28)
Income tax paid	(11,709)	(5,720)	(5,935)
Net cash used in operating activities	31,017	40,674	31,902
II. Investing Activities:			
Purchases of property and equipment	(6,035)	(4,350)	(5,890)
Proceeds from sales of property and equipment	1,724	969	1,024
Acquisition of intangible fixed assets	(1,422)	(957)	(1,397)
Purchase of investment securities	(658)	(5,100)	(6,285)
Proceeds from sales of investment securities	631	3,356	3,367
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	302	1,774	1,774
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	4,266	3,725	3,724
Disbursements for loans	(205)	(55)	(287)
Proceeds from collections of loans	305	127	389
Other, net	(94)	506	39
Net Cash provided by (used in) investing activities	(1,185)	(3)	(3,540)
III. Financing Activities			
Decrease in short-term borrowings, net	99	(1,080)	(1,080)
Repayments of long-term borrowings	(703)	(452)	(591)
Repurchasing redemption of convertible bonds	(14)	(103)	(115)
Redemption of convertible bonds	(221)	—	—
Acquisition of treasury stocks	(2,850)	(16)	(258)
Proceeds from Sales of treasury stocks	3	—	—
Dividends paid	(2,217)	(1,797)	(1,811)
Dividends paid to minority shareholders	(4)	(3)	(3)
Net cash (used in) provided by financing activities	(5,909)	(3,453)	(3,860)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	9	(4)	(10)
V. Net Decrease in Cash and Cash Equivalents	23,931	37,212	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	299
VIII. Cash and Cash Equivalents, End of Period	132,301	121,091	108,369