

# Consolidated Financial Statement for the Interim Period of Fiscal 2005

November 14, 2005

## SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo  
Stock Code: 9987  
Board of Directors meeting: November 14, 2005  
Use of U.S. accounting standards: No

## 1. Results for the Interim Period of Fiscal 2005 (April 1, 2005 - September 30, 2005)

### (1) Consolidated Results of Operations

(Fractions less than ¥ million have been omitted.)

	Net sales		Operating income		Ordinary income	
	¥ million	% change	¥ million	% change	¥ million	% change
Interim period of fiscal 2005	682,755	9.7	6,964	53.9	13,189	35.8
Interim period of fiscal 2004	622,380	11.5	4,525	(49.2)	9,713	(28.1)
Year ended March 31, 2005	1,330,982		12,361		23,413	

	Net income		Net income per share Basic	Net income per share Diluted
	¥ million	% change	¥	¥
Interim period of fiscal 2005	6,037	25.9	66.42	--
Interim period of fiscal 2004	4,796	(42.5)	52.62	52.42
Year ended March 31, 2005	12,576		135.72	135.46

- Notes:
- Equity in earnings of associated companies: ¥-- million in the current interim period  
¥(3) million in the previous interim period  
¥3 million for FYE March 31, 2005
  - Average number of shares outstanding (Consolidated): 90,898,560 shares in the current interim period  
91,150,751 shares in the previous interim period  
91,574,388 shares in the FYE March 31, 2005
  - No change was made in accounting policies during the current period.
  - Change (%) for net sales, operating income, ordinary income and net income is based on the previous interim period.

### (2) Consolidated Financial Position

	Total assets	Shareholders' Equity	Shareholders' equity/ Total assets	Shareholders' equity per share
	¥ million	¥ million	%	¥
September 30, 2005	729,396	230,037	31.5	2,530.78
September 30, 2004	674,948	217,058	32.2	2,375.42
March 31, 2005	758,232	223,978	29.5	2,462.37

- Note: Number of shares outstanding at end of period: 90,895,927 shares at the end of the current interim period.  
91,377,091 shares at the end of the previous interim period  
90,900,347 shares at the end of the FYE March 31, 2005

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Interim period of fiscal 2005	(3,137)	(6,687)	(3,509)	103,388
Interim period of fiscal 2004	(5,819)	(4,612)	(1,932)	96,021
Year ended March 31, 2005	18,094	(856)	(8,895)	116,723

### (4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 46 companies  
Non-consolidated subsidiaries accounted for by the equity method: None  
Associated companies accounted for by the equity method: None

### (5) Changes in scope of consolidation and application of the equity method

Consolidation: (Newly consolidated subsidiary) 2 companies (Excluded subsidiaries) 1 company  
Equity methods: None

## 2. Projected Results for Fiscal 2005 (April 1, 2005 – March 31, 2006)

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Fiscal Year ending March 31, 2006	1,395,000	27,300	13,900

Reference: Estimated net income per share (EPS) for the year ending March 31, 2005: ¥151.30

*The financial estimates are based on information available as of November 14, 2005, and certain assumptions regarding uncertain factors which may impact the Company's business results in the future. Actual results could differ significantly from the above estimates due to subsequent changes in circumstances.*

## Results of Operations and Financial Condition

### Results of Operations

#### 1. Overview of the Interim Period of Fiscal 2005 (April 1, 2005 - September 30, 2005)

##### (1) Overview of performance

(Units: millions of yen\*)

Years	2004	2005	Change	March
Net sales	622.3	682,755	9.7	1,330,982
Operating	4,525	6,964	53.9	12,361
Ordinary	9,713	13,189	35.8	23,413
Net	4,796	6,037	25.9	12,576
Net	52.62	66.42	26.2	135.72

\* Note: Amounts of less than one million yen have been rounded down.

During the interim period under review, the Japanese economy held to a recovery track. Although there were concerns over the negative impact of soaring crude oil prices, the stock market was vibrant against the backdrop of an expected economic recovery. Other contributing factors included increased private-sector capital expenditures, solid growth in consumer spending, and improved employment conditions.

The Japanese pharmaceutical wholesaling industry continues to be dominated by major pharmaceutical distributors due to ongoing consolidation in the industry. As a result, the number of pharmaceutical wholesalers dropped from 150 in September 2003 to 137 in September 2005, a decrease of 13 companies in two years. The consolidation of major pharmaceutical companies is also having an effect.

