

Financial Section

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Five-Year Highlights

Suzuken Co., Ltd. and Subsidiaries

Years ended March 31

	Millions of yen except per share data					Thousands of U.S. Dollars except per share data
	2003	2002	2001	2000	1999	2003
For the year:						
Net sales	1,060,211	955,749	917,145	872,512	815,276	8,835,092
Gross profit	115,468	97,610	96,246	98,563	99,187	962,233
Selling, general and administrative expenses	96,529	86,404	86,127	85,665	84,599	804,408
Operating income	18,939	11,206	10,119	12,898	14,588	157,825
Net income	16,004	8,794	9,202	9,554	8,324	133,367
Depreciation	5,258	5,915	6,341	5,506	4,594	43,817
Capital expenditures	6,440	6,115	7,729	8,762	7,526	53,666
Research and development costs	5,026	4,330	3,521	3,083	2,908	41,883
Per share data:						
Net income (EPS) – Basic	221.49	115.73	117.17	121.59	105.90	1.846
– Diluted	216.96	114.28	-	-	-	1.808
Shareholders' equity	2,576.57	2,327.73	2,275.99	2,149.79	2,040.77	21.471
Cash dividends	24.00	20.00	20.00	20.00	20.00	0.200
Operating cash flow	351.95	(93.97)	126.56	194.30	290.48	2.933
At year end:						
Total assets	623,553	569,433	595,319	552,551	520,947	5,196,275
Short-term bank loans + Current portion of long-term debt + Long-term debt	5,933	7,393	3,859	5,724	914	49,442
Total shareholders' equity	186,899	164,701	176,968	167,162	158,678	1,557,491
Ratios:						
Return on assets (ROA)	2.6	1.5	1.5	1.7	1.6	
Return on equity (ROE)	9.1	5.1	5.3	5.9	5.9	
Number of employees	8,423	7,075	7,168	7,402	7,104	

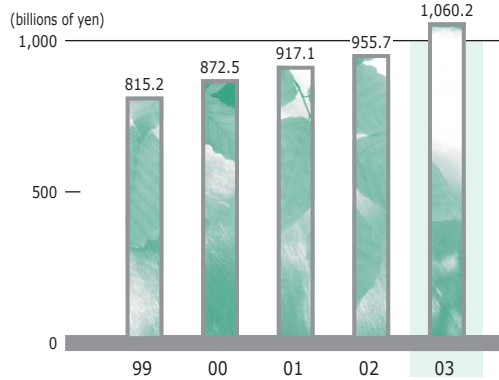
Notes: 1. The scope of consolidation was increased in the fiscal year ended March 31, 2000.

2. The U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥120=US\$1.00, the exchange rate prevailing on March 31, 2003.

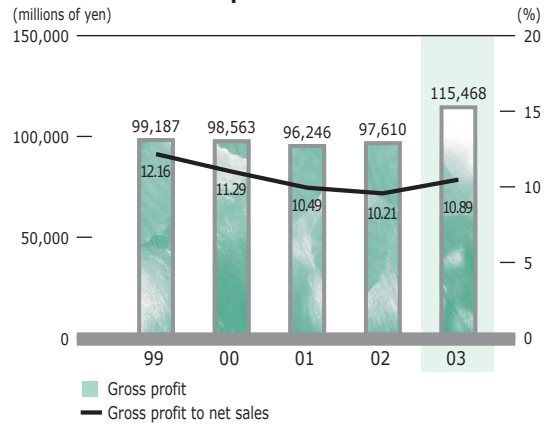
3. Net income per share and operating cash flows per share are calculated based on the average number of shares outstanding during the fiscal year after deduction of the average balance of treasury stock. Shareholders' equity per share is calculated based on the number of shares outstanding at the end of each fiscal year after deduction of year-end treasury stock.

4. Figures for the fiscal years ended March 31, 2001 and 2002 are adjusted to compensate for the effect of the fiscal year-end falling on a bank holiday.

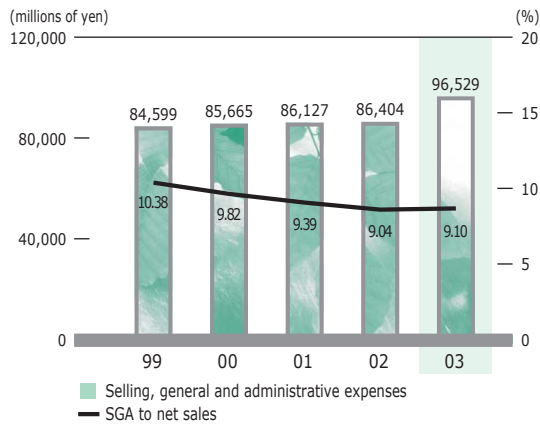
Net sales



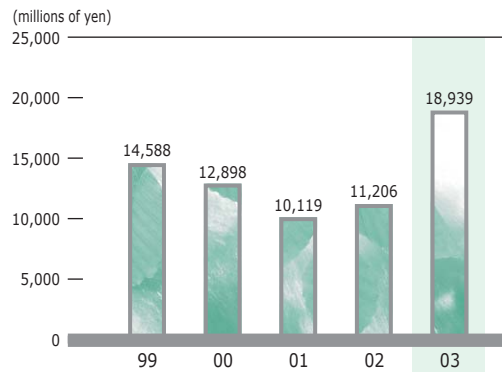
Gross profit Gross profit to net sales



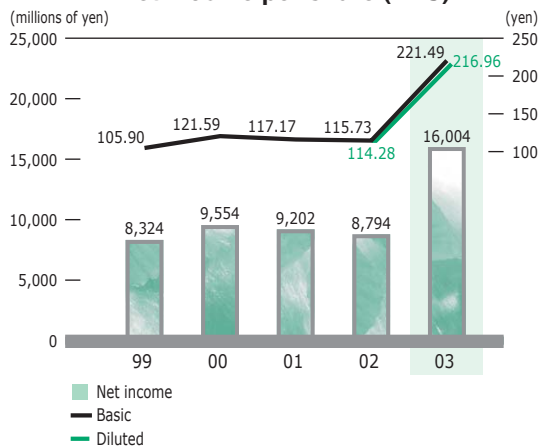
Selling, general and administrative expenses SGA to net sales



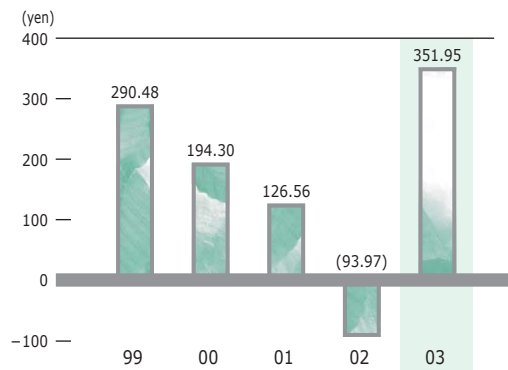
Operating income



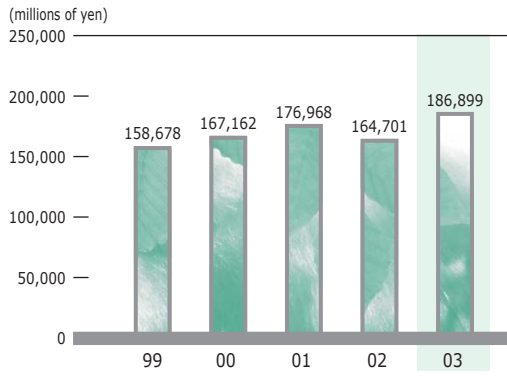
Net income Net income per share (EPS)



