

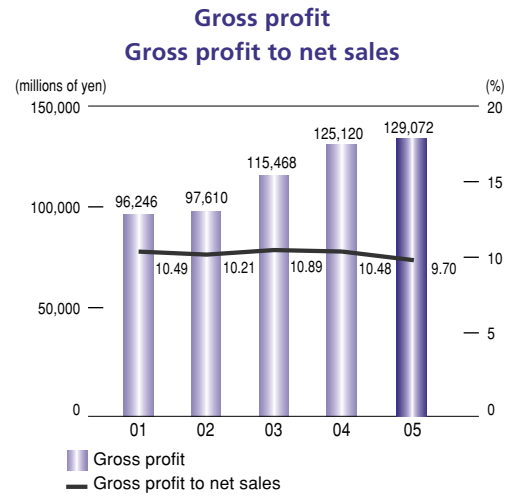
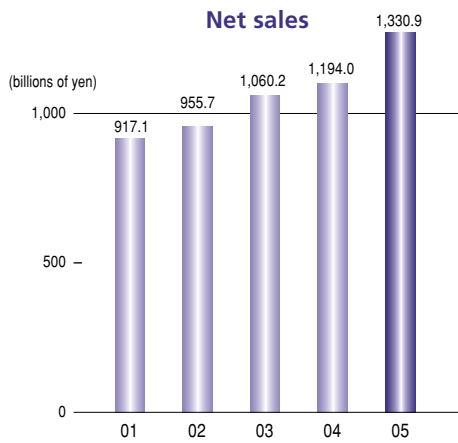
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Five-Year Highlights

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

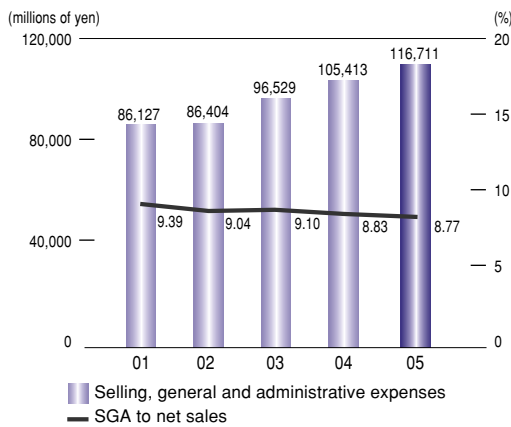
	Millions of Yen Except per Share Data					Thousands of U.S. Dollars Except per Share Data
	2005	2004	2003	2002	2001	2005
For the year:						
Net sales	¥ 1,330,983	¥ 1,194,024	¥ 1,060,211	¥ 955,749	¥ 917,145	\$ 12,439,093
Gross profit	129,072	125,120	115,468	97,610	96,246	1,206,280
Selling, general and administrative expenses	116,711	105,413	96,529	86,404	86,127	1,090,757
Operating income	12,361	19,707	18,939	11,206	10,119	115,523
Net income	12,576	17,308	16,004	8,794	9,202	117,533
Depreciation and amortization	5,241	5,264	5,258	5,915	6,341	48,981
Capital expenditure	11,030	7,643	6,440	6,115	7,729	103,084
Research and development costs	5,155	4,598	5,026	4,330	3,521	48,178
Per share data (Yen/U.S. Dollars):						
Net income (EPS) – Basic	135.72	193.08	184.57	97.63	98.68	1.268
– Diluted	135.46	189.98	180.80	96.42	-	1.266
Shareholders' equity	2,462.37	2,342.42	2,147.14	1,941.05	1,897.78	23.013
Cash dividends	30.00	26.00	24.00	20.00	20.00	0.280
Operating cash flow	197.60	359.83	293.29	(78.31)	105.47	1.847
At year-end:						
Total assets	758,232	692,365	623,553	569,433	595,319	7,086,280
Short-term bank loans + Current portion of long-term debt + Long-term debt	7,112	2,446	5,933	7,393	3,859	66,467
Total shareholders' equity	223,979	213,539	186,899	164,701	176,968	2,093,262
Ratios:						
Return on assets (ROA)	1.7%	2.6%	2.7%	1.5%	1.6%	
Return on equity (ROE)	5.7%	8.6%	9.1%	5.1%	5.3%	
Interest coverage ratio	274.3	1,134.1	(88.0)	(117.8)	357.2	
Dividend payout ratio	29.2%	13.3%	12.6%	18.9%	15.1%	
Number of employees	10,402	9,454	8,423	7,075	7,168	

- Notes: 1. U.S. dollar amounts are provided solely for the reader's convenience and use the exchange rate of ¥107 to the U.S. dollar prevailing on March 31, 2005.
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).

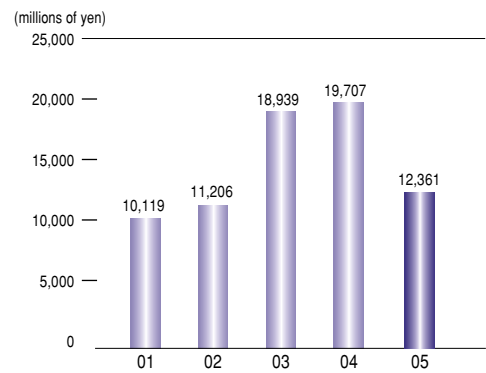


Selling, general and administrative expenses

SGA to net sales

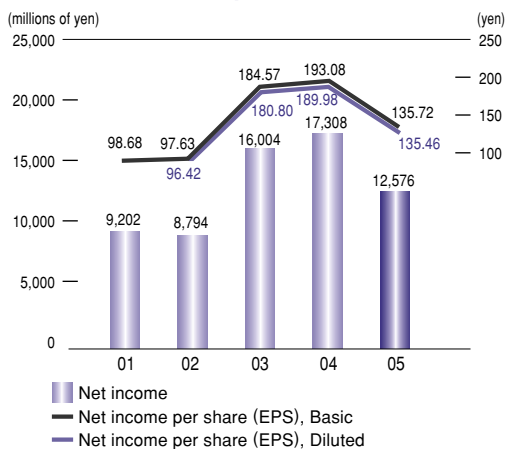


Operating income

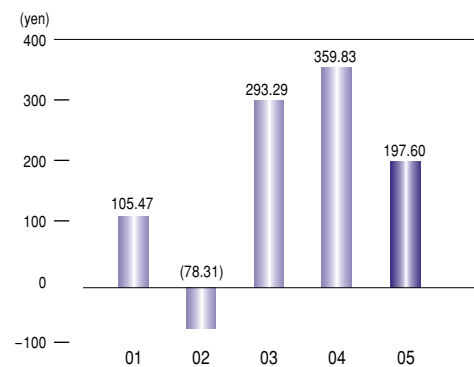


Net income

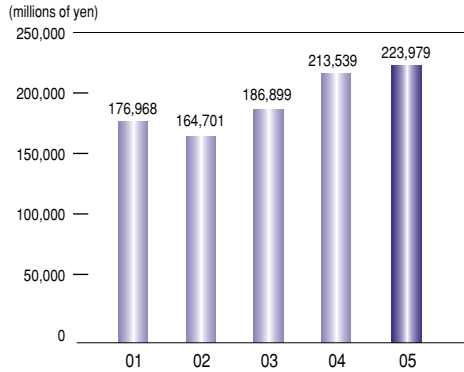
Net income per share (EPS)



