

Financial Section

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Five-Year Highlights

Suzuken Co., Ltd. and Subsidiaries

Years ended March 31

Thousands of
U.S. Dollars
except
per share data

	Millions of Yen except per share data					Thousands of U.S. Dollars except per share data
	2004	2003	2002	2001	2000	2004
For the year:						
Net sales	¥ 1,194,024	¥ 1,060,211	¥ 955,749	¥ 917,145	¥ 872,512	\$ 11,264,377
Gross profit	125,120	115,468	97,610	96,246	98,563	1,180,377
Selling, general and administrative expenses	105,413	96,529	86,404	86,127	85,665	994,462
Operating income	19,707	18,939	11,206	10,119	12,898	185,915
Net income	17,308	16,004	8,794	9,202	9,554	163,283
Depreciation	5,264	5,258	5,915	6,341	5,506	49,660
Capital expenditure	7,643	6,440	6,115	7,729	8,762	72,103
Research and development cost	4,598	5,026	4,330	3,521	3,083	43,377
Per share data:						
Net income (EPS) – Basic	193.08	184.57	97.63	98.68	102.46	1.822
– Diluted	189.98	180.80	96.42	-	-	1.792
Shareholders' equity	2,342.42	2,147.14	1,941.05	1,897.78	1,792.62	22.098
Cash dividends	26.00	24.00	20.00	20.00	20.00	0.245
Operating cash flow	359.83	293.29	(78.31)	105.47	161.92	3.395
At year-end:						
Total assets	692,365	623,553	569,433	595,319	552,551	6,531,745
Short-term bank loans + Current portion of long-term debt + Long-term debt	2,446	5,933	7,393	3,859	5,724	23,075
Total shareholders' equity	213,539	186,899	164,701	176,968	167,162	2,014,519
Ratios:						
Return on assets (ROA)	2.6%	2.7%	1.5%	1.6%	1.8%	
Return on equity (ROE)	8.6	9.1	5.1	5.3	5.9	
Number of employees	9,454	8,423	7,075	7,168	7,402	

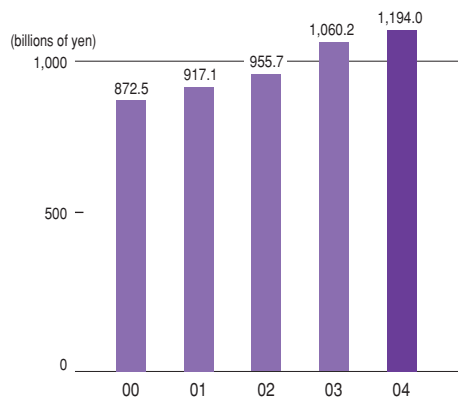
Notes: 1. U.S. dollar amounts are provided solely for the reader's convenience and use the exchange rate of ¥106 to the U.S. dollar prevailing on March 31, 2004.

2. Net income per share and operating cash flow per share are calculated using the average number of shares outstanding during each fiscal year, net of treasury stock. Shareholders' equity per share is based on the number of shares outstanding, net of treasury stock, at the end of each fiscal year.

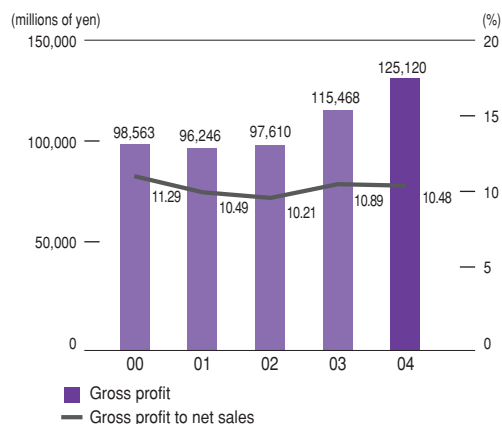
3. Figures have been adjusted to compensate for the effect of fiscal year-ends March 31, 2001 and 2002 falling on a bank holiday.

4. Per share data in prior years have been adjusted to reflect the 1-to-1.2 stock split conducted on March 31, 2004 (stock distribution date: May 19).

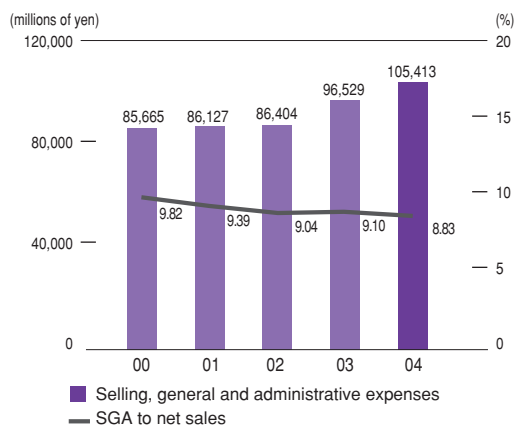
Net sales



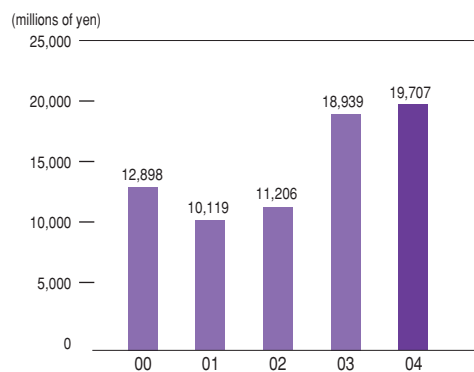
Gross profit Gross profit to net sales



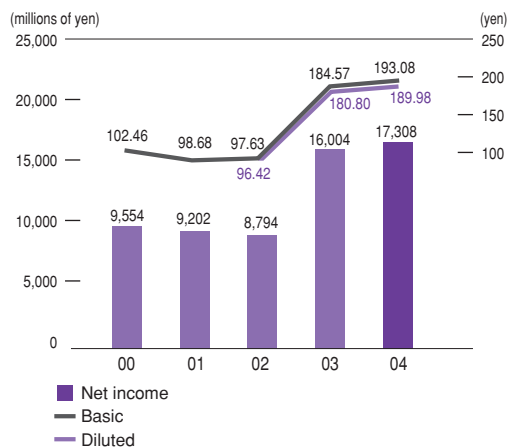
Selling, general and administrative expenses SGA to net sales



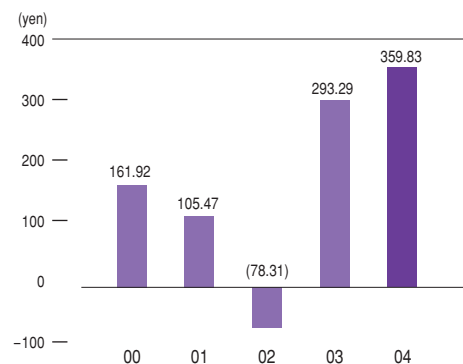
Operating income



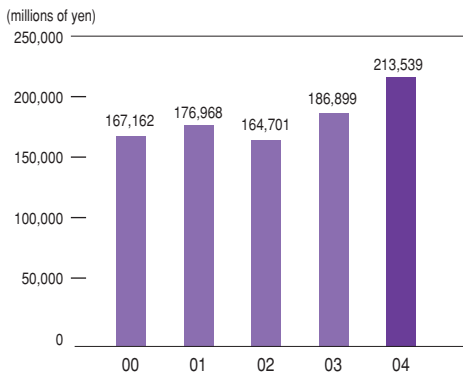
Net income Net income per share (EPS)