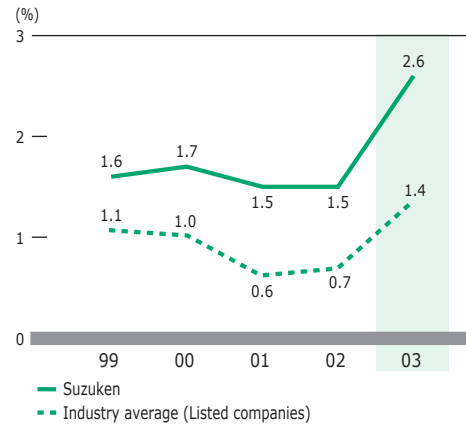
Operating cash flow per share



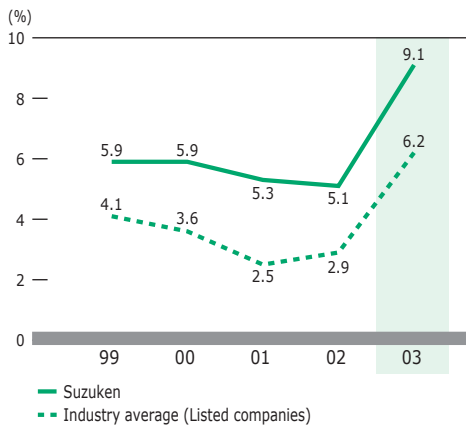
Total shareholders' equity



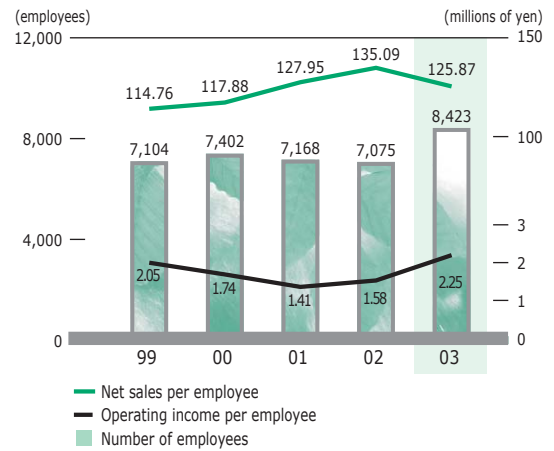
Return on assets (ROA)



Return on equity (ROE)



**Net sales per employee
Operating income per employee
Number of employees**



Financial Review

The consolidated financial statements include 24 consolidated subsidiaries and 2 affiliated companies accounted for using the equity method. These companies are primarily engaged in the sales and manufacture of pharmaceuticals as well as healthcare-related services and other activities. In October 2002, we merged with Ohmori Co., Ltd. to strengthen operations in the Tokyo and Osaka metropolitan regions.

Operating Environment

Japan's domestic consumption and capital investment for the fiscal year ended March 31, 2003, remained flat, stock market was stagnant, and high unemployment was unchanged. The economy in Japan, overall, continued to be dull.

The market for ethical pharmaceuticals continued to grow by approximately 3-4% during the fiscal year, due to the higher demand for new drugs and the continued growth of the elderly population. In particular, the dispensing pharmacy market showed a continuous expansion, reflecting the movement of separation between dispensing and prescribing function, which reached 50% achievement.

Within Japan's pharmaceutical wholesale industry, there has been a tough negotiation between medical institutions which tried to compensate for the decreased income from medical treatment by profit on pharmaceuticals, and wholesalers which tried to keep reasonable levels of profit in their dealings with pharmaceuticals. However, it is considered that the tendency of declining gross profit had stopped.

Sales and Profitability

We achieved consolidated net sales of ¥1,060,211 million (\$8,835 million), exceeding ¥1 billion for the first time, in the fiscal year ended March 31, 2003. The 10.9% increase in consolidated net sales was due mainly to the merger with Ohmori Co., Ltd. which strengthened our sales force. Operating income increased 69.0% to ¥18,939 million (\$158 million), due to the increased sales volume and improved gross profit margin, which mitigated the general increase in selling, general and administrative expenses caused by the merger. We set up reasonable target profit margins to negotiate with medical institutions and succeeded in reducing transactions which had low profit margins.

Each of our three segments, pharmaceutical distribution, pharmaceutical manufacturing, and other healthcare-related services contributed to our sales increase. Sales of pharmaceutical distribution increased 10.9% to ¥1,035,901 million (\$8,633 million) reflecting the effect of the merger with Ohmori Co., Ltd. and favorable sales in the dispensing pharmacy market, a largely contributing to the increase in operating profit. Sales of pharmaceutical manufacturing increased 17.6% to ¥15,456 million (\$129 million) due to increased sales of reagents to measure blood glucose, and nutritional and medical foods. The operating income of this segment increased 191.6% to ¥2,190 million (\$18 million), comprising 12% of total operating income. Owing to the expanded business in the dispensing pharmaceutical market, sales of other healthcare-related services increased 6.6% to ¥8,854 million (\$74 million) and operating profit was ¥352 million (\$3 million).

The Company and certain subsidiaries had a contributory funded defined benefit pension plan. It was established under the Japanese Welfare Pension Insurance Law and comprised a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the companies. In accordance with the enactment of the Defined Benefit Pension Plan Law, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion in order to reduce future benefit obligation. This would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 18, 2002. As a result of this exemption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥12,360 million (\$103 million) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

In accordance with the enactment of the Defined Contribution Pension Plan Law, the Company and certain subsidiaries implemented a defined contribution pension plan by which the former qualified defined benefit pensions plan was terminated. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan. The effect of this transfer in the amount of ¥2,654 million (\$22 million) was recorded as transfer loss of pension plans in the statements of income for the year ended March 31, 2003.

In order to reduce future expenses, the Company introduced a new salary system, which guaranteed salary payment until the age of 65 with reduced salaries. This was first introduced to employees engaging in distribution business and the employees who applied to the new system once retired during the year ended March 31, 2003. The Company paid a special retirement payment of ¥4,088 million (\$34 million) in relation to this early retirement and others.

As a result of the aforementioned factors, income before income tax and minority interests increased by 83% from ¥16,024 million to ¥29,310 million (\$244 million). Net income for the year increased 82% to ¥16,004 million (\$133 million.)