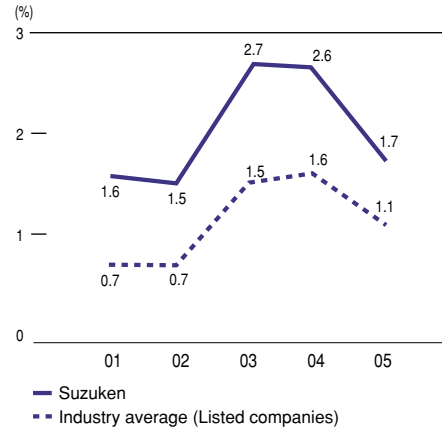
Operating cash flow per share



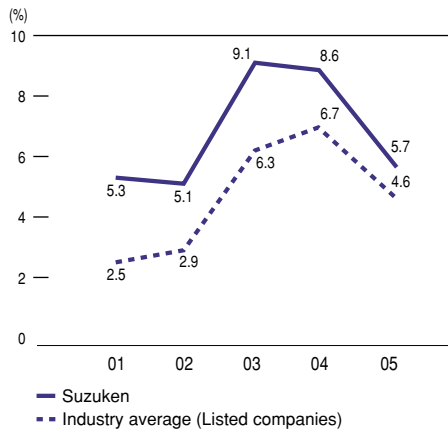
Total shareholders' equity



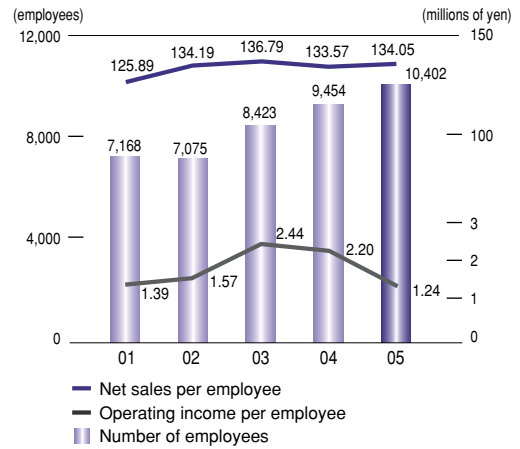
Return on assets (ROA)



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, 2005 include 45 subsidiaries and one affiliated company accounted for by using the equity method (The equity method is applied only in the first half of the period ended September 30, 2004. Thereafter, the method is not applied due to its lowered importance). These companies are primarily engaged in pharmaceutical wholesaling, sales, and manufacture of pharmaceuticals, health care-related services, and other activities. The acquisition of ASTIS Co., Ltd., whose subsidiaries were also consolidated, was the primary reason for the increase in the number of subsidiaries from 38 to 45 companies during the year.

Business Segments

Our business segments are as follows:

Pharmaceutical distribution:

This business distributes over 180,000 pharmaceuticals, diagnostic reagents, medical equipment, and medical supplies to over 130,000 medical institutions and pharmacies. In the year ended March 31, 2005, we further expanded our distribution network by establishing a sales office in Akita Prefecture and by acquiring subsidiaries in the Shikoku and Okinawa regions. As a result, our sales network covers all of Japan except for four prefectures in the Kyushu area.

The main companies in the Pharmaceutical Distribution segment are:

SUZUKEN CO., LTD.
 SANKI CORPORATION
 ASTIS CO., LTD.
 SUZUKEN OKINAWA YAKUHIN CO., LTD.
 NAKANO YAKUHIN CO., LTD.

Pharmaceutical manufacturing:

This business manufactures and sells pharmaceuticals such as medication for treating diabetes and diagnostic reagents. The main company in this segment is SANWA KAGAKU KENKYUSHO CO., LTD. (“SKK”). SKK devotes itself to the research and development of pharmaceuticals, mainly medication for treating diabetes. In addition, SKK is developing a compact blood glucose meter that allows patients to monitor their blood glucose level by themselves.

Other health care-related services:

This business is divided into the following four categories:

- Publishing in medical and health care fields and staffing services specializing in clinical research coordinators
- Manufacture of diagnostic equipment such as electrocardiographs and blood pressure meters
- Operation of dispensing pharmacies
- Others services such as insurance agent business and sales of foods and goods

The main companies in this segment are:

LIFE MEDICOM CO., LTD. (publishing)
 SANKI CLINICAL LINK CO., LTD. (staffing services)
 KENZMEDICO CO., LTD. (medical equipment manufacturing)
 RYOUYOU IYAKUHIN CO., LTD. (pharmacies)

Operating Environment

In the fiscal year ended March 31, 2005, the Japanese economy's growth was underpinned by private capital investments and recovery of profitability among companies. However, soaring crude oil prices during the second half and stagnating personal consumption created an uncertain outlook.

In the market for pharmaceutical wholesaling, the number of distributors has dropped from 217 companies five years ago to 142 companies as of March 31, 2005. Such change in market conditions is giving rise to business oligopolies. Although drastic mergers and acquisitions within the industry seem to have slowed down, some companies are still forming alliances.

Under these circumstances, we expanded our sales network and strengthened our sales capabilities by establishing an additional sales office and acquiring two pharmaceutical wholesalers. This expansion resulted in net sales of ¥1,330,983 million (\$12,439 million), an 11.5% increase. On the other hand, due to keen price competition among wholesalers and strong demand for lower pricing from medical institutions, operating income declined by 37.3% to ¥12,361 million (\$116 million).

