

Consolidated Financial Statement for the Third Quarter of Fiscal 2005

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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. Items Concerning Preparation of Quarterly Financial Statements

1. Adoption of simplified accounting method: Yes
 - a. Inventories are calculated based on book value.
 - b. Simplified methods are used for items having little financial impact.
2. Changes in accounting methods compared with the most recent consolidated fiscal year: None
3. Changes in the scope of consolidation and application of the equity method:
Consolidated: 4 new companies; 2 excluded companies
Equity method: None

1. Results for the Third Quarter of Fiscal 2005 (April 1, 2005 - December 31, 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
3Q ended December 31, 2005	1,060,514	7.3	11,131	50.2	20,692	34.0
3Q ended December 31, 2004	987,907	9.9	7,410	(51.4)	15,438	(31.0)
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	¥	¥
3Q ended December 31, 2005	11,534	38.8	126.89	--
3Q ended December, 2004	8,309	(38.9)	90.72	90.49
Year ended March 31, 2005	12,576		135.72	135.46

Note: Change (%) for net sales, operating income, ordinary income and net income is based on the previous interim period.

Results of Operations

During the nine-month period that ended on December 31, 2005, the Japanese economy generally held to a recovery track, owing to solid growth in consumer spending, increased capital expenditures buoyed by recovery in corporate earnings, and improved employment conditions.

The Japanese pharmaceuticals market also showed moderate growth on the back of new drugs and more medications for lifestyle-related diseases due to the aging of society.

Against this backdrop, Suzuken tackled every management issue by focusing on business areas that promote health, particularly pharmaceuticals.

In pharmaceutical wholesaling business, Suzuken strove to halt the downward trend in the gross margin by taking various measures. These included restructuring businesses by transferring its H&BC pharmaceutical wholesaling business and further basing price negotiations with medical institutions and other clients on sound economic rationales.

On the management front, in October 2005, Suzuken concluded a business alliance agreement with SHOYAKU CO., LTD., whose operations are based in the Kyushu area. This move was a further step in Suzuken's drive to cover all regions nationwide and to expand its sales base.

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, Suzuken is building a nationwide distribution framework to shorten lead times and achieve greater efficiency. As the first step in this effort, in late-October 2005, the Company launched operations at the Toda Distribution Center. In addition, Suzuken is promoting the introduction of a distribution system that facilitates traceability through the management of lots and expiry dates.

Finally, in the pharmaceutical manufacturing business, on October 11, 2005, Suzuken received approval to manufacture and sell Miglitol, an agent for treating postprandial hyperglycemia. The approval was based on a series of examinations conducted by the Pharmaceuticals and Medical Devices Agency. Sales of the medication, which is being co-promoted with Dainippon Sumitomo Pharma Co., Ltd., began in January 2006 under the brand name "Seibule."

For the period under review, consolidated net sales increased 7.3% year on year to ¥1,060,514 million. Operating income jumped 50.2% to ¥11,131 million, while ordinary income soared 34.0% to ¥20,692 million. Net income climbed 38.8% to ¥11,534 million.

(2) Consolidated Financial Position

	Total assets	Shareholders' Equity	Shareholders' equity/ Total assets	Shareholders' equity per share
	¥ million	¥ million	%	¥
3Q ended December 2005	833,771	234,074	28.1	2,575.30
3Q ended December 2004	809,430	221,949	27.4	2,418.76
March 31, 2005	758,232	223,978	29.5	2,462.37

(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
3Q ended December 2005	41,843	(5,631)	(5,255)	147,681
3Q ended December 2004	31,017	(1,185)	(5,909)	132,301
Year ended March 31, 2005	18,094	(856)	(8,895)	116,723

Financial Condition

As of December 31, 2005, cash and cash equivalents totaled ¥ 147,681 million, an increase of ¥ 30,958 million compared with March 31, 2005. Details of cash flow during the period under review are as follows.

Operating activities: Net cash provided by operating activities was ¥ 41,843 million. Major sources of cash were income before income taxes and minority interests of ¥ 20,502 million and an increase of ¥ 78,257 million in trade payables. Major uses of cash were increases of ¥ 25,325 million and ¥ 20,937 million in trade receivables and inventories, respectively, and income tax paid of ¥ 9,997 million.

Investing activities: Net cash used in investing activities was ¥5,631 million. Cash of ¥5,149 million and ¥1,488 million in proceeds from sales of investment securities and intangible fixed assets, respectively. These inflows were outweighed by ¥5,638 million for the acquisition of property and equipment, ¥3,808 million for the acquisition of intangible fixed assets, and ¥2,650 million in payments for business transfer through a company spin-off.