Cash Flows

Cash flows from operating activities for the year ended March 31, 2003, was negative at ¥3,605 million (\$30 million). Large accounts payable outstanding at March 31, 2002, in the amount of ¥28,801 million (\$240 million), were settled on April 1, 2002, since the last year end fell on a bank holiday. This caused a decrease in trade payables by ¥29,883 million (\$249 million) and a negative operating cash flow. It was also partly because net income for the year was generated from non-cash gain on exemption from future pension obligation of the governmental portion in the amount of ¥12,360 million (\$103 million). If trade payables outstanding as of March 31, 2002 and 2001 due to bank holidays were settled at the end of fiscal years (the effect as of March 31, 2001 was ¥25,796 million), cash flows would have been as follows:

	Millions of Yen	
	2003	2002
Net cash provided by (used in) operating activities	25,196	(7,053)
Net cash provided by (used in) investing activities	5,642	(5,999)
Net cash used in financing activities	(14,919)	(14,556)
Foreign currency translation adjustments on cash and cash equivalents	(7)	4
Net increase (decrease) in cash and cash equivalents	15,912	(27,604)
Cash and cash equivalents increased due to merger with Ohmori Co., Ltd.	4,177	-
Cash and cash equivalents, beginning of year	63,489	91,093
Cash and cash equivalents, end of year	83,578	63,489

Cash flow from investing activities for the year ended March 31, 2003, was ¥5,642 million (\$47 million) reflecting net proceeds from investment securities. This was due to early redemption of euro yen investment securities in the amount of ¥8,071 million (\$67 million.) Cash flow from investing activities for the year ended March 31, 2002, was negative at ¥5,999 million due mainly to acquisition of investment securities.

The Companies do not rely on short-term bank borrowings as a funding policy. Therefore using the positive cash flow from investing activities and cash at the beginning of the year, the Companies repaid short-term borrowings of ¥12,007 million (\$100 million) mainly assumed from Ohmori Co., Ltd. Accordingly, cash flow from financing activities for the year ended March 31, 2003, was negative at ¥14,919 million (\$124 million.)

In total, cash and cash equivalents at the end of the year decreased by ¥8,712 million (\$73 million) to ¥83,578 million (\$696 million.)

Financial Position

Total assets increased from ¥569,433 million to ¥623,553 million (\$5,196 million) due mainly to the merger with Ohmori Co., Ltd. of which major increases were in trade receivables and inventories. Investment securities decreased by ¥8,425 million (\$70 million) due to the early redemption as described before. As a result of the exemption from future pension obligation of the governmental portion, 1) the Companies recorded prepaid pension cost in the amount of ¥9,987 million (\$83 million), 2) liability for employees' retirement benefits decreased to ¥3,936 million (\$33 million), and 3) deferred tax liabilities in the amount of ¥2,704 million (\$23 million) were recognized.

In line with the new accounting standard for treasury stock, gain on disposition of treasury stock, which was allotted to the shareholders of Ohmori Co., Ltd., increased capital surplus by ¥5,420 million (\$45 million.) Total shareholders' equity increased to ¥186,899 million (\$1,557 million) together with the increased net income, resulting in increased equity ratio from 28.9% to 30.0%.

Per Share Information

Due to the favorable operating result for the year ended March 31, 2003 and full effect of purchased treasury stock in the previous year, basic net income per share almost doubled from ¥115.73 to ¥221.49 and shareholders' equity per share increased from ¥2,327.73 to ¥2,576.57.

Dividends

The distribution of earnings to shareholders is a key element of Suzuken's management policies. The company's basic policy is to set dividends at a level that takes into consideration earnings, the payout ratio and other factors, as well as the need to preserve a sound operating base.

Retained earnings are used to preserve Suzuken's competitive superiority, achieve growth and build a more powerful base of operations.

Dividends per share applicable to the past fiscal year totaled ¥24, representing an interim dividend of ¥11 and a year-end dividend of ¥13. The interim dividend included a commemorative dividend of ¥1 to mark Suzuken's 70th anniversary and the year-end distribution included a ¥1 commemorative dividend due to the October 2002 merger with Ohmori Co., Ltd. and an increase of ¥2 in the ordinary dividend because of the growth in earnings.

Consolidated Balance Sheets

Suzuken Co., Ltd. and Subsidiaries

March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Assets			
Current Assets:			
Cash and cash equivalents	¥ 83,578	¥ 92,290	\$ 696,483
Time deposits	-	3	-
Marketable securities (Note 3)	49	387	408
Receivables:			
Trade notes and accounts	299,983	263,333	2,499,859
Associated companies	-	16	-
Purchase rebates receivable	27,771	24,445	231,425
Allowance for doubtful accounts	(6,405)	(6,076)	(53,375)
Inventories (Note 4)	84,205	69,233	701,709
Deferred tax assets (Note 9)	6,972	5,817	58,100
Other current assets	7,624	3,972	63,533
Total current assets	503,777	453,420	4,198,142
Property and Equipment:			
Land (Note 6)	36,387	32,304	303,225
Buildings and structures (Note 6)	56,952	53,847	474,600
Machinery and equipment	21,590	23,514	179,917
Construction in progress	180	17	1,500
Total	115,109	109,682	959,242
Accumulated depreciation	(46,291)	(45,300)	(385,759)
Net property and equipment	68,818	64,382	573,483
Investments and Other Assets:			
Investment securities (Notes 3 and 6)	24,860	33,285	207,167
Investments in associated companies	26	8	217
Deferred tax assets (Note 9)	689	2,152	5,741
Deferred tax assets for land revaluation (Notes 2(f) and 9)	-	472	-
Prepaid pension cost	9,987	429	83,225
Other assets	15,396	15,285	128,300
Total investments and other assets	50,958	51,631	424,650
Total	¥ 623,553	¥ 569,433	\$ 5,196,275

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 6)	¥ 752	¥ 845	\$ 6,267
Payables:			
Trade notes and accounts (Note 6)	402,542	370,053	3,354,517
Purchases of property and equipment	2,062	679	17,183
Income taxes payable	2,528	5,118	21,067
Accrued bonuses	7,264	5,693	60,533
Other current liabilities	6,424	5,362	53,533
Total current liabilities	421,572	387,750	3,513,100
Long-Term Liabilities:			
Long-term debt (Notes 5 and 6)	5,181	6,548	43,175
Liability for employees' retirement benefits (Note 7)	3,936	7,476	32,800
Liability for retirement benefits to directors and corporate auditors (Note 7)	868	846	7,233
Deferred tax liabilities (Note 9)	2,704	78	22,533
Deferred tax liabilities for land revaluation (Note 9)	172	-	1,434
Other long-term liabilities	102	104	850
Total long-term liabilities	12,963	15,052	108,025
Minority Interests	2,119	1,930	17,659
Contingent Liabilities and Commitments (Note 13)			
Shareholders' Equity (Note 8):			
Common stock,			
Authorized: 231,000,000 shares in 2003 and 2002			
Issued: 77,718,626 shares in 2003			
77,710,047 shares in 2002	13,130	13,116	109,416
Capital surplus	26,160	20,726	218,000
Retained earnings	162,719	148,007	1,355,992
Land revaluation difference	(5,377)	(4,297)	(44,809)
Net unrealized gain on available-for-sale securities	2,591	3,607	21,592
Foreign currency translation adjustments	(9)	(6)	(75)
Total	199,214	181,153	1,660,116
Treasury stock, at cost 5,238,316 shares in 2003 and 7,000,573 shares in 2002	(12,315)	(16,452)	(102,625)
Total shareholders' equity	186,899	164,701	1,557,491
Total	¥ 623,553	¥ 569,433	\$ 5,196,275