Sales and Profitability

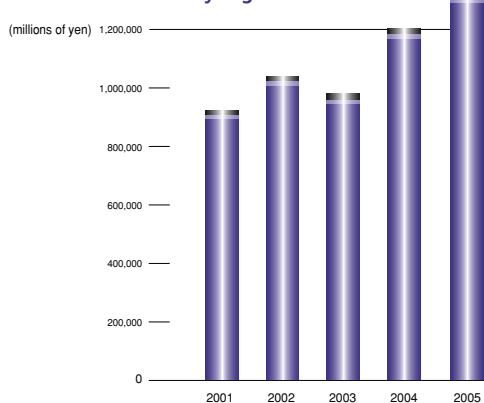
Sales to customers in the pharmaceutical distribution segment increased by 11.0% to ¥1,294,656 million (\$12,100 million). Despite the 4.2% pharmaceutical price reduction imposed by the National Health Insurance Drug Price Standard, sales volume increased due to continued growth of the elderly population, the introduction of new products, and increased cases of influenza and hay fever. Higher sales volume is also attributable to the contributions made throughout the year under review from the merger of Sanki Corporation in fiscal 2004 and acquisition of ASTIS Co., Ltd. and Okinawa Yakuin Co., Ltd. in fiscal 2005. However, due to the keen price competition among pharmaceutical wholesalers and demand for price reductions from medical institutions, operating income decreased by 50.0% to ¥8,157 million (\$76 million).

The pharmaceutical manufacturing segment saw active sales promotions and the introduction of new products invigorate the market. There was also an increase in production orders received. Consequently, sales to customers increased by 16.0% to ¥17,500 million (\$164 million). In line with the sales increase, operating income rose by 20.0% to ¥3,230 million (\$30 million).

In the other health care-related services segment, sales to customers increased by 43.7% to ¥18,827 million (\$176 million), reflecting the acquisition of ASTIS Co., Ltd. However, due to increased selling, general and administrative expenses, including labor expenses, operating income decreased 17.7% to ¥121 million (\$1 million).

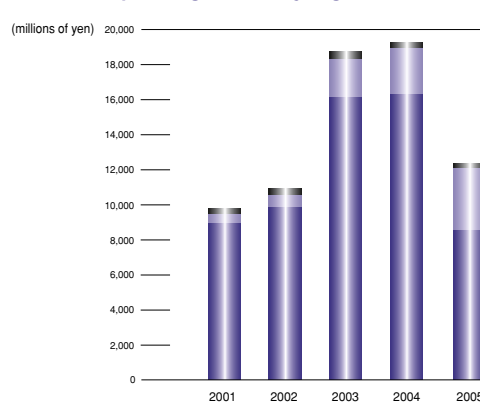
In other income and expenses, purchase discounts and commissions for supplying sales data increased to ¥6,468 million (\$60 million) and ¥3,102 million (\$29 million), respectively, reflecting increased sales. However, the following factors reduced other income-net during the period: (1) recognition of losses in the amount of ¥1,933 million (\$18 million) resulting from the disposal of fixed assets in light of impairment accounting to be introduced in fiscal 2006, and (2) lower gain on sales of subsidiaries-net, which was relatively large in the previous year. As a result, other income-net decreased and income before income taxes and minority interests was ¥22,250 million (\$208 million), a 27.8% decrease, and net income was ¥12,576 million (\$118 million), a 27.3% decrease.

Net sales by segment



Other healthcare-related services	8,477	8,854	8,309	13,101	18,827
Pharmaceutical manufacturing	12,066	15,456	13,139	15,084	17,500
Pharmaceutical distribution	895,602	1,035,901	934,302	1,165,839	1,294,656

Operating income by segment



Other healthcare-related services	351	305	352	147	121
Pharmaceutical manufacturing	407	751	2,190	2,691	3,230
Pharmaceutical distribution	8,993	9,803	16,117	16,326	8,157

Cash Flow

Net cash flow provided by operating activities for the year ended March 31, 2005 was ¥18,095 million (\$169 million), a decrease of ¥13,807 million (\$129 million). This large decrease was attributable to decreased income, increased tax payments, and increased working capital for operations in line with sales increases.

Net cash used in investing activities was ¥856 million (\$8 million), a decrease of ¥2,684 million (\$25 million) from the previous year. Although purchases of property and equipment were brisk at ¥8,026 million (\$75 million), they were funded by proceeds from sales of property and equipment in the amount of ¥3,087 million (\$29 million) and cash received from newly consolidated subsidiaries of ¥4,267 million (\$40 million). Purchases of investment securities were not as high as in the previous year, since cash was used for operational purposes.

Net cash flow used in financing activities was ¥8,895 million (\$83 million), mainly comprising repayments and redemption of long-term debt in the amount of ¥1,373 million (\$13 million), acquisition of treasury stock-net of ¥5,168 million (\$48 million), and increased payment of dividends totaling ¥2,251 million (\$21 million). For the purpose of improving capital efficiency and responding quickly to the changing economic environment, the Company has been purchasing treasury stock during fiscal 2005.

As a result of the above, cash and cash equivalents at the end of the year increased by ¥8,355 million (\$78 million) to ¥116,724 million (\$1,091 million).

Financial Position

Total assets increased from ¥692,365 million to ¥758,232 million (\$7,086 million), due mainly to the acquisition of subsidiaries. In particular, trade receivables, inventories, and land and buildings rose substantially. These increases offset the decrease resulting from sales of fixed assets that will no longer be used, as discussed earlier.

In addition, trade payables and short-term borrowings increased, due to the acquisition of subsidiaries, but this was partly offset by a decrease in income taxes payable. Shareholders' equity also increased, reflecting net income and conversion of convertible bonds. The acquisition of subsidiaries was conducted by allocating treasury stock. Therefore, no new shares were issued.

Per Share Information

The decrease in net income reduced basic net income per share from ¥193.08 to ¥135.72 (\$1.268). Moreover, diluted net income per share decreased from ¥189.98 to ¥135.46 (\$1.266).

New Accounting Standard

The new accounting standard requires companies to review their long-term assets for impairment whenever events or changes in circumstances indicate that the book value of the asset in question may not be recoverable. An impairment loss would be recognized if the book value of the asset exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset. The impairment loss would be treated as the amount by which the book value of the asset exceeds its recoverable amount (the amount of discounted cash flows resulting from the continued use and eventual disposition of the asset, or the amount of the net selling price at disposition, whichever is higher). The Companies did not adopt this new accounting standard early and are scheduled to adopt it on April 1, 2005. The effect of this adoption is estimated to be worth approximately ¥2,200 million (\$21 million).

Dividend Policy

Returning profits to shareholders is one of our most important corporate policies. Dividends are determined based on consolidated annual results, dividend payout ratio, and consolidated return on equity (ROE). However, given the stiff business conditions of our industry, it is also important to retain and efficiently allocate internally generated cash to become competitive and achieve stable growth.