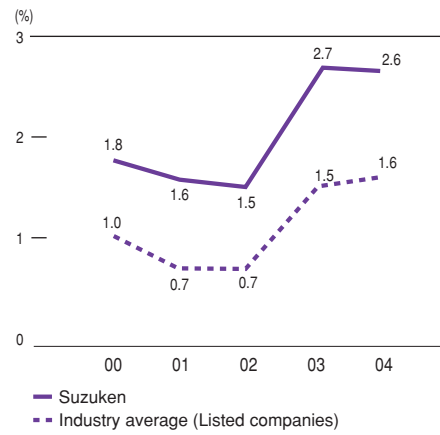
Operating cash flow per share



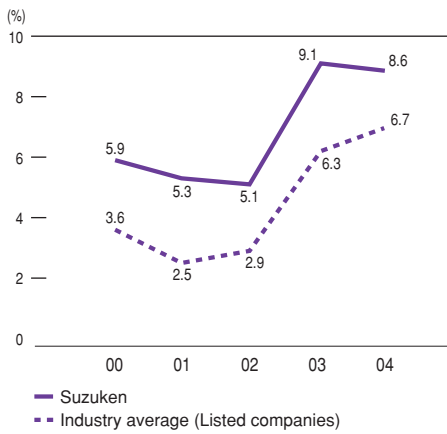
Total shareholders' equity



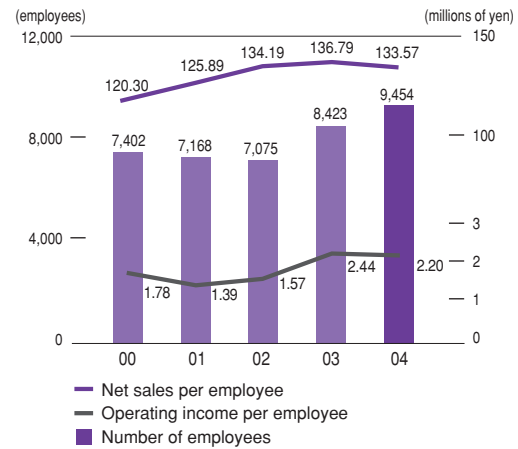
Return on assets (ROA)



Return on equity (ROE)



Net sales per employee Operating income per employee Number of employees



Financial Review

The consolidated financial statements for the year ended March 31, 2004, include 38 consolidated subsidiaries, and one affiliated company accounted for using the equity method. These companies are primarily engaged in pharmaceutical wholesaling, the sales and manufacture of pharmaceuticals as well as healthcare-related services and other activities. Due to the acquisition of Sanki Corporation, whose subsidiaries were also consolidated, subsidiaries increased from 24 to 38 companies.

Business Segments

Our business segments are as follows:

Pharmaceutical distribution:

This business distributes over a full line up of 180 thousand items of pharmaceuticals, diagnostic reagents, medical equipment and medical supplies to over 130,000 medical institutions and pharmacies.

Main companies included in this segment are as follows:

Suzuken Co., Ltd. , Suzuken Okinawa Co., Ltd. , Suzuken Iwate Co., Ltd.
Nakano Yakuhin Co., Ltd. , Sanki Corporation

Suzuken increased its market share in the Nagoya region by the merger with Ando Chemical Works Co., Ltd. and expanded into the Chugoku market by the acquisition of Sanki Corporation in October 2003. In addition, Suzuken will establish a business office in Akita Prefecture for this new market in August 2004.

Pharmaceutical manufacturing:

This business manufactures and sells pharmaceuticals such as pharmaceutical products for diabetes, diagnostic reagents and medical foods.

Main companies included in this segment are as follows:

Sanwa Kagaku Kenkyusho Co., Ltd. ("SKK"), Nihon Seiyaku Kogyo Co., Ltd.

SKK devotes itself to the development of pharmaceutical products such as Miglitol, a postprandial agent for lowering blood sugar levels and Fidarestat, an agent for treating diabetic neuropathy, and plans to sell them on the market in the near future.

SKK has a manufacturing system which is capable of producing 2 billion tablets per year. SKK manufactured approximately 0.7 billion tablets consigned to six companies for the year ended March 31, 2004.

Although blood glucose monitoring devices which are useful for diabetics to maintain blood glucose levels, and nutritional and medical health foods, showed favorable performances, a decrease in licensing income from abroad, which was included in sales for the year ended March 31, 2003, had a negative impact on sales for the year ended March 31, 2004.

Other healthcare-related services:

This business is classified into the following four categories:

- Publication in medical and healthcare fields
- Manufacture of diagnostic equipment such as electrocardiographs and blood pressure meters
- Operation of dispensing pharmacies
- Others

The main companies included in this segment are as follows:

Life Medicom Co., Ltd. (publications), Kenzmedico Co., Ltd. (medical equipment manufacturing), Ryoumou Iyakuhin Co., Ltd. (pharmacies)

All shares of Suzuken Seibi Co., Ltd., engaged in maintenance of vehicles, were sold to Kimura Unity Co., Ltd., which operates a similar business, during the year ended March 31, 2004. In addition, all shares of Suzuken Kensetsu Co., Ltd., engaged in construction, were sold to Nippon Doken Co., Ltd., which operates a similar business, during the year ended March 31, 2004. Operating results of both subsidiaries were included in this segment for the year ended March 31, 2003.

Operating Environment

In the year ended March 31, 2004, the economy in Japan was considered to be on the way to recovery, as evidenced by increased domestic consumption, private capital investments, and brisk trading in the stock market, in spite of little improvement to unemployment figures.

In the market for ethical pharmaceuticals, there was an increase in demand resulting from the continued growth in percentage of the elderly population and the effect of new products. However, due to the fact that the portion of medical fees borne by patients increased, and patients suffering from hay fever and influenza were fewer than expected, the market only increased by 1 to 2 percent.

Under these circumstances, we expanded our sales network and strengthened our sales force by introducing laptop computers and other sales promotion tools. We achieved record-high consolidated net sales of ¥1,194,024 million (\$11,264 million) for the fiscal year ended March 31, 2004. The 12.6% increase in consolidated net sales was due mainly to the full contribution of the effect of the merger with Ohmori Co., Ltd. in October 2002 and the acquisition of Sanki Corporation in October 2003, which expanded the pharmaceutical distribution business.

Operating income increased 4.1% to ¥19,707 million (\$186 million). The favorable effect of sales increases due to the above factors was offset by a number of requests for price reductions from our customers, reducing gross profit margin by 0.4%. However, we reviewed the location of sales offices and integrated sales areas, which improved the ratio of selling, general and administrative expenses to sales from 9.1% to 8.8%, and increased operating income by ¥768 million (\$7 million).