Consolidated Statements of Income

Suzuken Co., Ltd. and Subsidiaries

Years Ended March 31, 2003 and 2002

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		2003
	2003	2002	
Net Sales	¥ 1,060,211	¥ 955,749	\$ 8,835,092
Cost of Sales	944,743	858,139	7,872,859
Gross profit	115,468	97,610	962,233
Selling, General and Administrative Expenses (Note 10)	96,529	86,404	804,408
Operating income	18,939	11,206	157,825
Other Income (Expenses):			
Interest and dividends	507	489	4,225
Interest expense	(41)	(34)	(342)
Purchase discounts	4,853	4,096	40,442
(Loss) gain on sales and disposal of fixed assets	(2,407)	422	(20,058)
Loss on sales of investment securities	(335)	(33)	(2,792)
Write-down of investment securities	(866)	(3,731)	(7,217)
Commission for supplying sales data	2,423	2,200	20,192
Special retirement payments (Note 7)	(4,088)	-	(34,067)
Gain on exemption from future pension obligations of the government portion (Note 7)	12,360	-	103,000
Loss on transfer of pension plans (Note 7)	(2,654)	-	(22,117)
Other - net	619	1,409	5,159
Other income - net	10,371	4,818	86,425
Income Before Income Taxes and Minority Interests	29,310	16,024	244,250
Income Taxes (Note 9):			
Current	5,749	6,005	47,908
Deferred	7,365	1,142	61,375
Total income taxes	13,114	7,147	109,283
Minority Interests in Net Income	192	83	1,600
Net Income	¥ 16,004	¥ 8,794	\$ 133,367

Per Share of Common Stock (Notes 2(q) and 14):

	Yen		U.S. Dollars
Basic net income	¥ 221.49	¥ 115.73	\$ 1.846
Diluted net income	216.96	114.28	1.808
Cash dividends applicable to the year	24.00	20.00	0.200

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Suzuken Co., Ltd. and Subsidiaries

Years Ended March 31, 2003 and 2002

	Thousands				Millions of Yen			
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Difference	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at April 1, 2001	77,708	¥13,114	¥20,724	¥140,871	-	¥2,270	¥(11)	-
Net income	-	-	-	8,794	-	-	-	-
Cash dividends, interim and year-end	-	-	-	(1,554)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(104)	-	-	-	-
Increase in treasury stock (7,000,518 shares)	-	-	-	-	-	-	-	¥(16,452)
Conversion of convertible bonds	2	2	2	-	-	-	-	-
Land revaluation difference	-	-	-	-	¥(4,297)	-	-	-
Net increase in unrealized gain on available-for-sale securities	-	-	-	-	-	1,337	-	-
Net increase in foreign currency translation adjustments	-	-	-	-	-	-	5	-
Balance at March 31, 2002	77,710	13,116	20,726	148,007	(4,297)	3,607	(6)	(16,452)
Net income	-	-	-	16,004	-	-	-	-
Cash dividends, interim and year-end	-	-	-	(1,485)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(108)	-	-	-	-
Reversal of land revaluation difference due to sales of land	-	-	-	301	(301)	-	-	-
Increase in treasury stock (8,280 shares)	-	-	-	-	-	-	-	(24)
Conversion of convertible bonds	9	14	14	-	-	-	-	-
Effect as a result of disposal of treasury stock (1,770,537 shares)	-	-	5,420	-	-	-	-	4,161
Net decrease in land revaluation difference due to change in deferred taxes	-	-	-	-	(779)	-	-	-
Net decrease in unrealized gain on available-for-sale securities	-	-	-	-	-	(1,016)	-	-
Net decrease in foreign currency translation adjustments	-	-	-	-	-	-	(3)	-
Balance at March 31, 2003	77,719	¥13,130	¥26,160	¥162,719	¥(5,377)	¥ 2,591	¥(9)	¥(12,315)

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Land Revaluation Difference	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at March 31, 2002	\$109,300	\$172,717	\$1,233,392	\$(35,809)	\$30,058	\$(50)	\$(137,100)
Net income	-	-	133,367	-	-	-	-
Cash dividends, interim and year-end	-	-	(12,375)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	(900)	-	-	-	-
Reversal of land revaluation difference	-	-	2,508	(2,508)	-	-	-
Increase in treasury stock (8,280 shares)	-	-	-	-	-	-	(200)
Conversion of convertible bonds	116	116	-	-	-	-	-
Effect as a result of disposal of treasury stock (1,770,537 shares)	-	45,167	-	-	-	-	34,675
Net decrease in land revaluation difference due to change in deferred taxes	-	-	-	(6,492)	-	-	-
Net decrease in unrealized gain on available-for-sale securities	-	-	-	-	(8,466)	-	-
Net decrease in foreign currency translation adjustments	-	-	-	-	-	(25)	-
Balance at March 31, 2003	\$109,416	\$218,000	\$1,355,992	\$(44,809)	\$21,592	\$(75)	\$(102,625)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Suzuken Co., Ltd. and Subsidiaries

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Operating Activities:			
Income before income taxes and minority interests	¥ 29,310	¥ 16,024	\$ 244,250
Adjustments for:			
Income taxes - paid	(8,364)	(7,041)	(69,700)
Depreciation and amortization	5,258	5,915	43,817
Loss (gain) on sales and disposal of fixed assets - net	2,407	(422)	20,058
Loss on sales of investment securities - net	335	33	2,792
Write-down of investment securities	866	3,731	7,217
Gain on exemption from future pension obligation of the governmental portion	(12,360)	-	(103,000)
Loss on transfer of pension plans	2,654	-	22,117
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade receivables	15,644	(1,559)	130,366
Increase in inventories	(1,665)	(2,570)	(13,875)
Decrease (increase) in purchase rebates receivables	1,526	(1,460)	12,717
Decrease in trade payables	(29,883)	(8,491)	(249,025)
Increase (decrease) in allowance for doubtful accounts	213	(235)	1,775
Decrease in liability for retirement benefits	(3,391)	(8,114)	(28,259)
Other - net	(6,155)	141	(51,292)
Total adjustments	(32,915)	(20,072)	(274,292)
Net cash used in operating activities	(3,605)	(4,048)	(30,042)
Investing Activities:			
Decrease in time deposits - net	78	4,193	650
Proceeds from sales of property and equipment	3,026	1,128	25,217
Purchases of property and equipment	(2,978)	(2,960)	(24,817)
Proceeds from sales of marketable securities	416	1,283	3,467
Purchases of marketable securities	-	(1,000)	-
Proceeds from sales of investment securities	9,350	5,045	77,917
Purchases of investment securities	(3,279)	(10,734)	(27,325)
Increase in other assets - net	(971)	(2,954)	(8,092)
Net cash provided by (used in) investing activities	5,642	(5,999)	47,017
Financing Activities:			
Decrease in short-term bank loans - net	(12,007)	(400)	(100,058)
Proceeds from long-term debt	-	4,920	-
Repayments of long-term debt	(1,400)	(1,063)	(11,667)
Acquisition of treasury stock - net	(24)	(16,452)	(200)
Dividends paid, including payment to minority shareholders	(1,488)	(1,561)	(12,400)
Net cash used in financing activities	(14,919)	(14,556)	(124,325)
Foreign currency translation adjustments on cash and cash equivalents	(7)	4	(58)
Net decrease in cash and cash equivalents	(12,889)	(24,599)	(107,408)
Cash and cash equivalents increased due to merger with Ohmori Co., Ltd.	4,177	-	34,808
Cash and cash equivalents, beginning of year	92,290	116,889	769,083
Cash and cash equivalents, end of year	¥ 83,578	¥ 92,290	\$ 696,483
Non-cash Investing and Financing Activities:			
Conversion of convertible bonds to common stock	¥ 28	¥ 4	\$ 233
Assets acquired and liabilities assumed in merger (Note 15)			
Current assets	¥ 78,672	-	\$ 655,600
Non-current assets	10,518	-	87,650
Current liabilities	79,696	-	664,133
Non-current liabilities	21	-	175