At the general shareholders' meeting, we obtained approval to distribute year-end dividends of ¥17 (\$0.159) together with interim dividends of ¥13 (\$0.121), so, annual dividends are ¥30 (\$0.280). This included ¥2 (\$0.019), to commemorate the acquisition of ASTIS Co., Ltd. and Okinawa Yakuin Co., Ltd. and ¥2 (\$0.019), to commemorate the 10th anniversary of the public offering of our stock.

Consolidated Balance Sheets

Suzuken Co., Ltd. and Subsidiaries
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Assets			
Current Assets:			
Cash and cash equivalents	¥ 116,724	¥ 108,369	\$ 1,090,878
Time deposits	2	-	19
Marketable securities (Note 3)	26	102	243
Receivables:			
Trade notes and accounts	361,166	330,920	3,375,383
Purchase rebates receivable	27,430	22,991	256,355
Allowance for doubtful accounts	(4,353)	(6,066)	(40,682)
Inventories (Note 4)	100,760	88,718	941,682
Deferred tax assets (Note 9)	7,298	7,828	68,206
Other current assets	1,417	1,550	13,243
Total current assets	610,470	554,412	5,705,327
Property and Equipment:			
Land (Note 6)	44,794	41,823	418,636
Buildings and structures (Note 6)	71,203	64,777	665,449
Machinery and equipment	16,867	16,072	157,635
Construction in progress	1,231	529	11,504
Total	134,095	123,201	1,253,224
Accumulated depreciation	(50,923)	(47,470)	(475,916)
Net property and equipment	83,172	75,731	777,308
Investments and Other Assets:			
Investment securities (Notes 3 and 6)	34,390	33,987	321,402
Investments in associated companies	229	7	2,140
Deferred tax assets (Note 9)	769	139	7,187
Prepaid pension cost (Note 7)	11,791	11,870	110,196
Other assets	17,411	16,219	162,720
Total investments and other assets	64,590	62,222	603,645
Total	¥ 758,232	¥ 692,365	\$ 7,086,280

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans (Note 5)	¥ 3,818	-	\$ 35,682
Current portion of long-term debt (Notes 5 and 6)	1,402	¥ 1,537	13,103
Payables:			
Trade notes and accounts (Note 6)	486,434	435,256	4,546,112
Purchases of property, equipment and other assets	1,562	599	14,598
Income taxes payable	6,195	9,201	57,897
Accrued bonuses	7,725	7,759	72,197
Other current liabilities	8,176	7,647	76,411
Total current liabilities	515,312	461,999	4,816,000
Long-Term Liabilities:			
Long-term debt (Notes 5 and 6)	1,891	909	17,673
Liability for employees' retirement benefits (Note 7)	3,431	3,132	32,066
Liability for retirement benefits to directors and corporate auditors (Note 7)	594	785	5,551
Deferred tax liabilities (Note 9)	6,815	5,816	63,692
Deferred tax liabilities for land revaluation (Note 9)	2,780	2,989	25,981
Negative goodwill	327	722	3,056
Other long-term liabilities	646	135	6,037
Total long-term liabilities	16,484	14,488	154,056
Minority Interests	2,457	2,339	22,962
Contingent Liabilities and Commitments (Note 12)			
Shareholders' Equity (Note 8):			
Common stock			
Authorized: 231,000,000 shares in 2005 and 2004			
Issued: 93,584,167 shares in 2005 and 77,718,626 shares in 2004	13,547	13,130	126,607
Capital surplus	32,180	29,653	300,748
Retained earnings	187,397	177,151	1,751,374
Land revaluation difference	(7,468)	(7,362)	(69,794)
Net unrealized gain on available-for-sale securities	4,819	5,332	45,037
Foreign currency translation adjustments	-	(13)	-
Treasury stock, at cost			
2,683,820 shares in 2005 and 1,817,851 shares in 2004	(6,496)	(4,352)	(60,710)
Total shareholders' equity	223,979	213,539	2,093,262
Total	¥ 758,232	¥ 692,365	\$ 7,086,280

Consolidated Statements of Shareholders' Equity

Suzuken Co., Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

	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, 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)
Stock split	15,180	-	-	-	-	-	-	-
Net income	-	-	-	12,576	-	-	-	-
Cash dividends, interim and year-end	-	-	-	(2,250)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(188)	-	-	-	-
Realization of land revaluation surplus due to sales of land	-	-	-	106	(106)	-	-	-
Increase in treasury stock	(2,000)	-	-	-	-	-	-	(5,172)
Effect as a result of disposal of treasury stock	1,497	-	2,110	-	-	-	-	3,028
Conversion of convertible bonds	322	417	417	-	-	-	-	-
Increase due to exclusion of an associated company accounted for by the equity method	-	-	-	2	-	-	-	-
Net decrease in unrealized gain on available-for-sale securities	-	-	-	-	-	(513)	-	-
Net increase in foreign currency translation adjustments	-	-	-	-	-	-	13	-
Balance at March 31, 2005	90,900	¥13,547	¥32,180	¥187,397	¥ (7,468)	¥ 4,819	¥ -	¥ (6,496)