Sales and Profitability

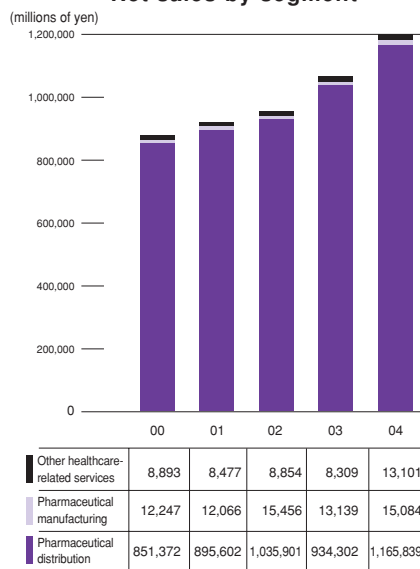
Sales to customers for the pharmaceutical distribution segment increased by 12.5% to ¥1,165,839 million (\$10,998 million) and operating income for the segment increased by 1.3% to ¥16,326 million (\$154 million). This increase resulted from the full contribution of the effect of the merger with Ohmori Co., Ltd. in October 2002, and the acquisition of Sanki Corporation in October 2003. Sales increase in the dispensing pharmacy market also contributed to segment sales.

In the pharmaceutical manufacturing diagnostic segment, reagents to monitor blood glucose and health foods showed favorable performances. However, due to the absence of licensing income from abroad, segment sales decreased 2.4% to ¥15,084 million (\$142 million). Operating income increased 22.9% to ¥2,691 million (\$25 million), reflecting increased volume of production with successful reduction of manufacturing cost.

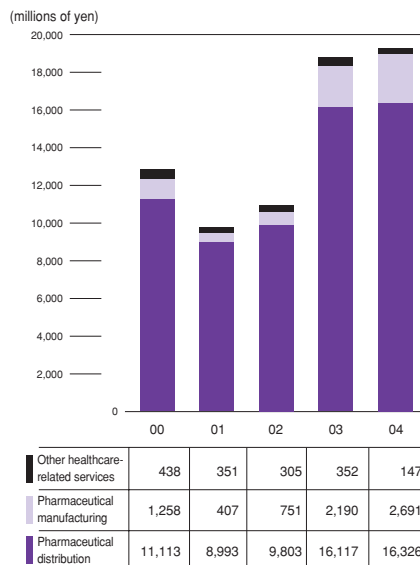
In the other healthcare-related services segment, sales increased 48.0% to ¥13,101 million (\$124 million) due to the increased number of consolidated subsidiaries after the acquisition of Sanki Corporation. However, operating income decreased 58.3% to ¥147 million (\$1 million) reflecting Sanki Corporation's profitability.

Among other income and expenses, purchase discounts increased reflecting our efforts to settle accounts payable earlier, and commissions for supplying sales data increased in line with sales increases, both contributing to profit increases. In order to concentrate our business resources, we sold shares of subsidiaries engaging in other healthcare related services, and recorded gain on sales of subsidiaries in the amount of ¥1,084 million (\$10 million). As a result, income before income taxes and minority interests increased 5.2% to ¥30,830 million (\$291 million), and net income increased 8.1% to ¥17,308 million (\$163 million).

Net sales by segment



Operating income by segment



Per Share Information

Reflecting increased net income, basic net income per share increased from ¥184.57 to ¥193.08 (\$1.822), retroactively adjusted for a subsequent stock split, which was approved by the Board of Directors meeting on November 17, 2003 and became effective on May 19, 2004.

Cash Flows

Net cash provided by operating activities for the year ended March 31, 2004, was ¥31,902 million (\$301 million). The large increase in cash from operating activities was attributable to increased income before income taxes and minority interests, a net decrease in purchase rebates receivables of ¥6,421 million (\$61 million), up by ¥4,895 million (\$46 million), and decreased income tax payment of ¥5,936 million (\$56 million), down by ¥2,428 million (\$23 million). In addition, the effect of the bank holiday at the end of the previous fiscal year, which affected cash flow for the year ended March 31, 2003, disappeared.

Net cash used in investing activities for the year ended March 31, 2004, was ¥3,540 million (\$33 million), mainly composed of purchases of property and equipment in the amount of ¥5,890 million (\$56 million) and purchases of investment securities of ¥6,286 million (\$59 million), which were offset by proceeds from sales of investment securities and subsidiaries in the amount of ¥5,142 million (\$49 million) and increase in cash and cash equivalents of a subsidiary by share exchange of ¥3,725 million (\$35 million).

Net cash used in financing activities was ¥3,860 million (\$36 million), mainly composed of repayment of short-term bank loans in the amount of ¥1,080 million (\$10 million) assumed from Ando Chemical Works Co., Ltd. and payment of dividends of ¥1,815 million (\$17 million).

In total, cash and cash equivalents at the end of the year increased by ¥24,791 million (\$234 million) to ¥108,369 million (\$1,022 million).

Financial Position

Total assets increased from ¥623,553 million to ¥692,365 million (\$6,532 million), due mainly to the merger with Ando Chemical Works Co., Ltd. and the acquisition of Sanki Corporation, of which major increases were in trade receivables and inventories.

Deferred tax liabilities for land revaluation increased from ¥172 million to ¥2,989 million (\$28 million), due mainly to separate recognition of unrealized gain on land from unrealized losses, whose sales can not be scheduled. Unrealized gains and losses were offset and a net amount was recognized at March 31, 2003. For the same reason, the land revaluation difference in shareholders' equity increased from ¥5,377 million to ¥7,362 million (\$69 million).

Return on equity was 8.6%, higher than the industry average of 6.7% due to high profits, despite the large shareholders' equity.

Dividend Policy

We consider return on shareholders' investments as one of the important goals of our corporate policy. Although strengthening our business base is another of our goals, we have established a general dividend policy based on annual profitability and dividend pay-out ratio.

On the other hand, under the current harsh conditions of the industry, it is also important to retain and efficiently allocate internally generated cash to be competitive and to grow steadily in the market, by expanding and strengthening our business base.

We obtained approval at the general shareholders meeting to revise the Articles of Incorporation of the Company so that treasury stock can be acquired based on a resolution of the Board of Directors in order to utilize capital assets efficiently and to speedily respond to changes in business circumstances. We also obtained approval to distribute year-end dividends of ¥14 (together with interim dividends of ¥12, amounting to annual dividends of ¥26), which included ¥2 to commemorate the merger with Ando Chemical Works Co., Ltd. and acquisition of Sanki Corporation.