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Suzuken Co., Ltd. and Subsidiaries

Years Ended March 31, 2003 and 2002

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by SUZUKEN CO., LTD. (the "Company") and its subsidiaries (together with the Company, hereinafter referred to as the "Companies") in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2002 consolidated financial statements to conform to the classification used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to \$1, the approximate rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The Company had 24 subsidiaries and 2 associated companies at March 31, 2003 (22 subsidiaries and 2 associated companies at March 31, 2002). The consolidated financial statements as of March 31, 2003 include the accounts of the Company and its 24 subsidiaries (22 subsidiaries in 2002). Details of the significant subsidiaries included in each segment at March 31, 2003 are as follows:

Business Segment	Significant Subsidiaries	Equity Ownership Percentage	Common Stock (Millions of Yen)
Pharmaceutical distribution	SUZUKEN OKINAWA CO., LTD.	98.7	12
	SUZUKEN IWATE CO., LTD.	100.0	97
	NAKANO YAKUHIH CO., LTD.	100.0	94
Pharmaceutical manufacturing	SANWA KAGAKU KENKYUSHO CO., LTD.	90.1	101
	NIHON SEIYAKU KOGYO CO., LTD.	100.0	40
Other healthcare related services:			
Healthcare related services	LIFE MEDICOM CO., LTD.	100.0	460
	SUZUKEN MEDICAL		
	INFORMATION BANK CO., LTD.	100.0	50
Medical equipment manufacturing	KENZMEDICO CO., LTD.	100.0	460
Dispensing pharmacies	RYOUMOU IYAKUHIH CO., LTD.	100.0	10
Other services	SUZUKEN BUSSAN CO., LTD.	100.0	30
	SUZUKEN KENSETSU CO., LTD.	100.0	36
	SUZUKEN SEIBI CO., LTD.	100.0	15

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 (2 in 2002) associated companies are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years, unless deemed immaterial and charged to income as incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

The fiscal year-end of certain subsidiaries and associated companies differs from that of the Company. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions at March 31, 2003 and 2002, and the results of operations for the years ended March 31, 2003 and 2002.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, beneficial interest in trust, commercial paper and money management funds, all of which mature or become due within three months of the date of acquisition.

(c) Inventories

Inventories are stated at cost, mainly determined by the moving-average method for merchandise and raw materials, by the annual average method for finished goods and work in process, and by the last purchase invoice price method for supplies.

(d) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for depending on management's intent. All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is computed mainly by the declining-balance method at rates based on the estimated useful lives of assets, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 5 to 17 years for machinery and equipment.

(f) Land Revaluation

Under the "Law of Land Revaluation", the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation difference represents unrealized devaluation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax assets. The details of the one-time revaluation at March 31, 2002 were as follows:

	Millions of Yen
Land before revaluation:	¥ 33,343
Land after revaluation:	28,574
Land revaluation difference:	4,297
	(net of deferred tax assets of ¥472 million)

During the year ended March 31, 2003, the land revaluation differences increased due to changes in valuation allowance for deferred tax assets and future tax rates. The land revaluation differences were ¥5,377 million (\$44,809 thousand), net of deferred tax liabilities of ¥172 million (\$1,434 thousand) at March 31, 2003.

The carrying amount of the land after the one-time revaluation noted above exceeded market value by ¥1,750 million (\$14,583 thousand) at March 31, 2003.

(g) Other Assets

Intangible assets are amortized by the straight-line method.

(h) Bond Issue Costs

Bond issue costs are charged to income as incurred.

(i) Retirement and Pension Plans

The Companies have contributory funded pension plans, non-contributory funded pension plans and unfunded retirement benefit plans for employees. The Company abolished its unfunded retirement benefit plans on August 1, 2001. The Company replaced its lump-sum severance payment by issuing convertible bonds to employees, in advance of their retirement. Additional information with respect to the Company's convertible bonds is described in Note 5.

The Companies accounted for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Unrecognized prior service cost is amortized by the straight-line method over 5 years within the expected average service life of the employees active at the date of change of the pension plans.

Differences between the actual return on assets and the expected return on assets for a period are amortized as a component of net pension cost for the following years, over the estimated average remaining service period within the limit of 15 years.

Directors and corporate auditors are not covered by the above plan. The Companies make provisions for severance payments to directors and corporate auditors, the accumulated balance of which represents 100% of all directors' and corporate auditors' severance payments at the respective balance sheet dates.

(j) Research and Development Costs

Research and development costs are charged to income as incurred.

(k) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(l) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain information is disclosed in the notes to the lessee's and to the lessor's financial statements.

(m) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

(n) Foreign Currency Transactions

Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation

are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(o) Foreign Currency Financial Statements

The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of their balance sheet date, except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

(p) Derivatives and Hedging Activities

The Companies use derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

All of the foreign exchange forward contracts of the Companies are utilized to hedge foreign exchange. Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end, are not subject to the disclosure of market value information.

(q) Per Share Information

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. Basic net income and diluted net income per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new standard.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Marketable and Investment Securities

Marketable and investment securities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current:			
Debt securities	¥ 49	¥ 1	\$ 408
Other	-	386	-
Total	¥ 49	¥ 387	\$ 408
Non-current:			
Equity securities	¥ 17,165	¥ 20,227	\$ 143,042
Debt securities	7,356	11,932	61,300
Other	339	1,126	2,825
Total	¥ 24,860	¥ 33,285	\$ 207,167

Information of the available-for-sale securities whose fair value was readily determinable at March 31, 2003 and 2002 was as follows:

March 31, 2003	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 10,127	¥ 5,552	¥ 805	¥ 14,874
Debt securities	7,458	22	75	7,405
Other	339	7	7	339
Total	¥ 17,924	¥ 5,581	¥ 887	¥ 22,618

March 31, 2002	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 10,688	¥ 7,661	¥ 331	¥ 18,018
Debt securities	12,463	11	541	11,933
Other	1,786	2	275	1,513
Total	¥ 24,937	¥ 7,674	¥ 1,147	¥ 31,464

March 31, 2003	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 84,392	\$ 46,267	\$ 6,708	\$ 123,951
Debt securities	62,150	183	625	61,708
Other	2,825	58	58	2,825
Total	\$ 149,367	\$ 46,508	\$ 7,391	\$ 188,484

Available-for-sale securities whose fair value was not readily determinable at March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Equity securities	¥ 2,291	¥ 2,208	\$ 19,092
Total	¥ 2,291	¥ 2,208	\$ 19,092

Proceeds from sales of available-for-sale securities for the year ended March 31, 2003 and 2002 were ¥13,467 million (\$112,225 thousand) and ¥6,329 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥291 million (\$2,425 thousand) and ¥644 million (\$5,367 thousand), respectively for the year ended March 31, 2003 and ¥203 million and ¥288 million, respectively for the year ended March 31, 2002.