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, 2004	\$122,710	\$277,131	\$1,655,617	\$ (68,803)	\$ 49,832	\$ (121)	\$ (40,673)
Stock split	-	-	-	-	-	-	-
Net income	-	-	117,533	-	-	-	-
Cash dividends, interim and year-end	-	-	(21,028)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	(1,757)	-	-	-	-
Realization of land revaluation surplus due to sales of land	-	-	991	(991)	-	-	-
Increase in treasury stock	-	-	-	-	-	-	(48,336)
Effect as a result of disposal of treasury stock	-	19,720	-	-	-	-	28,299
Conversion of convertible bonds	3,897	3,897	-	-	-	-	-
Increase due to exclusion of an associated company accounted for by the equity method	-	-	18	-	-	-	-
Net decrease in unrealized gain on available-for-sale securities	-	-	-	-	(4,795)	-	-
Net increase in foreign currency translation adjustments	-	-	-	-	-	121	-
Balance at March 31, 2005	\$126,607	\$300,748	\$1,751,374	\$ (69,794)	\$ 45,037	\$ -	\$ (60,710)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Suzuken Co., Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		2005
	2005	2004	
Operating Activities:			
Income before income taxes and minority interests	¥ 22,250	¥ 30,830	\$ 207,944
Adjustments for:			
Income taxes - paid	(11,745)	(5,936)	(109,766)
Depreciation and amortization	5,241	5,264	48,981
Loss on sales and disposal of fixed assets - net	1,933	602	18,065
Gain on sales of investment securities - net	(1,051)	(1,542)	(9,822)
Gain on sales of subsidiaries - net	(77)	(1,084)	(720)
Write-down of investment securities	236	34	2,206
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(7,798)	(479)	(72,878)
(Increase) decrease in inventories	(5,632)	313	(52,636)
(Increase) decrease in purchase rebates receivables	(2,582)	6,421	(24,130)
Increase in trade payables	20,411	2,317	190,757
(Decrease) increase in allowance for doubtful accounts	(2,099)	5	(19,617)
Decrease in liability for retirement benefits	(348)	(2,765)	(3,252)
Other - net	(644)	(2,078)	(6,020)
Total adjustments	(4,155)	1,072	(38,832)
Net cash provided by operating activities	18,095	31,902	169,112
Investing Activities:			
Decrease in time deposits - net	428	45	4,000
Proceeds from sales of property and equipment	3,087	1,024	28,850
Purchases of property and equipment	(8,026)	(5,890)	(75,009)
Proceeds from sales of marketable securities	110	49	1,028
Proceeds from sales of investment securities	1,665	3,367	15,561
Purchases of investment securities	(1,112)	(6,286)	(10,393)
Proceeds from sales of subsidiaries (Note 16)	302	1,775	2,822
Additional acquisition of subsidiaries	-	(43)	-
Proceeds from sales of an associated company	-	13	-
Net increase in cash and cash equivalents due to newly consolidated subsidiaries (Note 15)	4,267	3,725	39,879
Increase in other assets - net	(1,577)	(1,319)	(14,738)
Net cash used in investing activities	(856)	(3,540)	(8,000)
Financing Activities:			
Decrease in short-term bank loans - net	(103)	(1,080)	(963)
Repayments and redemption of long-term debt	(1,373)	(707)	(12,832)
Acquisition of treasury stock - net	(5,168)	(258)	(48,299)
Dividends paid, including payment to minority shareholders	(2,251)	(1,815)	(21,037)
Net cash used in financing activities	(8,895)	(3,860)	(83,131)
Foreign currency translation adjustments on cash and cash equivalents			
	11	(11)	103
Net increase in cash and cash equivalents	8,355	24,491	78,084
Cash and cash equivalents increased due to merger with Ando Chemical Works Co., Ltd.			
	-	300	
Cash and cash equivalents, beginning of year	108,369	83,578	1,012,794
Cash and cash equivalents, end of year	¥ 116,724	¥ 108,369	\$ 1,090,878

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Additional Information			
Non-cash Investing and Financing Activities:			
Conversion of convertible bonds to common stock, including allotment of treasury stock	¥ 834	¥ 3,065	\$ 7,794
Assets acquired and liabilities assumed in merger (Note 14)			
Current assets	-	7,601	-
Non-current assets	-	3,094	-
Current liabilities	-	7,887	-
Non-current liabilities	-	26	-

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Suzuken Co., Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

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 2004 consolidated financial statements to conform to the classifications used in 2005.

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 ¥107 to \$1, the approximate rate of exchange at March 31, 2005. 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 45 subsidiaries and 6 associated companies at March 31, 2005 (38 subsidiaries and 1 associated company at March 31, 2004). The consolidated financial statements as of March 31, 2005 include the accounts of the Company and its 45 subsidiaries (38 subsidiaries in 2004). Details of the significant subsidiaries included in each segment at March 31, 2005 are as follows:

Business Segment	Significant Subsidiaries	Equity Ownership Percentage	Common Stock (Millions of Yen)
Pharmaceutical Distribution	SANKI CORPORATION	100.0	1,081
	ASTIS CO., LTD.	100.0	946
	SUZUKEN OKINAWA YAKUHIN CO., LTD.	100.0	12
	NAKANO YAKUHIN CO., LTD.	100.0	94
	SUZUKEN IWATE CO., LTD.	100.0	97
Pharmaceutical Manufacturing	SANWA KAGAKU KENKYUSHO CO., LTD.	90.1	101
Other Healthcare-Related Services :			
Healthcare-related services	LIFE MEDICOM CO., LTD.	100.0	10
	SANKI CLINICAL LINK CO., LTD.	100.0	90
Medical equipment manufacturing	KENZMEDICO CO., LTD.	100.0	10
Dispensing pharmacy	RYOUMOU IYAKUHIN CO., LTD.	100.0	10
Other service	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.

Investment in one associated company in 2004 was accounted for by the equity method. The Company determined that the associated company had no significant impact on the consolidated financial statements in 2005. Accordingly, the associated company is excluded from the application of the equity method in the latter half of the year ended March 31, 2005. Investments in the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and the fair value of the net assets of an 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 an associated company 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, 2005 and 2004, and the results of operations for the years ended March 31, 2005 and 2004.

(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 interests in trust, 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 2 to 50 years for buildings and structures and from 2 to 20 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, 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, 2004, the land revaluation difference 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 difference, net of unrealized gains was ¥7,362 million and the related deferred tax liabilities were ¥2,989 million at March 31, 2004.

During the year ended March 31, 2005, the land revaluation difference increased due to sales of land. The land revaluation difference, net of unrealized gains was ¥7,468 million (\$69,794 thousand) and the related deferred tax liabilities were ¥2,780 million (\$25,981 thousand) at March 31, 2005.

The carrying amount of land after the one-time revaluation noted above exceeded market value by ¥4,900 million (\$45,794 thousand) at March 31, 2005.

(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. The Company's convertible bonds were redeemed at September 30, 2004.

The Companies account 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 aforementioned 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.

On June 29, 2004, the Company abolished the retirement benefit plan for directors and corporate auditors and the balance at March 31, 2005 was the portion attributable to subsidiaries.

(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) 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.

(p) 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 Companies expect to adopt these pronouncements as of April 1, 2005 and are 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, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current:			
Debt securities	¥ 26	¥ 102	\$ 243
Total	¥ 26	¥ 102	\$ 243
Non-current:			
Equity securities	¥ 22,855	¥ 22,688	\$ 213,598
Debt securities	10,949	10,693	102,327
Other	586	606	5,477
Total	¥ 34,390	¥ 33,987	\$ 321,402

Information of the available-for-sale securities whose fair value was readily determinable at March 31, 2005 and 2004 is as follows:

March 31, 2005	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 11,133	¥ 10,426	¥ 115	¥ 21,444
Debt securities	12,557	8	1,590	10,975
Other	399	37	6	430
Total	¥ 24,089	¥ 10,471	¥ 1,711	¥ 32,849

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, 2005	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	\$ 104,047	\$ 97,439	\$ 1,075	\$ 200,411
Debt securities	117,355	75	14,860	102,570
Other	3,729	346	56	4,019
Total	\$ 225,131	\$ 97,860	\$ 15,991	\$ 307,000

Available-for-sale securities whose fair value was not readily determinable at March 31, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Equity securities	¥ 1,410	¥ 1,416	\$ 13,178
Other	157	246	1,467
Total	¥ 1,567	¥ 1,662	\$ 14,645

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥1,776 million (\$16,598 thousand) and ¥3,916 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥1,016 million (\$9,495 thousand) and ¥31 million (\$290 thousand), respectively, for the year ended March 31, 2005 and ¥1,501 million and ¥1 million, respectively, for the year ended March 31, 2004.