Consolidated Balance Sheets

Suzuken Co., Ltd. and Subsidiaries
March 31, 2004 and 2003

Thousands of
U.S. Dollars
(Note 1)

Assets	Millions of Yen		2004
	2004	2003	
Current Assets:			
Cash and cash equivalents	¥ 108,369	¥ 83,578	\$ 1,022,349
Marketable securities (Note 3)	102	49	962
Receivables:			
Trade notes and accounts	330,920	299,983	3,121,887
Purchase rebates receivable	22,991	27,771	216,896
Allowance for doubtful accounts	(6,066)	(6,405)	(57,226)
Inventories (Note 4)	88,718	84,205	836,962
Deferred tax assets (Note 9)	7,828	6,972	73,849
Other current assets	1,550	7,624	14,623
Total current assets	554,412	503,777	5,230,302
Property and Equipment:			
Land (Note 6)	41,823	36,387	394,557
Buildings and structures (Note 6)	64,777	56,952	611,104
Machinery and equipment	16,072	21,590	151,623
Construction in progress	529	180	4,990
Total	123,201	115,109	1,162,274
Accumulated depreciation	(47,470)	(46,291)	(447,830)
Net property and equipment	75,731	68,818	714,444
Investments and Other Assets:			
Investment securities (Notes 3 and 6)	33,741	24,860	318,311
Investments in associated companies	7	26	66
Deferred tax assets (Note 9)	139	689	1,311
Prepaid pension cost (Note 7)	11,870	9,987	111,981
Other assets	16,465	15,396	155,330
Total investments and other assets	62,222	50,958	586,999
Total	¥ 692,365	¥ 623,553	\$ 6,531,745

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Liabilities and Shareholders' Equity			
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 6)	¥ 1,537	¥ 752	\$ 14,500
Payables:			
Trade notes and accounts (Note 6)	435,256	402,542	4,106,189
Purchases of property, equipment and other assets	599	2,062	5,651
Income taxes payable	9,201	2,528	86,802
Accrued bonuses	7,759	7,264	73,198
Other current liabilities	7,647	6,424	72,141
Total current liabilities	461,999	421,572	4,358,481
Long-Term Liabilities:			
Long-term debt (Notes 5 and 6)	909	5,181	8,575
Liability for employees' retirement benefits (Note 7)	3,132	3,936	29,547
Liability for retirement benefits to directors and corporate auditors (Note 7)	785	868	7,406
Deferred tax liabilities (Note 9)	5,816	2,704	54,868
Deferred tax liabilities for land revaluation (Note 9)	2,989	172	28,198
Negative goodwill	722	-	6,811
Other long-term liabilities	135	102	1,274
Total long-term liabilities	14,488	12,963	136,679
Minority Interests	2,339	2,119	22,066
Contingent Liabilities and Commitments (Note 13)			
Shareholders' Equity (Note 8):			
Common stock			
Authorized: 231,000,000 shares in 2004 and 2003			
Issued: 77,718,626 shares in 2004 and 2003	13,130	13,130	123,868
Capital surplus	29,653	26,160	279,745
Retained earnings	177,151	162,719	1,671,236
Land revaluation difference	(7,362)	(5,377)	(69,453)
Net unrealized gain on available-for-sale securities	5,332	2,591	50,302
Foreign currency translation adjustments	(13)	(9)	(123)
Treasury stock, at cost			
1,817,851 shares in 2004 and 5,238,316 shares in 2003	(4,352)	(12,315)	(41,056)
Total shareholders' equity	213,539	186,899	2,014,519
Total	¥ 692,365	¥ 623,553	\$ 6,531,745

See notes to consolidated financial statements.

Consolidated Statements of Income

Suzuken Co., Ltd. and Subsidiaries
Years ended March 31, 2004 and 2003

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		2004
	2004	2003	
Net Sales	¥ 1,194,024	¥ 1,060,211	\$ 11,264,377
Cost of Sales	1,068,904	944,743	10,084,000
Gross profit	125,120	115,468	1,180,377
Selling, General and Administrative Expenses (Note 10)	105,413	96,529	994,462
Operating income	19,707	18,939	185,915
Other Income (Expenses):			
Interest and dividends	458	507	4,321
Interest expense	(28)	(41)	(264)
Purchase discounts	5,732	4,853	54,075
Loss on sales and disposal of fixed assets	(602)	(2,407)	(5,679)
Gain (loss) on sales of investment securities	1,542	(335)	14,547
Gain on sales of subsidiaries (Note 17)	1,084	-	10,226
Write-down of investment securities	(34)	(866)	(321)
Commission for supplying sales data	2,727	2,423	25,726
Loss on disposal and write-down of inventories	(312)	-	(2,943)
Special retirement payments (Note 7)	-	(4,088)	-
Gain on exemption from future pension obligations of the government portion (Note 7)	-	12,360	-
Loss on transfer of pension plans (Note 7)	-	(2,654)	-
Other - net	556	619	5,246
Other income - net	11,123	10,371	104,934
Income Before Income Taxes and Minority Interests	30,830	29,310	290,849
Income Taxes (Note 9):			
Current	12,433	5,749	117,292
Deferred	864	7,365	8,151
Total income taxes	13,297	13,114	125,443
Minority Interests in Net Income	225	192	2,123
Net Income	¥ 17,308	¥ 16,004	\$ 163,283
Per Share of Common Stock (Notes 2(q) and 14):			
Basic net income	¥ 193.08	¥ 184.57	\$ 1.822
Diluted net income	189.98	180.80	1.792
Cash dividends applicable to the year	26.00	24.00	0.245

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Suzuken Co., Ltd. and Subsidiaries

Years ended March 31, 2004 and 2003

	Thousands				Millions of Yen			
	Outstanding 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, 2002	70,709	¥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)	-	-	-	-	-	-	(24)
Conversion of convertible bonds	9	14	14	-	-	-	-	-
Effect as a result of disposal of treasury stock	1,771	-	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	72,481	13,130	26,160	162,719	(5,377)	2,591	(9)	(12,315)
Net income	-	-	-	17,308	-	-	-	-
Cash dividends, interim and year-end	-	-	-	(1,812)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(148)	-	-	-	-
Reversal of land revaluation difference due to sales of land	-	-	-	(916)	916	-	-	-
Increase in treasury stock	(71)	-	-	-	-	-	-	(258)
Effect as a result of disposal of treasury stock	3,491	-	3,493	-	-	-	-	8,221
Net decrease in land revaluation difference due to change in deferred taxes	-	-	-	-	(2,901)	-	-	-
Net increase in unrealized gain on available-for-sale securities	-	-	-	-	-	2,741	-	-
Net decrease in foreign currency translation adjustments	-	-	-	-	-	-	(4)	-
Balance at March 31, 2004	75,901	¥13,130	¥ 29,653	¥177,151	¥ (7,362)	¥5,332	¥ (13)	¥ (4,352)