The carrying values of debt securities and others by contractual maturities at March 31, 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Millions of Yen	Thousands of U.S. Dollars	Thousands of U.S. Dollars
Due in one year or less	¥ 49	\$ 408	
Due after one year through five years	118	983	
Due after five years through ten years	1,301	10,842	
Due after ten years	5,963	49,692	
Total	¥ 7,431	\$ 61,925	

4. Inventories

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Merchandise	¥ 80,675	¥ 65,638	\$ 672,292
Finished products	1,453	1,626	12,109
Work in process	832	668	6,933
Raw materials	1,146	1,259	9,550
Supplies	99	42	825
Total	¥ 84,205	¥ 69,233	\$ 701,709

5. Long-Term Debt

The weighted average interest rate on long-term bank borrowings at March 31, 2003 and 2002 was 2.0%.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Borrowings from banks	¥ 1,523	¥ 2,390	\$ 12,692
Unsecured 2.1% yen bonds due 2004	100	100	833
Unsecured zero coupon yen convertible bonds, due 2004	4,310	4,903	35,917
Total	5,933	7,393	49,442
Less current portion	(752)	(845)	(6,267)
Long-term debt, less current portion	¥ 5,181	¥ 6,548	\$ 43,175

The Company abolished its unfunded retirement benefit plans on August 1, 2001. The Company replaced its lump-sum severance payment by issuing convertible bonds to employees in advance to their retirement. The Company's convertible bonds are treated as part of an incentive plan for employees.

Additional information with respect to the Company's convertible bonds is as follows:

	Zero Coupon Yen Convertible Bonds
Issued on	August 28, 2001
Initial principal	¥4,989 million
Maturity	September 30, 2004
Term of conversion	From December 3, 2001 to September 29, 2004
Conversion price (per share*) at March 31, 2003	¥3,110 (\$26)
Balance of debt at March 31, 2003	¥4,310 million (\$35,917 thousand)
Accumulated number of shares issued upon conversion through March 31, 2003	10,186 shares
Number of additional shares that would be issued upon conversion at March 31, 2003	1,386,045 shares

(*) Subject to adjustment for subsequent stock splits and other circumstances.

Annual maturities of long-term debt at March 31, 2003 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 752	\$ 6,267
2005	4,811	40,092
2006	370	3,083
Total	¥ 5,933	\$ 49,442

6. Pledged assets

The carrying amounts of assets pledged as collateral for current portion of long-term bank borrowings of ¥4 million (\$33 thousand), long-term bank borrowings of ¥5 million (\$42 thousand) and trade notes and accounts payable of ¥300 million (\$2,500 thousand) at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 213	\$ 1,775
Buildings and structures - net of accumulated depreciation	261	2,175
Investment securities	244	2,033
Total	¥ 718	\$ 5,983

7. Retirement and Pension Plans

The Companies have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment or annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or voluntary retirement at certain specific ages prior to the mandatory retirement age.

The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥ 28,979	¥ 78,942	\$ 241,492
Fair value of plan assets	(21,994)	(53,922)	(183,283)
Unrecognized actuarial loss	(13,073)	(19,281)	(108,942)
Unrecognized prior service benefit	37	1,307	308
Prepaid pension cost	9,987	430	83,225
Net liability	¥ 3,936	¥ 7,476	\$ 32,800

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental portion managed by the Company and certain subsidiaries on behalf of the government and a corporate portion established at the discretion of the Company and certain subsidiaries. According to the enactment of Defined Benefit Pension Plan Law in April, 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 18, 2002. As a result of this exemption, the Company and certain subsidiaries recognized gain on exemption from future pension obligation of the governmental portion in the amount of ¥12,360 million (\$103,000 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003. Estimated plan assets to be returned to the government at March 31, 2003, were ¥19,171 million (\$159,758 thousand).

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company and certain subsidiaries implemented a defined contribution pension plan by which the former qualified defined benefit plan was terminated. The Companies applied the accounting treatment specified in the guidance issued by the Accounting Standards Board of Japan. The effect of this transfer was to decrease income before income taxes and minority interests by ¥2,654 million (\$22,117 thousand) and was recorded as loss on transfer of pension plans in the statement of income for the year ended March 31, 2003.

The components of periodic benefit costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 1,646	¥ 2,730	\$ 13,716
Interest cost	828	2,272	6,900
Expected return on plan assets	(316)	(1,452)	(2,633)
Recognized actuarial loss	626	668	5,217
Amortization of prior service costs	261	(597)	2,175
Net periodic retirement benefit costs	3,045	3,621	25,375
Gain on exemption from future pension obligation of the governmental portion	(12,360)	-	(103,000)
Loss on transfer of pension plans	2,654	-	22,117
Special retirement payments	4,088	-	34,067
Contribution to defined contribution pension plan	362	-	3,016
Total	¥ (2,211)	¥ 3,621	\$ (18,425)

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	2.70%	2.70%
Expected rate of return on plan assets	2.00%	4.00%
Amortization period of prior service cost	5 years	5 years
Recognition period of actuarial loss	Average remaining service period (13 years)	Average remaining service period (Maximum of 15 years)

8. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

During the year ended March 31, 2002, ¥4 million of the unsecured yen convertible bonds due 2004 were converted into 1,607 shares of the Company's common stock. The effect of the conversion of the bonds was to increase both common stock and capital surplus by ¥2 million.

During the year ended March 31, 2003, ¥28 million of the unsecured yen convertible bonds due 2004 were converted into 8,579 shares of the Company's common stock. The effect of the conversion of the bonds was to increase both common stock and capital surplus by ¥14 million.