In this environment, Suzuken made efforts to halt the downward trend in the gross margin by taking such improvement measures as restructuring its businesses and further basing price negotiations with medical institutions on sound economic rationales.

On the management front, Suzuken is implementing business structural reforms, such as concentrating its management resources on the ethical pharmaceutical wholesaling business and building new business models centered on healthcare-related services. In addition, supporting employees who seek a career change, a voluntary retirement program was offered.

Meanwhile, on the operational side, ongoing efforts were made to spin off delivery functions so that salespeople can devote more time to core marketing activities. Moreover, the Company is working to boost efficiency by introducing a system that manages sales schedules and performance. Finally, Suzuken continues to reduce non-sales activities.

On the logistics side, improvements were made to the efficiency of product delivery by transferring these operations to a subsidiary specializing in the field. At the same time, beginning late-October 2005, the Company launched operations at the Toda Distribution Center to enhance the quality of delivery services it provides in the Tokyo area.

Finally, in the pharmaceutical manufacturing business, Suzuken took a big step forward in R&D. On October 11, 2005, Suzuken received approval to manufacture and sell Miglitol. The Company applied for approval for this agent for treating postprandial hyperglycemia in December 2003. The approval was based on a series of examinations conducted by the Pharmaceuticals and Medical

Devices Agency. Following inclusion in the National Health Insurance (NHI) price listing, the drug will co-promoted with Dainippon Sumitomo Pharma Co., Ltd. with the brand name Seibule.

For the interim period under review, consolidated net sales increased 9.7% year on year to ¥682,755 million. Operating income jumped 53.9% to ¥6,964 million, while ordinary income soared 35.8% to ¥13,189 million. Net income climbed 25.9% to ¥6,037 million.

## (2) Results by business segment

### Overview of performance by business segment

(Units: millions of yen\*)

		September 30, 2004	September 30, 2005	Change (%)	March 31, 2005
Pharmaceutical Distribution	Net sales	605,784	662,412	9.3	1,294,655
	Operating income	2,105	4,719	124.1	8,156
Pharmaceutical Manufacturing	Net sales	8,289	8,677	4.7	17,499
	Operating income	2,240	1,885	(15.9)	3,230
Other Healthcare-Related Services	Net sales	8,306	11,664	40.4	18,827
	Operating income (loss)	(82)	(98)	--	121

\* Note: Amounts of less than one million yen have been rounded down.

### *Pharmaceutical Distribution*

Sales in this segment increased 9.3% to ¥662,412 million year on year, mainly due to the contribution of ASTIS Co., Ltd., which became a wholly owned subsidiary on October 1, 2004. Operating income jumped 124.1% to ¥4,719 million, thanks to higher sales and efforts to negotiate product prices with medical institutions and other customers on sound economic rationales.

### *Pharmaceutical Manufacturing*

Segment sales rose 4.7% to ¥8,677 million compared to the previous interim period, mainly owing to strong sales of diagnostic reagents and nutrition products (medical foods). However, operating income dropped 15.9% to ¥1,885 million, reflecting higher selling, general and administrative expenses, especially in the area of R&D.

### *Other Healthcare-related Services*

Sales in this segment soared 40.4% to ¥11,664 million, reflecting an increase in the number of consolidated subsidiaries, particularly those that operate dispensing pharmacies, most notably following the conversion of ASTIS into a wholly owned subsidiary. Meanwhile, the segment posted an operating loss of ¥98 million due to increased selling, general and administrative expenses.

Note: The above sales figures do not include inter-segment sales. Geographical segment information is not presented, as results from foreign consolidated subsidiaries and foreign branches outside of Japan were not material.

## 2. Outlook for Fiscal Year Ending March 2006

### (1) Performance forecasts

(Units: millions of yen\*)

Years ended	2005	2006	Change
Net sales	1,330,982	1,395,000	4.8
Operating	12,361	15,000	21.3
Ordinary	23,413	27,300	16.6
Net income	12,576	13,900	10.5
Net income per	135.72	151.30	11.5

\* Note: Amounts of less than one million yen have been rounded down.

### (2) Performance outlook by business segment

In the pharmaceutical wholesaling business in the second half, Suzuken will continue to focus on sound economic rationales in negotiating prices with medical institutions and others, as it did during the first half of the fiscal year. Suzuken will also continue to build an internal framework so that it can conduct suitable price negotiations when NHI price revisions take effect in April 2006.