The carrying values of debt securities and others by contractual maturities at March 31, 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due in one year or less	¥ 26		\$ 243
Due after one year through five years	192		1,794
Due after five years through ten years	1,005		9,393
Due after ten years	9,939		92,888
Total	¥ 11,162		\$ 104,318

4. Inventories

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Merchandise	¥ 96,995	¥ 85,053	\$ 906,495
Finished products	1,754	1,792	16,393
Work in process	833	890	7,785
Raw materials	1,065	842	9,953
Supplies	113	141	1,056
Total	¥100,760	¥ 88,718	\$ 941,682

5. Short-term Bank Loans and Long-term Debt

Short-term bank loans at March 31, 2005 consisted of those on deed and notes to banks. The weighted average interest rate on short-term bank loans at March 31, 2005 was 1.03%.

The weighted average interest rate on long-term bank borrowings at March 31, 2005 and 2004 was 1.9 % and 2.1%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Borrowings from banks	¥ 3,293	¥ 1,316	\$ 30,776
Unsecured zero coupon yen convertible bonds, due 2004	-	1,130	-
Total	3,293	2,446	30,776
Less current portion	(1,402)	(1,537)	(13,103)
Long-term debt, less current portion	¥ 1,891	¥ 909	\$ 17,673

Annual maturities of long-term debt at March 31, 2005 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 1,402	\$ 13,103
2007	649	6,066
2008	802	7,495
2009	301	2,813
2010 and thereafter	139	1,299
Total	¥ 3,293	\$ 30,776

6. Pledged Assets

The carrying amounts of assets pledged as collateral for the current portion of long-term bank borrowings of ¥50 million (\$467 thousand) and trade notes and accounts payable of ¥1,851 million (\$17,299 thousand) at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 3,149	\$ 29,430
Buildings and structures - net		
of accumulated depreciation	1,596	14,916
Investment securities	823	7,691
Total	¥ 5,568	\$ 52,037

7. Retirement and Pension Plans

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

On June 29, 2004, the Company abolished the retirement benefit plan to directors and corporate auditors and the balance at March 31, 2005 was the portion attributable to subsidiaries.

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, 2005 and 2004 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 38,538	¥ 33,591	\$ 360,168
Fair value of plan assets	(31,233)	(29,782)	(291,897)
Unrecognized transitional obligation	-	(120)	-
Unrecognized actuarial loss	(16,135)	(13,044)	(150,794)
Unrecognized prior service benefit	470	617	4,393
Prepaid pension cost	11,791	11,870	110,196
Net liability	¥ 3,431	¥ 3,132	\$ 32,066

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 by the Ministry of Health, Labor and Welfare on April 18, 2002.

The Company and certain subsidiaries transferred the substitutional portion of the pension obligations and related assets to the government and recognized ¥71 million 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 components of periodic benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 1,906	¥ 1,596	\$ 17,813
Interest cost	672	756	6,280
Expected return on plan assets	(421)	(214)	(3,934)
Amortization of transitional obligation	120	60	1,121
Recognized actuarial loss	1,208	1,118	11,290
Amortization of prior service benefits	(147)	(81)	(1,374)
Net periodic retirement benefit costs	3,338	3,235	31,196
Loss on transfer of the substitutional portion of the pension obligations to the government	-	71	-
Special retirement payments	130	-	1,215
Contribution to defined contribution pension plan	662	660	6,187
Total	¥ 4,130	¥ 3,966	\$ 38,598

Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00% to 2.50%	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 consolidated subsidiaries	5 years	5 years

8. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. 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.

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. The amount of retained earnings available for dividends under the Code was ¥150,149 million (\$1,403,265 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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.

During the year ended March 31, 2004, ¥3,065 million 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.

On May 19, 2004, the Company made a stock split by way of a 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.

During the year ended March 31, 2005, ¥834 million (\$7,794 thousand) of the unsecured yen convertible bonds due 2004 were converted into 321,816 shares of the Company's common stock. The effect of the conversion of the bonds was to increase common stock and capital surplus by ¥417 million (\$3,897 thousand).

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 40.4% and 41.8%, respectively, for the years ended March 31, 2005 and 2004.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for doubtful accounts	¥ 2,177	¥ 2,887	\$ 20,346
Accrued expenses for employees' bonuses	3,133	3,140	29,280
Liability for employees' retirement benefits	1,275	1,170	11,916
Liability for retirement benefits to directors and corporate auditors	241	314	2,252
Enterprise tax	509	832	4,757
Securities contributed to retirement benefit trust	763	681	7,131
Offsetting of unrealized intercompany transactions	679	524	6,346
Long-term prepaid expenses	867	833	8,103
Accrued expenses for employees' social security expenses	511	408	4,776
Tax loss carryforwards	1,135	719	10,607
Other	3,182	1,849	29,738
Less valuation allowance	(3,702)	(1,896)	(34,598)
Total	¥ 10,770	¥ 11,461	\$ 100,654
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	¥ (3,304)	¥ (3,643)	\$ (30,879)
Prepaid pension cost	(4,764)	(4,795)	(44,523)
Other	(1,450)	(872)	(13,551)
Total	(9,518)	(9,310)	(88,953)
Net deferred tax assets	¥ 1,252	¥ 2,151	\$ 11,701

The breakdown of net deferred tax assets at March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current deferred tax assets	¥ 7,298	¥ 7,828	\$ 68,206
Non-current deferred tax assets	769	139	7,187
Non-current deferred tax liabilities	(6,815)	(5,816)	(63,692)
Total	¥ 1,252	¥ 2,151	\$ 11,701

The breakdown of net deferred tax liabilities for land revaluation at March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets	¥ 4,713	¥ 5,016	\$ 44,047
Valuation allowance	(4,674)	(4,756)	(43,682)
Deferred tax liabilities	(2,819)	(3,249)	(26,346)
Total	¥ (2,780)	¥ (2,989)	\$ (25,981)

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.