The amount of retained earnings available for dividends under the Code was ¥124,485 million (\$1,037,375 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate for the Company of approximately 41.7% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Allowance for doubtful accounts	¥ 2,968	¥ 2,591	\$ 24,733
Accrued expenses for employees' bonus	2,599	1,619	21,658
Liability for employees' retirement benefits	1,442	2,722	12,017
Liability for retirement benefits to directors and corporate auditors	353	352	2,941
Securities contributed to retirement benefit trust	574	593	4,783
Offsetting of unrealized intercompany transactions	675	672	5,625
Long-term prepaid expenses	878	-	7,317
Accrued expenses for employees' social security expenses	387	-	3,225
Other	2,412	2,922	20,100
Less valuation allowance	(1,027)	(541)	(8,558)
Total	¥ 11,261	¥ 10,930	\$ 93,841
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥ (1,890)	¥ (2,722)	\$ (15,750)
Prepaid pension cost	(4,039)	-	(33,658)
Other	(375)	(318)	(3,125)
Total	¥ (6,304)	¥ (3,040)	\$ (52,533)
Net deferred tax assets	¥ 4,957	¥ 7,890	\$ 41,308

Breakdown of net deferred tax assets at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current deferred tax assets	¥ 6,972	¥ 5,817	\$ 58,100
Non-current deferred tax assets	689	2,152	5,741
Non-current deferred tax liabilities	(2,704)	(79)	(22,533)
Total	¥ 4,957	¥ 7,890	\$ 41,308

Breakdown of net deferred tax assets or liabilities for land revaluation at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets	¥ 2,515	¥ 2,489	\$ 20,959
Valuation allowance	(2,270)	(1,519)	(18,918)
Deferred tax liabilities	(417)	(498)	(3,475)
Total	¥ (172)	¥ 472	\$ (1,434)

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002, and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2003	2002
Normal effective statutory tax rate	41.7%	41.7%
Increase in valuation allowance	1.5	0.9
Expenses not deductible for income tax purposes	1.5	1.5
Revenues not recognized for income tax purposes	(0.4)	(0.7)
Per capita tax	0.6	1.0
Other - net	(0.3)	0.2
Actual effective tax rate	44.6%	44.6%

On March 31, 2003, a local tax reform law was enacted in Japan, which changed the normal effective statutory tax rate from approximately 41.7% to 40.3%, effective for the year beginning April 1, 2004. The effect of this change was to increase net deferred taxes assets, land revaluation difference, and net unrealized gain on available-for-sale securities by ¥105 million (\$875 thousand), ¥4 million (\$33 thousand) and ¥61 million (\$508 thousand), respectively, and to decrease deferred income tax expense by ¥40 million (\$333 thousand) for the year ended March 31, 2003.

10. Research and Development Costs

Research and development costs charged to income were ¥5,026 million (\$41,883 thousand) and ¥4,330 million for the years ended March 31, 2003 and 2002, respectively.

11. Leases

(As lessee)

The Companies lease certain machinery, fixtures and other assets. Lease payments for the years ended March 31, 2003 and 2002 were ¥1,297 million (\$10,808 thousand) and ¥1,037 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

March 31, 2003:	Millions of Yen			
	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 2,589	¥ 3,056	¥ 172	¥ 5,817
Accumulated depreciation	755	1,677	108	2,540
Net leased property	¥ 1,834	¥ 1,379	¥ 64	¥ 3,277

March 31, 2002:	Millions of Yen			
	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 536	¥ 3,251	¥ 129	¥ 3,916
Accumulated depreciation	190	1,767	80	2,037
Net leased property	¥ 346	¥ 1,484	¥ 49	¥ 1,879

March 31, 2003:	Thousands of U.S. Dollars			
	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	\$ 21,575	\$ 25,467	\$ 1,433	\$ 48,475
Accumulated depreciation	6,292	13,975	900	21,167
Net leased property	\$ 15,283	\$ 11,492	\$ 533	\$ 27,308

Obligations under finance leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 968	¥ 718	\$ 8,067
Due after one year	2,400	1,225	20,000
Total	¥ 3,368	¥ 1,943	\$ 28,067

Depreciation expense and interest expense under finance leases for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥ 1,108	¥ 892	\$ 9,233
Interest expense	165	77	1,375

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

Obligations under operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 369	¥ 384	\$ 3,075
Due after one year	1,142	1,463	9,517
Total	¥ 1,511	¥ 1,847	\$ 12,592

(As lessor)

One consolidated subsidiary leases machinery and equipment as a lessor. Finance lease revenues for the years ended March 31, 2003 and 2002 were ¥100 million (\$833 thousand) and ¥100 million, respectively.

Leased property whose ownership does not transfer to the lessee during or at the completion of the lease term at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment
Acquisition cost	¥ 534	¥ 575	\$ 4,450
Accumulated depreciation	313	323	2,608
Net leased property	¥ 221	¥ 252	\$ 1,842

Expected revenues from finance leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 81	¥ 85	\$ 675
Due after one year	130	159	1,083
Total	¥ 211	¥ 244	\$ 1,758

Depreciation expense and interest revenue under finance leases for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥ 88	¥ 95	\$ 733
Interest revenue	9	10	75

Interest revenue, which is not reflected in the accompanying consolidated statements of income, are computed by the interest method.

Future minimum rentals receivable under operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 49	¥ 55	\$ 408
Due after one year	63	73	525
Total	¥ 112	¥ 128	\$ 933

12. Derivatives

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Companies' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and limitation of transaction amount. Derivative transactions are managed by the Control Section in Headquarters of Product Development & Marketing Division or by the Accounting Department which is separate from the Kenz Product Division that executes the business transactions subject to hedging. Each derivative transaction is reported to the accounting manager after confirming the outstanding derivative amounts with bank.

13. Contingent Liabilities and Commitments

The Companies contracted bank overdraft agreements with 5 banks to obtain working capital efficiently. By these contracts, the Companies are able to draw maximum amount of ¥22,165 million (\$184,708 million). No overdrafts were made at March 31, 2003.

14. Reconciliation of the Differences Between Basic and Diluted Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common shareholders . . .	¥ 15,857	71,591	¥ 221.49	\$ 1.846
Effect of Dilutive Securities Convertible bonds	-	1,495		
Diluted EPS				
Net income for computation	¥ 15,857	73,086	¥ 216.96	\$ 1.808
For the year ended March 31, 2002:				
Basic EPS				
Net income available to common shareholders . . .	¥ 8,687	75,062	¥ 115.73	
Effect of Dilutive Securities Convertible bonds	-	949		
Diluted EPS				
Net income for computation	¥ 8,687	76,011	¥ 114.28	

15. Merger

Effective October 1, 2002, the Company merged with Ohmori Co., Ltd. Under the terms of the merger, the Company allotted treasury stock to the shareholders of Ohmori Co., Ltd. as of the date of the merger. The Company did not issue new shares for the merger. The common stock of the Company did not increase as a result of the merger.

16. Subsequent Events

(a) Share exchange agreement with SANKI CORPORATION

The Company entered into a share exchange agreement with SANKI CORPORATION based on resolutions at respective Board of Directors meeting held on May 19, 2003. Details of the share exchange are as follows:

A. Effect of the share exchange

SANKI CORPORATION will become a wholly-owned subsidiary of the Company.

B. Schedule

May 19, 2003	Signing of share exchange agreement
June 26, 2003	Shareholder approval of exchange agreement at SANKI CORPORATION general shareholders' meeting
October 1, 2003 (planned)	Execution of share exchange

C. Method

The Company will allot its treasury stock to shareholders of SANKI CORPORATION in exchange for the shares held by them, with an allotment ratio of 0.37 shares of the Company to one share of SANKI CORPORATION, excluding the shares already held by the Company and SANKI CORPORATION.

The Company will not issue new shares. The number of treasury stock allotted will be 1,919,190 shares.

D. Accounting

The common stock of the Company will not increase as a result of the share exchange. Capital surplus will be increased by the excess amount of acquired net assets of SANKI CORPORATION over the cost of treasury stock allotted.