Furthermore, Suzuken will take steps to carve out a larger market share by accurately grasping the diversifying needs of each customer. This will be achieved by utilizing MS-Navi and other sales support systems, conducting marketing activities that help customers choose the right drugs, and recording and collecting data on the daily activities of sales force. In addition, a new business model will be built that can respond to the needs of pharmaceutical manufacturers, by accumulating and analyzing data on customer drug usage. These and other measures will upgrade Suzuken's merchandising capabilities.

To expand its sales network, in October 2005, Suzuken formed an alliance with Shoyaku Co., Ltd., whose operations are based in the Kyushu area. This move effectively makes Suzuken the first pharmaceutical wholesaler in Japan to cover all regions nationwide. Looking ahead, Suzuken will concentrate on reinforcing its competitiveness in each region.

In the pharmaceutical manufacturing business, Suzuken will focus first and foremost on conducting co-promotional activities with Dainippon Sumitomo Pharma Co., Ltd. in preparation for the launch of Seibule (Miglitol), for which the Company received approval for manufacture and sale in October 2005. This will ensure sales of the drug to medical institutions.

The following is the sales outlook by segment.

In the pharmaceutical distribution segment, Suzuken forecasts sales of ¥1,360.0 billion due to the above initiatives and other factors. In the pharmaceutical manufacturing segment, sales of ¥50.0 billion are projected, as Suzuken plans to further promote product R&D activities at Sanwa Kagaku Kenkyusho Co., Ltd. and bolster contract manufacturing activities. Finally, in the other healthcare-related services segment, Suzuken expects to post sales of ¥25.0 billion due to efforts to expand its management scale and businesses.

Note: Segment sales forecasts include intersegment transactions.

ASSETS	Current Interim Period September 30, 2005		Previous Interim Period September 30, 2004		Previous year March 31, 2005	
	¥ million	%	¥ million	%	¥ million	%
<b>Current Assets:</b>						
Cash on hand and in banks, and time deposits	102,361		94,534		115,194	
Trade notes and accounts receivable	345,811		322,551		361,165	
Marketable securities	31		100		57	
Inventories	95,766		91,377		100,759	
Deferred tax assets	7,003		7,187		7,298	
Purchase rebates receivable	26,013		22,114		27,430	
Other current assets	2,463		3,799		2,917	
Allowance for doubtful accounts	(4,609)		(5,960)		(4,352)	
<b>Total Current Assets</b>	<b>574,841</b>	<b>78.8</b>	<b>535,704</b>	<b>79.4</b>	<b>610,469</b>	<b>80.5</b>
<b>Fixed Assets:</b>						
<b>Property and Equipment:</b>						
Buildings and structures	32,708		31,173		33,169	
Machinery and vehicles	1,977		2,133		2,038	
Tools, furniture and fixtures	1,911		1,878		1,938	
Land	43,375		41,942		44,794	
Construction in progress	4,055		689		1,231	
<b>Total property and equipment</b>	<b>84,028</b>	<b>11.5</b>	<b>77,816</b>	<b>11.5</b>	<b>83,172</b>	<b>11.0</b>
<b>Intangible Fixed Assets:</b>	<b>8,384</b>	<b>1.2</b>	<b>6,726</b>	<b>1.0</b>	<b>7,433</b>	<b>1.0</b>
<b>Investments and Other Assets:</b>						
Investment securities	40,599		32,732		34,604	
Long-term loans	460		580		449	
Deferred tax assets	697		132		769	
Prepaid pension expenses	11,726		11,843		11,790	
Others	10,702		11,683		11,983	
Allowance for doubtful accounts	(2,043)		(2,271)		(2,440)	
<b>Total Fixed Assets</b>	<b>62,141</b>	<b>8.5</b>	<b>54,700</b>	<b>8.1</b>	<b>57,156</b>	<b>7.5</b>
<b>Fixed Assets</b>	<b>154,554</b>	<b>21.2</b>	<b>139,243</b>	<b>20.6</b>	<b>147,762</b>	<b>19.5</b>
<b>Total Assets</b>	<b>729,396</b>	<b>100.0</b>	<b>674,948</b>	<b>100.0</b>	<b>758,232</b>	<b>100.0</b>