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2005, and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2005
Normal effective statutory tax rate	40.4%
Increase in valuation allowance	1.5
Expenses not deductible for income tax purposes	1.7
Income not recognized for income tax purposes	(0.6)
Per capita tax	1.1
Tax credit for research and development	(1.3)
Other - net	(0.3)
Actual effective tax rate	42.5%

10. Research and Development Costs

Research and development costs charged to income were ¥5,155 million (\$48,178 thousand) and ¥4,598 million for the years ended March 31, 2005 and 2004, respectively.

11. Leases

(As lessee)

The Companies lease certain machinery, fixtures and other assets. Lease payments for the years ended March 31, 2005 and 2004 were ¥2,870 million (\$26,822 thousand) and ¥2,564 million, respectively.

Pro forma information related to leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, 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, 2005 and 2004 is as follows:

Millions of Yen

March 31, 2005:	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 6,922	¥ 5,986	¥ 342	¥ 13,250
Accumulated depreciation	2,984	2,310	195	5,489
Net leased property	¥ 3,938	¥ 3,676	¥ 147	¥ 7,761

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

Thousands of U.S. Dollars

March 31, 2005:	Machinery, Equipment and Vehicles	Furniture and Fixtures	Other	Total
Acquisition cost	\$ 64,692	\$ 55,944	\$ 3,196	\$ 123,832
Accumulated depreciation	27,888	21,589	1,822	51,299
Net leased property	\$ 36,804	\$ 34,355	\$ 1,374	\$ 72,533

Obligations under finance leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 2,473	¥ 2,170	\$ 23,112
Due after one year	5,989	5,268	55,972
Total	¥ 8,462	¥ 7,438	\$ 79,084

Depreciation expense and interest expense under finance leases for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Depreciation expense	¥ 2,306	¥ 1,997	\$ 21,551
Interest expense	290	388	2,710

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, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 581	¥ 473	\$ 5,430
Due after one year	1,700	1,825	15,888
Total	¥ 2,281	¥ 2,298	\$ 21,318

(As lessor)

One consolidated subsidiary leased machinery and equipment as a lessor. Finance lease revenues for the year ended March 31, 2004 were ¥57 million.

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

12. Contingent Liabilities and Commitments

The Companies have bank overdraft agreements with 8 banks to obtain working capital efficiently. Under these contracts, the Companies are able to overdraw a maximum of ¥28,050 million (\$262,150 thousand). No overdrafts were outstanding at March 31, 2005.

At March 31, 2005, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of trade accounts payable, bank loans and others	¥ 861	\$ 8,047

13. 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, 2005 and 2004 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, 2005:				
Basic EPS				
Net income available to common shareholders	¥ 12,428	91,574	¥135.72	\$1.268
Effect of Dilutive Securities				
Convertible bonds	-	174		
Diluted EPS				
Net income for computation	¥ 12,428	91,748	¥135.46	\$1.266
For the year ended March 31, 2004:				
Basic EPS				
Net income available to common shareholders	¥ 17,118	88,661	¥193.08	
Effect of Dilutive Securities				
Convertible bonds	-	1,444		
Diluted EPS				
Net income for computation	¥ 17,118	90,105	¥189.98	

14. 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.

15. Share Exchange

Effective October 1, 2004, the Company acquired ASTIS Co., Ltd. as a wholly owned subsidiary by share exchange. Under the terms of the share exchange, the Company allotted treasury stock to the shareholders of ASTIS Co., Ltd. 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.

Details of the increase in cash and cash equivalents of ASTIS Co., Ltd. and its subsidiaries are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 30,717	\$ 287,075
Non-current assets	8,594	80,318
Current liabilities	(32,547)	(304,178)
Non-current liabilities	(3,698)	(34,561)
Minority interests	(6)	(56)
Goodwill	982	9,178
Acquisition cost	¥ 4,042	\$ 37,776
Cash and cash equivalents	2,921	27,299
Acquisition cost by share exchange	(4,042)	(37,776)
Proceeds from share exchange	¥ 2,921	\$ 27,299

Effective October 1, 2004, the Company acquired Okinawa Yakuin Co., Ltd. as a wholly owned subsidiary by share exchange. Under the terms of the share exchange, the Company allotted treasury stock to the shareholders of ASTIS Co., Ltd. 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.

Details of the increase in cash and cash equivalents of Okinawa Yakuin Co., Ltd. are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 4,551	\$ 42,533
Non-current assets	1,112	10,392
Current liabilities	(3,561)	(33,280)
Non-current liabilities	(395)	(3,692)
Negative goodwill	(674)	(6,299)
Acquisition cost	¥ 1,033	\$ 9,654
Cash and cash equivalents	1,046	9,776
Acquisition cost by share exchange	(1,033)	(9,654)
Proceeds from share exchange	¥ 1,046	\$ 9,776

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.

Details of the increase in cash and cash equivalents of Sanki Corporation and its subsidiaries are as follows:

	Millions of Yen
Current assets	¥ 28,386
Non-current assets	7,171
Current liabilities	(26,520)
Non-current liabilities	(1,187)
Negative goodwill	(943)
Acquisition cost of shares owned by the Company before the share exchange	(1,040)
Acquisition cost	5,867
Cash and cash equivalents	3,725
Acquisition cost by share exchange	(5,867)
Proceeds from share exchange	¥ 3,725

16. Sales of Subsidiaries

The Company sold two subsidiaries for the year ended March 31, 2005. As a result of the sales, the Companies recognized gain on sales of subsidiaries of ¥87 million (\$813 thousand) and loss on sales of subsidiaries of ¥10 million (\$94 thousand) for the year ended March 31, 2005. Details of proceeds from sales of subsidiaries are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 136	\$ 1,271
Non-current assets	219	2,047
Current liabilities	(38)	(355)
Foreign currency translation adjustments	3	28
Gain on sales of subsidiaries	87	813
Loss on sales of subsidiaries	(10)	(94)
Sales price of subsidiaries	397	3,710
Cash and cash equivalents of subsidiaries sold	(95)	(888)
Proceeds from sales of subsidiaries	¥ 302	\$ 2,822

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

Former subsidiary	Date of sales	Counterparty	Sales price (net of repayment of loan)
Suzuken Seibi Co., Ltd.	August, 1, 2003	Kimura Unity Co., Ltd.	¥650 million
Suzuken Kensetsu Co., Ltd.	September 1, 2003	Nippon Doken Co., Ltd.	¥432 million