E. The balance sheet of SANKI CORPORATION at March 31, 2003 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 29,021	\$ 241,842
Non-current assets	7,332	61,100
Total assets	¥ 36,353	\$ 302,942
Current liabilities	¥ 27,392	\$ 228,267
Non-current liabilities	372	3,100
Shareholders' equity	8,589	71,575
Total	¥ 36,353	\$ 302,942

F. Basic information for SANKI CORPORATION at March 31, 2003

(1) Representative	Hiroshi Kimura
(2) Common stock	¥1,081 million (\$9,008 thousand)
(3) Head office	Hiroshima
(4) Business	Wholesaler of ethical pharmaceuticals
(5) Financial results	Sales: ¥77,526 million (\$646,050 thousand)
	Income before income tax: ¥1,241 million (\$10,342 thousand)
	Net income: ¥604 million (\$5,033 thousand)

(b) Merger agreement with Ando Chemical Works CO., LTD.

The Company entered into a merger agreement with Ando Chemical Works CO., LTD. based on resolutions at respective Board of Directors meeting held on May 19, 2003. Details of the merger are as follows:

A. Merger method

The Company, as an ongoing entity, will merge Ando Chemical Works CO., LTD. The Company will allot its treasury stock to shareholders of Ando Chemical Works CO., LTD. in exchange for the shares held by them, with

an allotment ratio of 0.14 shares of the Company to one share of Ando Chemical Works CO., LTD. Due to the allotment of its treasury stock (586,516 shares), there shall be no issuance of new shares or cash payment upon this merger. The common stock of the Company will not increase as a result of this merger. Capital surplus will be increased in accordance with the Article 288-2-1-5 of the Code. The Company will acquire all assets and assume all liabilities of Ando Chemical Works CO., LTD. as of the date of merger.

B. Schedule

May 19, 2003	Board meeting to approve merger agreement
May 19, 2003	Signing of merger agreement
June 27, 2003	Shareholder approval of merger agreement at the Company general shareholders' meeting
October 1, 2003 (planned)	Execution of merger
Early in October, 2003 (planned)	Official registration of merger

C. The balance sheet of Ando Chemical Works CO., LTD. at March 31, 2003, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 9,889	\$ 82,408
Non-current assets	3,063	25,525
Total assets	¥ 12,952	\$ 107,933
Current liabilities	¥ 9,142	\$ 76,183
Non-current liabilities	100	833
Shareholders' equity	3,710	30,917
Total	¥ 12,952	\$ 107,933

D. The statement of operations of Ando Chemical Works CO., LTD. for the year ended March 31, 2003, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥ 27,381	\$ 228,175
Cost of sales	25,233	210,275
Reversal of reserves for sales returns	3	25
Selling, general and administrative expenses	2,200	18,333
Other expenses - net	(21)	(175)
Loss before income taxes	(70)	(583)
Total income taxes	114	950
Net loss	¥ (184)	\$ (1,533)

(c) Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2003 were approved at the Company's shareholders meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13 (\$0.108) per share	¥ 942	\$ 7,850
Bonuses to directors and corporate auditors	130	1,083

(d) Purchase of treasury stock

The Company was authorized to repurchase up to 2 million shares of the Company's common stock in the aggregate amount of ¥5,000 million (\$41,667 thousand) as treasury stock until the next general shareholders meeting.

17. Segment Information

The Companies' segment information is broken down to "Pharmaceutical distribution", "Pharmaceutical manufacturing" and "Other healthcare-related services". The segments are determined based on similarity of the type of business, marketing method, customers and technology employed for the years ended March 31, 2003 and 2002.

(I) Pharmaceutical distribution: The segment distributes pharmaceuticals, diagnostic reagents, medical equipment and medical supplies.

(II) Pharmaceutical manufacturing: The segment manufactures pharmaceuticals and diagnostic reagents.

(III) Other healthcare-related services:

Healthcare related services: The segment publishes promotional materials for companies in medical and healthcare fields and provides medical record storage service.

Medical equipment manufacturing: The segment manufactures diagnostic equipment such as electrocardiograph and blood pressure meters.

Dispensing pharmacies: The segment dispenses prescribed pharmaceuticals.

Other services: The segment includes construction of healthcare facilities and automobile marketing, leasing and repair.

(a) Business Segment

Summarized financial information by business segment for the years ended March 31, 2003 and 2002 was as follows:

2003	Millions of Yen				Consolidated
	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	
Sales to customers	¥ 1,035,901	¥ 15,456	¥ 8,854	-	¥ 1,060,211
Intersegment sales	1,785	25,169	5,663	¥ (32,617)	-
Total sales	1,037,686	40,625	14,517	(32,617)	1,060,211
Operating expenses	1,021,569	38,435	14,165	(32,897)	1,041,272
Operating income	¥ 16,117	¥ 2,190	¥ 352	¥ 280	¥ 18,939
Assets	¥ 581,137	¥ 39,741	¥ 10,668	¥ (7,993)	¥ 623,553
Depreciation	3,365	1,052	963	(122)	5,258
Capital expenditures	4,486	1,082	985	(113)	6,440

Thousands of U.S. Dollars					
2003	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	Consolidated
Sales to customers	\$ 8,632,509	\$ 128,800	\$ 73,783	-	\$ 8,835,092
Intersegment sales	14,875	209,742	47,192	\$ (271,809)	-
Total sales	8,647,384	338,542	120,975	(271,809)	8,835,092
Operating expenses	8,513,075	320,292	118,042	(274,142)	8,677,267
Operating income	\$ 134,309	\$ 18,250	\$ 2,933	\$ 2,333	\$ 157,825
Assets	\$ 4,842,808	\$ 331,175	\$ 88,900	\$ (66,608)	\$ 5,196,275
Depreciation	28,042	8,767	8,025	(1,017)	43,817
Capital expenditures	37,383	9,017	8,208	(942)	53,666
Millions of Yen					
2002	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	Consolidated
Sales to customers	¥ 934,302	¥ 13,139	¥ 8,308	-	¥ 955,749
Intersegment sales	1,177	23,319	4,105	¥ (28,601)	-
Total sales	935,479	36,458	12,413	(28,601)	955,749
Operating expenses	925,676	35,707	12,108	(28,948)	944,543
Operating income	¥ 9,803	¥ 751	¥ 305	¥ 347	¥ 11,206
Assets	¥ 518,423	¥ 40,581	¥ 9,602	¥ 827	¥ 569,433
Depreciation	3,509	1,617	970	(181)	5,915
Capital expenditures	4,601	644	914	(44)	6,115

(b) Geographical segment information for the years ended March 31, 2003 and 2002 is not disclosed as foreign consolidated subsidiaries and foreign branches were not material.

(c) Export sales information is not disclosed as export sales of the Companies for the years ended March 31, 2003 and 2002 were less than 10 percent of consolidated net sales of each year.

Independent Auditors' Report

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**Deloitte
Touche
Tohmatsu**

To the Board of Directors and Shareholders of
SUZUKEN CO., LTD.:

We have audited the accompanying consolidated balance sheets of SUZUKEN CO., LTD. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SUZUKEN CO., LTD. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2003