LIABILITIES:	Current Interim Period September 30, 2005		Previous Interim Period September 30, 2004		Previous year March 31, 2005	
	¥ million	%	¥ million	%	¥ million	%
<b>Current Liabilities:</b>						
Trade notes and accounts payable	454,850		423,527		486,433	
Short-term bank loans	4,003		417		5,220	
Income taxes payable	4,987		3,076		6,195	
Reserves for sales returns	497		518		612	
Accrued bonuses	7,661		6,742		7,725	
Other current liabilities	7,692		7,675		9,125	
<b>Total current liabilities</b>	<b>479,692</b>	<b>65.8</b>	<b>441,957</b>	<b>65.5</b>	<b>515,311</b>	<b>68.0</b>
<b>Long-term Liabilities:</b>						
Long-term borrowings	1,703		471		1,891	
Deferred tax liabilities	7,851		5,290		6,814	
Deferred tax liabilities from revaluations	2,690		3,207		2,780	
Liability of employees' retirement benefits	3,395		3,049		3,430	
Liability for directors' and corporate auditors' retirement benefits	479		351		593	
Goodwill on consolidation	299		473		327	
Other long-term liabilities	631		618		645	
<b>Total long term liabilities</b>	<b>17,051</b>	<b>2.3</b>	<b>13,461</b>	<b>2.0</b>	<b>16,484</b>	<b>2.2</b>
<b>Total Liabilities</b>	<b>496,744</b>	<b>68.1</b>	<b>455,419</b>	<b>67.5</b>	<b>531,796</b>	<b>70.2</b>
<b>MINORITY INTERESTS</b>	<b>2,614</b>	<b>0.4</b>	<b>2,470</b>	<b>0.3</b>	<b>2,457</b>	<b>0.3</b>
<b>SHAREHOLDERS' EQUITY:</b>						
Common stock	13,546	1.8	13,546	2.0	13,546	1.8
Additional paid-in capital	32,180	4.4	30,083	4.5	32,179	4.3
Retained earnings	190,902	26.2	180,373	26.7	187,397	24.7
Land revaluation difference	(6,628)	(0.9)	(7,037)	(1.0)	(7,468)	(1.0)
Net unrealized gain on available-for-sale securities	6,545	0.9	4,570	0.7	4,818	0.6
Foreign currency translation adjustments	–	–	(12)	(0.0)	–	–
Treasury stock, at cost	(6,508)	(0.9)	(4,464)	(0.7)	(6,495)	(0.9)
<b>Total Shareholders' Equity</b>	<b>230,037</b>	<b>31.5</b>	<b>217,058</b>	<b>32.2</b>	<b>223,978</b>	<b>29.5</b>
<b>Total</b>	<b>729,396</b>	<b>100.0</b>	<b>674,948</b>	<b>100.0</b>	<b>758,232</b>	<b>100.0</b>

## Consolidated Statements of Income

	Current Interim Period September 30, 2005		Previous Interim Period September 30, 2004		Previous year March 31, 2005	
	¥ million	%	¥ million	%	¥ million	%
<b>Net Sales</b>	682,755	100.0	622,380	100.0	1,330,982	100.0
<b>Cost of sales</b>	615,467	90.1	563,207	90.5	1,201,972	90.3
<b>Gross Profit</b>	67,288	9.9	59,173	9.5	129,010	9.7
Reversal of sales returns	592	0.1	637	0.1	642	0.0
Provision for sales returns	497	0.1	518	0.1	580	0.0
<b>Gross Profit after Adjustment</b>	67,384	9.9	59,292	9.5	129,071	9.7
<b>Selling, General and Administrative Expenses</b>	60,419	8.9	54,766	8.8	116,710	8.8
<b>Operating Income</b>	6,964	1.0	4,525	0.7	12,361	0.9
<b>Non-operating Income</b>	6,492	0.9	5,283	0.9	11,522	0.9
Interest	159		158		368	
Dividends	158		121		209	
Purchase discounts	3,609		2,873		6,468	
Commission for supplying sales data	1,785		1,462		3,102	
Other	780		667		1,373	
<b>Non-operating Expenses</b>	266	0.0	95	0.0	469	0.0
Interest expenses	52		16		65	
Real estate rental expenses	58		19		129	
Other	155		60		274	
<b>Ordinary Income</b>	13,189	1.9	9,713	1.6	23,413	1.8
<b>Extraordinary Gain:</b>	2,012	0.3	324	0.0	1,612	0.1
Loss from prior-year adjustments	20		--		--	
Gain on sales of fixed assets	179		6		135	
Gain on sales of investment securities	1,010		4		1,083	
Gain on transfer of business	711		--		--	
Other	89		312		393	
<b>Extraordinary Loss:</b>	4,046	0.6	1,216	0.2	2,776	0.2
Loss from prior-year adjustments	75		--		--	
Loss on sales and disposal of fixed assets	330		947		2,069	
Impairment loss	1,169		--		--	
Special retirement pay	2,361		--		--	
Other	109		268		706	
<b>Income before Income Taxes and Minority Interests</b>	11,155	1.6	8,820	1.4	22,249	1.7
<b>Income Taxes:</b>						
Current	4,828	0.7	2,924	0.5	8,361	0.7
Deferred	140	0.0	946	0.1	1,102	0.1
<b>Minority interests</b>	148	0.0	153	0.0	209	0.0
<b>Net Income</b>	6,037	0.9	4,796	0.8	12,576	0.9