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, 2003	\$ 123,868	\$ 246,792	\$1,535,085	\$(50,727)	\$ 24,443	\$ (85)	\$(116,179)
Net income	-	-	163,283	-	-	-	-
Cash dividends, interim and year-end	-	-	(17,094)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	(1,396)	-	-	-	-
Reversal of land revaluation difference due to sales of land	-	-	(8,642)	8,642	-	-	-
Increase in treasury stock	-	-	-	-	-	-	(2,434)
Effect as a result of disposal of treasury stock	-	32,953	-	-	-	-	77,557
Net decrease in land revaluation difference due to change in deferred taxes	-	-	-	(27,368)	-	-	-
Net increase in unrealized gain on available-for-sale securities	-	-	-	-	25,859	-	-
Net decrease in foreign currency translation adjustments	-	-	-	-	-	(38)	-
Balance at March 31, 2004	\$ 123,868	\$ 279,745	\$1,671,236	\$(69,453)	\$ 50,302	\$ (123)	\$ (41,056)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Suzuken Co., Ltd. and Subsidiaries
Years ended March 31, 2004 and 2003

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		2004
	2004	2003	
Operating Activities:			
Income before income taxes and minority interests	¥ 30,830	¥ 29,310	\$ 290,849
Adjustments for:			
Income taxes - paid	(5,936)	(8,364)	(56,000)
Depreciation and amortization	5,264	5,258	49,660
Loss on sales and disposal of fixed assets - net	602	2,407	5,679
(Gain) loss on sales of investment securities - net	(1,542)	335	(14,547)
Gain on sales of subsidiaries	(1,084)	-	(10,226)
Write-down of investment securities	34	866	321
Gain on exemption from future pension obligation of the governmental portion	-	(12,360)	-
Loss on transfer of pension plans	-	2,654	-
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
(Increase) decrease in trade receivables	(479)	15,644	(4,519)
Decrease (increase) in inventories	313	(1,665)	2,953
Decrease in purchase rebates receivables	6,421	1,526	60,576
Increase (decrease) in trade payables	2,317	(29,883)	21,858
Increase in allowance for doubtful accounts	5	213	47
Decrease in liability for retirement benefits	(2,765)	(3,391)	(26,085)
Other - net	(2,078)	(6,155)	(19,604)
Total adjustments	1,072	(32,915)	10,113
Net cash provided by (used in) operating activities	¥ 31,902	¥ (3,605)	\$ 300,962
Investing Activities:			
Decrease in time deposits - net	45	78	425
Proceeds from sales of property and equipment	1,024	3,026	9,660
Purchases of property and equipment	(5,890)	(2,978)	(55,566)
Proceeds from sales of marketable securities	49	416	462
Proceeds from sales of investment securities	3,367	9,350	31,764
Purchases of investment securities	(6,286)	(3,279)	(59,302)
Proceeds from sales of subsidiaries (*1)	1,775	-	16,745
Additional acquisition of subsidiaries	(43)	-	(406)
Proceeds from sales of an associated company	13	-	123
Increase in cash and cash equivalents of a subsidiary by share exchange (*2)	3,725	-	35,142
Increase in other assets - net	(1,319)	(971)	(12,443)
Net cash (used in) provided by investing activities	(3,540)	5,642	(33,396)
Financing Activities:			
Decrease in short-term bank loans - net	(1,080)	(12,007)	(10,189)
Repayments and redemption of long-term debt	(707)	(1,400)	(6,670)
Acquisition of treasury stock - net	(258)	(24)	(2,434)
Dividends paid, including payment to minority shareholders	(1,815)	(1,488)	(17,122)
Net cash used in financing activities	¥ (3,860)	¥ (14,919)	\$ (36,415)
Foreign currency translation adjustments on cash and cash equivalents	(11)	(7)	(104)
Net Increase (decrease) in cash and cash equivalents	24,491	(12,889)	231,047
Cash and cash equivalents increased due to merger with Ohmori Co., Ltd.	-	4,177	-
Cash and cash equivalents increased due to merger with Ando Chemical Works Co., Ltd.	300	-	2,830
Cash and cash equivalents, beginning of year	83,578	92,290	788,472
Cash and cash equivalents, end of year	¥108,369	¥ 83,578	\$ 1,022,349

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Non-cash Investing and Financing Activities:			
Conversion of convertible bonds to common stock, including allotment of treasury stock	¥ 3,065	¥ 61	\$ 28,915
Assets acquired and liabilities assumed in merger (Note 15)			
Current assets	¥ 7,601	¥ 78,672	\$ 71,708
Non-current assets	3,094	10,518	29,189
Current liabilities	7,887	79,696	74,406
Non-current liabilities	26	21	245
Additional information			
(*1) Details of proceeds from sales of subsidiaries (Note 17)			
Current assets	¥ 805	-	\$ 7,595
Non-current assets	2,619	-	24,708
Current liabilities	(1,200)	-	(11,321)
Non-current liabilities	(1,376)	-	(12,981)
Gain on sales of subsidiaries	1,084	-	10,226
Proceeds from repayment of loans	874	-	8,245
Unrealized gain of fixed assets	(850)	-	(8,019)
Sales price of subsidiaries	¥ 1,956	-	\$ 18,453
Cash and cash equivalents of subsidiaries sold	(181)	-	(1,708)
Proceeds from sales of subsidiaries	¥ 1,775	-	\$ 16,745
(*2) Details of increase in cash and cash equivalents of a subsidiary by share exchange (Note 16)			
Current assets	¥ 28,386	-	\$ 267,792
Non-current assets	7,171	-	67,651
Current liabilities	(26,520)	-	(250,189)
Non-current liabilities	(1,187)	-	(11,198)
Negative goodwill	(943)	-	(8,896)
Acquisition cost of shares owned by the Company before the share exchange	(1,040)	-	(9,811)
Acquisition cost	¥ 5,867	-	\$ 55,349
Cash and cash equivalents	3,725	-	35,142
Acquisition cost by share exchange	(5,867)	-	(55,349)
Proceeds from share exchange	¥ 3,725	-	\$ 35,142

Notes to Consolidated Financial Statements

Suzuken Co., Ltd. and Subsidiaries
Years ended March 31, 2004 and 2003

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 the 2003 consolidated financial statements to conform to the classifications used in 2004.

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 ¥106 to \$1, the approximate rate of exchange at March 31, 2004. 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 38 subsidiaries and 1 associated company at March 31, 2004 (24 subsidiaries and 2 associated companies at March 31, 2003). The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its 38 subsidiaries (24 subsidiaries in 2003). Details of the significant subsidiaries included in each segment at March 31, 2004 are as follows:

Business Segment	Significant Subsidiaries	Equity Ownership Percentage	Common Stock (Millions of Yen)
Pharmaceutical Distribution	SUZUKEN OKINAWA CO., LTD.	100.0	12
	SUZUKEN IWATE CO., LTD.	100.0	97
	NAKANO YAKUHIN CO., LTD.	100.0	94
	SANKI CORPORATION	100.0	1,081
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	10
	SUZUKEN MEDICAL		
	INFORMATION BANK CO., LTD.	100.0	50
Medical equipment manufacturing	KENZMEDICO CO., LTD.	100.0	10
Dispensing pharmacies	RYOUMOU IYAKUHIN CO., LTD.	100.0	10
Other services	LIFE SUPPORT CO., LTD.	100.0	30

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 1 associated company (2 associated companies in 2003) are accounted for by the equity method.