As a result of the sales, the Companies recognized gain on sales of subsidiaries of ¥1,084 million for the year ended March 31, 2004. Details of proceeds from sales of subsidiaries are as follows:

	Millions of Yen
Current assets	¥ 805
Non-current assets	2,619
Current liabilities	(1,200)
Non-current liabilities	(1,376)
Gain on sales of subsidiaries	1,084
Proceeds from repayment of loans	874
Unrealized gain on fixed assets	(850)
Sales price of subsidiaries	¥ 1,956
Cash and cash equivalents of subsidiaries sold	(181)
Proceeds from sales of subsidiaries	¥ 1,775

17. Subsequent Events

(a) Transfer of over-the-counter drug wholesale business and business tie-up

The Company entered into a memorandum of understanding (“ MOU ”) with KOBAYASHI Pharmaceutical Co., Ltd. (“ Kobayashi ”) and Kobashou Co., Ltd. (“ Kobashou ”), a subsidiary of Kobayashi, to transfer an over-the-counter drug wholesale business and establish a business tie-up on September 22, 2004. The Company transferred the over-the-counter drug wholesale business to Kobashou based upon the MOU. Kobashou allotted newly issued shares to the Company. The details of the transfer are as follows:

A. Effects of the transfer

Kobashou issued 2,694 shares of common stock and allotted all the new shares to the Company. As a result, Kobashou became an associated company of the Company.

B. Method

1. The Company separated the over-the-counter drug wholesale business in the Tokyo Metropolitan area and the Kinki area and transferred them to Kobashou in exchange for shares issued by Kobashou.

Assets acquired and liabilities assumed by Kobashou at April 1, 2005 were as follows.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 3,325	\$ 31,075
Current liabilities	¥ 1,475	\$ 13,785
Net assets	1,850	17,290

The number of employees transferred was six.

2. The Company separated the over-the-counter drug wholesale business in the Tokai area and the Hokkaido area and established two subsidiaries at April 1, 2005. The Company transferred the shares of the two subsidiaries to Kobashou in exchange for Kobashou's shares on the same day.

A summary of the two subsidiaries established by the Company at April 1, 2005 is as follows:

Company name	KS HOKKAIDO CO., LTD.
Business	Over-the-counter drug wholesale business
Incorporated	April 1, 2005
Head office	Sapporo, Hokkaido
Common stock	¥10 million (\$93 thousand)
Shares issued	200 shares
Fiscal year-end	March 31
Number of employees	44
Note	KS HOKKAIDO CO., LTD. was established by the Company as a wholly owned subsidiary on April 1, 2005. However, it became a wholly owned subsidiary of Kobashou by way of a share exchange on the same day.

Assets acquired and liabilities assumed by KS HOKKAIDO CO., LTD. on April 1, 2005 were as follows.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 2,262	\$ 21,140
Non-current assets	1	9
Total assets	¥ 2,263	\$ 21,149
Current liabilities	¥ 2,060	\$ 19,252
Non-current liabilities	3	28
Net assets	200	1,869

The number of employees transferred was 26.

Company name	KS TOKAI CO., LTD.
Business	Over-the-counter drug wholesale business
Incorporated	April 1, 2005
Head office	Nagoya, Aichi
Common stock	¥10 million (\$93 thousand)
Shares issued	200 shares
Fiscal year-end	March 31
Number of employees	32
Note	KS TOKAI CO., LTD. was established by the Company as a wholly owned subsidiary on April 1, 2005. However, it became a wholly owned subsidiary of Kobashou by way of a share exchange on the same day.

Assets acquired and liabilities assumed by KS TOKAI CO., LTD. on April 1, 2005 were as follows.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 3,080	\$ 28,785
Non-current assets	1	9
Total assets	¥ 3,081	\$ 28,794
Current liabilities	¥ 2,481	\$ 23,187
Net assets	600	5,607

The number of employees transferred was 16.

C. Effects on the financial statements from the transfer of business

The Company will record a gain on transfer of business in the amount of ¥711 million (\$6,645 thousand) for the year ending March 31, 2006.

(b) Voluntary early retirement program

The Company approved the voluntary early retirement program at the board of directors' meeting held on April 13, 2005. The details of the program are as follows:

- (1)Number of employees 200
- (2)Period From May 23, 2005 to June 3, 2005
- (3)Eligible employees All full-time employees who are between the ages of 35 and 58 at June 30, 2005
- (4)Retirement date June 30, 2005
- (5)Total number of applicants 223
- (6)Special retirement payment (planned) ¥2,298 million (\$21,477 thousand)

(c) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2005 were approved at the Company's shareholders meeting held on June 29, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends,		
¥17 (\$0.159) per share	¥ 1,545	\$ 14,439
Bonuses to directors and corporate auditors	100	935

18. 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, 2005 and 2004.

- (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 dispatches clinical research coordinators.
- 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, 2005 and 2004 is as follows:

	Millions of Yen				
	2005	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate
Sales to customers	¥ 1,294,656	¥ 17,500	¥ 18,827	-	¥ 1,330,983
Intersegment sales	6,025	28,305	1,753	¥ (36,083)	-
Total sales	1,300,681	45,805	20,580	(36,083)	1,330,983
Operating expenses.....	1,292,524	42,575	20,459	(36,936)	1,318,622
Operating income	¥ 8,157	¥ 3,230	¥ 121	¥ 853	¥ 12,361
Assets	¥ 711,361	¥ 42,763	¥ 15,143	¥ (11,035)	¥ 758,232
Depreciation	3,833	1,257	206	(55)	5,241
Capital expenditures	7,074	2,391	1,565	-	11,030

Thousands of U.S. Dollars

2005	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare Related Services	Elimination /Corporate	Consolidated
Sales to customers	\$ 12,099,589	\$ 163,551	\$ 175,953	-	\$ 12,439,093
Intersegment sales	56,308	264,533	16,383	\$ (337,224)	-
Total sales	12,155,897	428,084	192,336	(337,224)	12,439,093
Operating expenses	12,079,663	397,897	191,206	(345,196)	12,323,570
Operating income	\$ 76,234	\$ 30,187	\$ 1,130	\$ 7,972	\$ 115,523
Assets	\$ 6,648,234	\$ 399,654	\$ 141,523	\$ (103,131)	\$ 7,086,280
Depreciation	35,822	11,748	1,925	(514)	48,981
Capital expenditures	66,112	22,346	14,626	-	103,084

Millions of Yen

2004	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

(b) Geographical segment information for the years ended March 31, 2005 and 2004 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, 2005 and 2004 were less than 10 percent of consolidated net sales of each year.