## Consolidated Statements of Cash Flows

	Current Interim Period September 30, 2005	Previous Interim Period September 30, 2004	Previous year March 31, 2005
	¥ million	¥ million	¥ million
<b>I. Operating Activities:</b>			
Income before income taxes and minority interests	11,155	8,820	22,249
Depreciation	2,555	2,459	5,241
Impairment loss	1,169	--	--
Provision for (reversal of) allowance for doubtful accounts	(133)	(146)	(2,099)
Decrease in liability for employees' retirement benefits	29	(133)	(348)
Provision for other allowance	(225)	(1,741)	(1,110)
Interest and dividend income	(317)	(279)	(578)
Interest expenses	52	16	65
Gain on sales of fixed assets	(179)	(6)	(135)
Gain on sales of investment securities	(1,010)	(4)	(1,083)
Loss on sales and disposal of fixed assets	330	947	2,069
Gain on transfer of business	(711)	--	--
Special retirement pay	2,361	--	129
Decrease (increase) in trade receivables	9,542	8,641	(7,797)
Increase in inventories	5,314	(2,559)	(5,632)
Decrease (increase) in purchase rebates receivable	1,416	876	(2,581)
Decrease in trade payables	(26,159)	(12,103)	20,410
Other	(468)	(1,473)	599
<b>Subtotal</b>	<b>4,863</b>	<b>3,164</b>	<b>29,413</b>
Interest and dividend income received	317	282	580
Interest expenses paid	(50)	(16)	(65)
Special retirement pay paid	(2,295)	--	(88)
Income tax paid	(5,972)	(9,250)	(11,744)
<b>Net cash used in operating activities</b>	<b>(3,137)</b>	<b>(5,819)</b>	<b>18,094</b>
<b>II. Investing Activities:</b>			
Disbursements for time deposits	(5)	(1)	(5)
Proceeds from time deposits	13	46	433
Proceeds from sales of marketable securities	15	0	110
Purchases of property and equipment	(4,972)	(4,444)	(8,025)
Proceeds from sales of property and equipment	1,025	1,167	3,086
Acquisition of intangible fixed assets	(2,311)	(809)	(2,273)
Purchase of investment securities	(1,247)	(598)	(1,111)
Proceeds from sales of investment securities	2,496	31	1,665
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	31	299	4,266
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	--	299	302
Payments for business transfer	(2,650)	--	--
Disbursements for loans	(101)	(159)	(206)
Proceeds from collections of loans	139	278	526
Other, net	878	(722)	375
<b>Net Cash provided by (used in) investing activities</b>	<b>(6,687)</b>	<b>(4,612)</b>	<b>(856)</b>
<b>III. Financing Activities</b>			
Decrease in short-term borrowings, net	(873)	--	(102)
Repayments of long-term borrowings	(1,070)	(472)	(1,137)
Repurchasing redemption of convertible bonds	--	(14)	(14)
Redemption of convertible bonds	--	(221)	(221)
Acquisition of treasury stocks	(13)	(159)	(5,171)
Proceeds from Sales of treasury stocks	0	1	3
Dividends paid	(1,541)	(1,060)	(2,247)
Dividends paid to minority shareholders	(10)	(4)	(4)
<b>Net cash (used in) provided by financing activities</b>	<b>(3,509)</b>	<b>(1,932)</b>	<b>(8,895)</b>
<b>IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	<b>0</b>	<b>15</b>	<b>11</b>
<b>V. Net Decrease in Cash and Cash Equivalents</b>	<b>(13,334)</b>	<b>(12,347)</b>	<b>8,354</b>
<b>VI. Cash and Cash Equivalents, Beginning of Period</b>	<b>116,723</b>	<b>108,369</b>	<b>108,369</b>
<b>VIII. Cash and Cash Equivalents, End of Period</b>	<b>103,388</b>	<b>96,021</b>	<b>116,723</b>