The difference between the cost and the fair value of the net assets of the acquired subsidiary at the date of acquisition are 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, 2004 and 2003, and the results of operations for the years ended March 31, 2004 and 2003.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, beneficial interests 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 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 securities with market quotations 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/liabilities. The details of the one-time revaluation at March 31, 2002 are 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, net of deferred tax liabilities of ¥172 million at March 31, 2003.

During the year ended March 31, 2004, the land revaluation differences increased mainly due to recognition of deferred tax liabilities for unrealized gains on land whose sales cannot be scheduled for tax purposes. The land revaluation differences, net of unrealized gains were ¥7,362 million (\$69,453 thousand), and the related deferred tax liabilities were ¥2,989 million (\$28,198 thousand) at March 31, 2004.

The carrying amount of land after the one-time revaluation noted above exceeded market value by ¥3,437 million (\$32,425 thousand) at March 31, 2004.

(g) Other Assets

Intangible assets are amortized by the straight-line method.

(h) 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.

(i) Research and Development Costs

Research and development costs are charged to income as incurred.

(j) 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.

(k) 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 the lessor's financial statements.

(l) Appropriations of Retained Earnings

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

(m) 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.

(n) 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.

(o) Derivatives and Hedging Activities

The Companies use derivative financial instruments to manage their exposure 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.

(p) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders 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 full exercise of outstanding warrants.

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.

(q) New Accounting Pronouncements

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of the adoption of these pronouncements.

3. Marketable and Investment Securities

Marketable and investment securities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current:			
Debt securities	¥ 102	¥ 49	\$ 962
Total	¥ 102	¥ 49	\$ 962
Non-current:			
Equity securities	¥ 22,688	¥ 17,165	\$ 214,038
Debt securities	10,693	7,356	100,877
Other	360	339	3,396
Total	¥ 33,741	¥ 24,860	\$ 318,311

Information on the available-for-sale securities whose fair value was readily determinable at March 31, 2004 and 2003 is as follows:

March 31, 2004	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 10,695	¥ 10,663	¥ 85	¥ 21,273
Debt securities	12,118	8	1,332	10,794
Other	346	24	10	360
Total	¥ 23,159	¥ 10,695	¥ 1,427	¥ 32,427

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, 2004	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 100,896	\$ 100,594	\$ 802	\$ 200,688
Debt securities	114,321	75	12,566	101,830
Other	3,264	226	94	3,396
Total	\$ 218,481	\$ 100,895	\$ 13,462	\$ 305,914

Available-for-sale securities whose fair value was not readily determinable at March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Equity securities	¥ 1,416	¥ 2,291	\$ 13,359
Total	¥ 1,416	¥ 2,291	\$ 13,359

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥3,916 million (\$36,943 thousand) and ¥13,467 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥1,501 million (\$14,160 thousand) and ¥1 million (\$9 thousand), respectively for the year ended March 31, 2004 and ¥291 million and ¥644 million, respectively for the year ended March 31, 2003.

The carrying values of debt securities and others by contractual maturities at March 31, 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due in one year or less	¥ 102		\$ 962
Due after one year through five years	43		406
Due after five years through ten years	1,004		9,472
Due after ten years	9,669		91,217
Total	¥ 10,818		\$ 102,057

4. Inventories

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	¥ 85,053	¥ 80,675	\$ 802,387
Finished products	1,792	1,453	16,906
Work in process	890	832	8,396
Raw materials	842	1,146	7,943
Supplies	141	99	1,330
Total	¥ 88,718	¥ 84,205	\$ 836,962

5. Long-Term Debt

The weighted average interest rate on long-term bank borrowings at March 31, 2004 and 2003 was 2.1% and 2.0%, respectively. Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Borrowings from banks	¥ 1,316	¥ 1,523	\$ 12,415
Unsecured 2.1% yen bonds due 2004	-	100	-
Unsecured zero coupon yen convertible bonds, due 2004	1,130	4,310	10,660
Total	2,446	5,933	23,075
Less current portion	(1,537)	(752)	(14,500)
Long-term debt, less current portion	¥ 909	¥ 5,181	\$ 8,575

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. 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, 2004	¥3,110 (\$29)
Balance of debt at March 31, 2004	¥1,130 million (\$10,660 thousand)
Accumulated number of shares issued upon conversion through March 31, 2004	10,186 shares
Number of additional shares that would be issued upon conversion at March 31, 2004	363,440 shares

(*) Subject to adjustment for subsequent stock splits and other circumstances. Due to the stock split by the Company on May 19, 2004, the conversion price (per share) changed from ¥3,110 to ¥2,591.70.

Annual maturities of long-term debt at March 31, 2004 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 1,537	\$ 14,500
2006	417	3,934
2007	81	764
2008	74	698
2009 and thereafter	337	3,179
Total	¥ 2,446	\$ 23,075

6. Pledged assets

The carrying amounts of assets pledged as collateral for the current portion of long-term bank borrowings of ¥53 million (\$500 thousand), long-term bank borrowings of ¥313 million (\$2,953 thousand) and trade notes and accounts payable of ¥2,857 million (\$26,953 thousand) at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 1,905	\$ 17,972
Buildings and structures		
- net of accumulated depreciation	1,522	14,358
Investment securities	285	2,689
Total	¥ 3,712	\$ 35,019

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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥ 33,591	¥ 28,979	\$ 316,896
Fair value of plan assets	(29,782)	(21,994)	(280,962)
Unrecognized transitional obligation	(120)	-	(1,132)
Unrecognized actuarial loss	(13,044)	(13,073)	(123,057)
Unrecognized prior service benefit	617	37	5,821
Prepaid pension cost	11,870	9,987	111,981
Net liability	¥ 3,132	¥ 3,936	\$ 29,547

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 the 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 from 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 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. The Company and certain subsidiaries transferred the substitutional portion of the pension obligations and related assets to the government and recognized ¥71 million (\$670 thousand) as loss for the difference between the balance of the retirement benefit liabilities brought forward and the amount actually transferred for the year ended March 31, 2004.

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 for the year ended March 31, 2003.

The components of periodic benefit costs for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 1,596	¥ 1,646	\$ 15,057
Interest cost	756	828	7,132
Expected return on plan assets	(214)	(316)	(2,019)
Amortization of transitional obligation	60	-	566
Recognized actuarial loss	1,118	626	10,547
Amortization of prior service (benefits) costs	(81)	261	(764)
Net periodic retirement benefit costs	3,235	3,045	30,519
Loss on transfer of the substitutional portion of the pension obligations to the government	71	-	670
Gain on exemption from future pension obligation of the governmental portion	-	(12,360)	-
Loss on transfer of pension plans	-	2,654	-
Special retirement payments	-	4,088	-
Contribution to defined contribution pension plan	660	362	6,226
Total	¥ 3,966	¥ (2,211)	\$ 37,415

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	2.00%	2.70%
Expected rate of return on plan assets	2.00%	2.00%
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 (13 years)
Amortization period of transitional obligations for newly consolidated subsidiaries	5 years	-

8. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various 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 the 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, 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. In addition, ¥33 million of the bonds were converted by allotment of 10,537 shares of treasury stock. The allotment of treasury stock did not impact the balance of common stock.

During the year ended March 31, 2004, ¥3,065 million (\$28,915 thousand) of the unsecured yen convertible bonds due 2004, were converted by allotment of 985,538 shares of treasury stock. The conversion of the bonds did not impact the balance of common stock.

The amount of retained earnings available for dividends under the Code was ¥145,141 million (\$1,369,255 thousand) as of March 31, 2004, 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 41.8% and 41.7%, respectively for the years ended March 31, 2004 and 2003.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Allowance for doubtful accounts	¥ 2,887	¥ 2,968	\$ 27,236
Accrued expenses for employees' bonus	3,140	2,599	29,623
Liability for employees' retirement benefits	1,170	1,442	11,038
Liability for retirement benefits to directors and corporate auditors	314	353	2,962
Enterprise tax	832	212	7,849
Securities contributed to retirement benefit trust	681	574	6,425
Offsetting of unrealized intercompany transactions	524	675	4,943
Long-term prepaid expenses	833	878	7,858
Accrued expenses for employees' social security expenses	408	387	3,849
Other	2,568	2,200	24,226
Less valuation allowance	(1,896)	(1,027)	(17,887)
Total	¥ 11,461	¥ 11,261	\$ 108,122
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥ (3,643)	¥ (1,890)	\$ (34,368)
Prepaid pension cost	(4,795)	(4,039)	(45,236)
Other	(872)	(375)	(8,226)
Total	(9,310)	(6,304)	(87,830)
Net deferred tax assets	¥ 2,151	¥ 4,957	\$ 20,292

The breakdown of net deferred tax assets at March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current deferred tax assets	¥ 7,828	¥ 6,972	\$ 73,849
Non-current deferred tax assets	139	689	1,311
Non-current deferred tax liabilities	(5,816)	(2,704)	(54,868)
Total	¥ 2,151	¥ 4,957	\$ 20,292

The breakdown of net deferred tax liabilities for land revaluation at March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets	¥ 5,016	¥ 2,515	\$ 47,321
Valuation allowance	(4,756)	(2,270)	(44,868)
Deferred tax liabilities	(3,249)	(417)	(30,651)
Total	¥ (2,989)	¥ (172)	\$ (28,198)

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

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

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2004 was not disclosed because the difference was not material.

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 years 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, ¥4 million and ¥61 million, respectively, and to decrease deferred income tax expense by ¥40 million for the year ended March 31, 2003.

10. Research and Development Costs

Research and development costs charged to income were ¥4,598 million (\$43,377 thousand) and ¥5,026 million for the years ended March 31, 2004 and 2003, respectively.

11. Leases

(As lessee)

The Companies lease certain machinery, fixtures and other assets. Lease payments for the years ended March 31, 2004 and 2003 were ¥2,564 million (\$24,189 thousand) and ¥1,297 million, respectively.

Pro forma information related to leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, and interest expense for 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, 2004 and 2003 was as follows:

	Millions of Yen			
March 31, 2004:	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 7,854	¥ 5,014	¥ 406	¥ 13,274
Accumulated depreciation	3,282	2,675	225	6,182
Net leased property	¥ 4,572	¥ 2,339	¥ 181	¥ 7,092

Net leased property at March 31, 2004 increased because lease transactions with a subsidiary deconsolidated due to sales of its stock were recognized. These transactions were eliminated in consolidation for the year ended March 31, 2003.

	Millions of Yen			
March 31, 2003:	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

	Thousands of U.S. Dollars			
March 31, 2004:	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	\$ 74,094	\$ 47,302	\$ 3,830	\$ 125,226
Accumulated depreciation	30,962	25,236	2,122	58,320
Net leased property	\$ 43,132	\$ 22,066	\$ 1,708	\$ 66,906

Obligations under finance leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 2,170	¥ 968	\$ 20,472
Due after one year	5,268	2,400	49,698
Total	¥ 7,438	¥ 3,368	\$ 70,170

Depreciation expense and interest expense under finance leases for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	¥ 1,997	¥ 1,108	\$ 18,839
Interest expense	388	165	3,660

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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 473	¥ 369	\$ 4,462
Due after one year	1,825	1,142	17,217
Total	¥ 2,298	¥ 1,511	\$ 21,679

(As lessor)

One consolidated subsidiary leased machinery and equipment as a lessor. Finance lease revenues for the years ended March 31, 2004 and 2003 were ¥57 million (\$538 thousand) and ¥100 million, respectively.

There were no lease contracts as a lessor at March 31, 2004, because the subsidiary was sold during the year ended March 31, 2004.

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

	Millions of Yen
	2003
	Machinery and Equipment
Acquisition cost	¥ 534
Accumulated depreciation	313
Net leased property	¥ 221

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

	Millions of Yen
	2003
Due within one year.....	¥ 81
Due after one year.....	130
Total.....	<u>¥ 211</u>

Depreciation expense and interest revenue under finance leases for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense.....	¥ 50	¥ 88	\$ 472
Interest revenue.....	5	9	47

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

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

	Millions of Yen
	2003
Due within one year.....	¥ 49
Due after one year.....	63
Total.....	<u>¥ 112</u>

12. Derivatives

All derivative transactions are entered into to hedge foreign currency exposures 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 the transaction amount. Derivative transactions are managed by the Control Section in the Headquarters of the Product Development & Marketing or by the Accounting Department, which is separate from the Kenz Product Department that executes the business transactions subject to hedging. Each derivative transaction is reported to the accounting manager after confirming the outstanding derivative amounts with the bank.

Derivative transactions were executed for the year ended March 31, 2003. However, these were no derivative transactions executed for the year ended March 31, 2004.

13. Contingent Liabilities and Commitments

The Companies have bank overdraft agreements with 7 banks to obtain working capital efficiently. Under these contracts, the Companies are able to overdraw a maximum of ¥27,430 million (\$258,774 thousand). No overdrafts were outstanding at March 31, 2004.

At March 31, 2004, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of trade accounts payable, bank loans and others	¥ 1,149	\$ 10,840

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

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted average Shares	EPS	
For the year ended March 31, 2004:				
Basic EPS				
Net income available to common shareholders	¥ 17,118	88,661	¥ 193.08	\$ 1.822
Effect of Dilutive Securities				
Convertible bonds	-	1,444		
Diluted EPS				
Net income for computation	¥ 17,118	90,105	¥ 189.98	\$ 1.792
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common shareholders	¥ 15,857	85,910	¥ 184.57	
Effect of Dilutive Securities				
Convertible bonds	-	1,794		
Diluted EPS				
Net income for computation	¥ 15,857	87,704	¥ 180.80	

15. Merger

Effective October 1, 2002, the Company merged with Ohmori Co., Ltd. Under the terms of this 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.

Effective October 1, 2003, the Company merged with Ando Chemical Works Co., Ltd. Under the terms of this merger, the Company allotted treasury stock to the shareholders of Ando Chemical Works 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. Share Exchange

Effective October 1, 2003, the Company acquired Sanki Corporation as a wholly owned subsidiary by share exchange. Under the terms of the share exchange, the Company allotted treasury stock to the shareholders of Sanki Corporation as of the date of the share exchange. The Company did not issue new shares for the share exchange. The common stock of the Company did not increase as a result of the share exchange.

17. Sales of Subsidiaries

The Company sold two former subsidiaries for the year ended March 31, 2004 as follows:

Former subsidiary	Date of sale	Counterparty	Sale price (net of repayment of loan)
Suzuken Seibi Co., Ltd.	August, 1, 2003	Kimura Unity Co., Ltd.	¥650 million (\$6,132 thousand)
Suzuken Kensetsu Co., Ltd.	September 1, 2003	Nippon Doken Co., Ltd.	¥432 million (\$4,076 thousand)

As a result of the sales, the Companies recognized gain on sales of subsidiaries of ¥1,084 million (\$10,226 thousand) for the year ended March 31, 2004.

18. Subsequent Events

(a) Share Exchange Memorandum with Okinawa Yakuhin Co., Ltd.

The Company entered into a share exchange memorandum with Okinawa Yakuhin Co., Ltd. on April 13, 2004. Details of the share exchange are as follows:

A. Effect of the share exchange

Okinawa Yakuhin Co., Ltd. will become a wholly owned subsidiary of the Company.

B. Schedule

April 13, 2004	Signing of share exchange memorandum
In the middle of July, 2004 (planned)	Signing of share exchange agreement
In the middle of August, 2004 (planned)	Approval of exchange agreement at shareholders' meeting of Okinawa Yakuhin Co., Ltd.
October 1, 2004 (planned)	Execution of share exchange

C. Method

The method will be determined by the negotiation between both parties based on a third party's calculation.

D. Basic information for Okinawa Yakuhin Co., Ltd. at March 31, 2004

(1) Representative	Ikuo Kinjo
(2) Common stock	¥54 million (\$509 thousand)
(3) Head office	Okinawa
(4) Business	Wholesaler of ethical pharmaceuticals
(5) Financial results	Sales: ¥10,108 million (\$95,358 thousand)
For the year ended	Ordinary income:
March 31, 2004	¥173 million (\$1,632 thousand)
	Net income: ¥107 million (\$1,009 thousand)

(b) Share Exchange Agreement with ASTIS Co., Ltd.

The Company entered into a share exchange agreement with ASTIS Co., Ltd. based on resolutions at respective Board of Directors meetings held on May 17, 2004. Details of the share exchange are as follows:

A. Effect of the share exchange

ASTIS Co., Ltd. will become a wholly owned subsidiary of the Company.

B. Schedule

May 17, 2004	Signing of share exchange agreement
June 29, 2004	Approval of exchange agreement at shareholders' meeting of ASTIS Co., Ltd.
October 1, 2004 (planned)	Execution of share exchange

C. Method

The Company will allot its treasury stock to shareholders of ASTIS Co., Ltd. in exchange for the shares held by them, with an allotment ratio of 0.164 shares of the Company to one share of ASTIS Co., Ltd., excluding the shares already held by the Company and ASTIS Co., Ltd. The Company will not issue new shares. The number of treasury stock allotted will be 1,164,975 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 ASTIS Co., Ltd. over the cost of treasury stock allotted.

E. The balance sheet of ASTIS Co., Ltd. at March 31, 2004 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 32,273	\$ 304,462
Non-current assets	9,602	90,585
Total assets	¥ 41,875	\$ 395,047
Current liabilities	¥ 34,095	\$ 321,651
Non-current liabilities	2,368	22,340
Shareholders' equity	5,412	51,056
Total	¥ 41,875	\$ 395,047

F. Basic information for ASTIS Co., Ltd. at March 31, 2004

(1) Representative	Koji Fujita
(2) Common stock	¥947 million (\$8,934 thousand)
(3) Head office	Ehime
(4) Business	Wholesaler of ethical pharmaceuticals
(5) Financial results	Sales: ¥86,481 million (\$815,858 thousand)
	Ordinary loss: ¥250 million (\$2,358 thousand)
	Net loss: ¥450 million (\$4,245 thousand)

(c) Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's shareholders meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥14 (\$0.132) per share	¥ 1,063	\$ 10,028
Bonuses to directors and corporate auditors	150	1,415

(d) Stock Split

On May 19, 2004, the Company made a stock split by way of free share distribution at the rate of 0.2 shares for each outstanding share and 15,543,725 shares were issued to shareholders of record on March 31, 2004.

19. Segment Information

The Companies' segments are "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, 2004 and 2003.

- (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 services.
- Medical equipment manufacturing: The segment manufactures diagnostic equipment such as electrocardiographs 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, an insurance agency and sales of foods and goods.
- The Company sold subsidiaries which were engaged in construction of healthcare facilities and automobile marketing, leasing and repair during the year ended March 31, 2004.

(a) Business Segment

Summarized financial information by business segment for the years ended March 31, 2004 and 2003 is as follows:

2004	Millions of Yen				
	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	Consolidated
Sales to customers	¥ 1,165,839	¥ 15,084	¥ 13,101	-	¥ 1,194,024
Intersegment sales	3,562	26,490	3,034	¥ (33,086)	-
Total sales	1,169,401	41,574	16,135	(33,086)	1,194,024
Operating expenses	1,153,075	38,883	15,988	(33,629)	1,174,317
Operating income	¥ 16,326	¥ 2,691	¥ 147	¥ 543	¥ 19,707
Assets	¥ 646,671	¥ 42,143	¥ 12,732	¥ (9,181)	¥ 692,365
Depreciation	3,636	1,092	585	(49)	5,264
Capital expenditures	4,810	1,648	1,362	(177)	7,643

Thousands of U.S. Dollars					
2004	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	Consolidated
Sales to customers	\$ 10,998,481	\$ 142,302	\$ 123,594	-	\$ 11,264,377
Intersegment sales	33,604	249,906	28,623	\$ (312,133)	-
Total sales	11,032,085	392,208	152,217	(312,133)	11,264,377
Operating expenses	10,878,066	366,821	150,830	(317,255)	11,078,462
Operating income	\$ 154,019	\$ 25,387	\$ 1,387	\$ 5,122	\$ 185,915
Assets	\$ 6,100,670	\$ 397,575	\$ 120,113	\$ (86,613)	\$ 6,531,745
Depreciation	34,302	10,302	5,519	(463)	49,660
Capital expenditures	45,377	15,547	12,849	(1,670)	72,103
Millions of Yen					
2003	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	Consolidated
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

(b) Geographical segment information for the years ended March 31, 2004 and 2003 is not disclosed as the results of 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, 2004 and 2003 were less than 10 percent of consolidated net sales for each year.

Independent Auditors' Report

Deloitte.

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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, 2004 and 2003, 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 audits in accordance with auditing standards generally accepted 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles 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.



June 29, 2004

Member of
Deloitte Touche Tohmatsu