Financing activities: Net cash used in financing activities was ¥5,255 million, mainly comprising ¥2,960 million in dividends paid, ¥1,277 million in repayments of long-term borrowings, and ¥989 million in repayments of short-term borrowings.

3. 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	15,000

Reference: Estimated net income per share (EPS) for the year ending March 31, 2006: ¥163.41.

Projected Results

For the fiscal year ending on March 31, 2006, Suzuken has again revised its forecast of net income to ¥ 15,000 million. This differs from the previous revision of projected net income to ¥13,900 million, as announced on November 14, 2005. The new forecast reflects a gain on sales of investment securities posted by a subsidiary.

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

Quarterly Consolidated Financial Statements

1. Consolidated Balance Sheets

ASSETS	As of December 31, 2005		As of December 31, 2004		As of March 31, 2005		Increase (Decrease)	
	¥ million	%	¥ million	%	¥million	%	¥ million	%
Current Assets:								
Cash on hand and in banks, and time deposits	144,653		131,138		115,194		29,459	
Trade notes and accounts receivable	380,746		376,697		361,165		19,580	
Marketable securities	2,031		51		57		1,973	
Inventories	122,042		122,799		100,759		21,283	
Deferred tax assets	5,454		6,956		7,298		(1,844)	
Purchase rebates receivable	25,476		24,813		27,430		(1,953)	
Other current assets	3,601		5,542		2,917		684	
Allowance for doubtful accounts	(4,542)		(6,433)		(4,352)		(189)	
Total Current Assets	679,463	81.5	661,566	81.7	610,469	80.5	68,993	11.3
Fixed Assets:								
Property and Equipment:								
Buildings and structures	34,331		33,613		33,169		1,162	
Machinery and vehicles	3,232		2,070		2,038		1,194	
Tools, furniture and fixtures	1,851		1,997		1,938		(87)	
Land	43,119		45,922		44,794		(1,674)	
Construction in progress	699		556		1,231		(531)	
Total property and equipment	83,235	10.0	84,160	10.4	83,172	11.0	63	0.1
Intangible Fixed Assets:	9,288	1.1	6,509	0.8	7,433	1.0	1,854	24.9
Investments and Other Assets:								
Investment securities	39,748		34,495		34,604		5,143	
Long-term loans	498		667		449		49	
Deferred tax assets	1,484		348		769		714	
Prepaid pension expenses	11,672		11,810		11,790		(118)	
Others	10,429		12,195		11,983		(1,553)	
Allowance for doubtful accounts	(2,049)		(2,325)		(2,440)		391	
Total Investments and Other Assets	61,784	7.4	57,192	7.1	57,156	7.5	4,627	8.1
Total Fixed Assets	154,307	18.5	147,863	18.3	147,762	19.5	6,544	4.5
Total Assets	833,771	100.0	809,430	100.0	758,232	100.0	75,538	10.0

LIABILITIES:	As of December 31, 2005		As of December 31, 2004		As of March 31, 2005		Increase (Decrease)	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Current Liabilities:								
Trade notes and accounts payable	559,421		547,790		486,433		72,987	
Short-term bank loans	3,981		5,456		5,220		(1,238)	
Income taxes payable	3,342		1,967		6,195		(2,852)	
Reserves for sales returns	488		554		612		(123)	
Accrued bonuses	4,150		3,807		7,725		(3,574)	
Other current liabilities	8,316		8,391		9,125		(808)	
Long-term Liabilities:	579,701	69.5	567,968	70.2	515,311	68.0	64,389	12.5
Long-term borrowings	1,509		2,289		1,891		(381)	
Deferred tax liabilities	8,320		6,601		6,814		1,505	
Deferred tax liabilities from reevaluations	2,619		3,078		2,780		(161)	
Liability of employees' retirement benefits	3,437		3,491		3,430		6	
Liability for directors' and corporate auditors' retirement benefits	501		569		593		(92)	
Goodwill on consolidation	285		341		327		(42)	
Other long-term liabilities	621		637		645		(24)	
Total Liabilities	17,294	2.1	17,010	2.1	16,484	2.2	810	4.9
MINORITY INTERESTS	596,996	71.6	584,979	72.3	531,796	70.2	65,199	12.3
SHAREHOLDERS' EQUITY:	2,700	0.3	2,501	0.3	2,457	0.3	243	9.9
Common stock	13,546	1.6	13,546	1.6	13,546	1.8	—	—
Additional paid-in capital	32,180	3.9	32,179	4.0	32,179	4.3	0	0.0
Retained earnings	194,906	23.4	182,890	22.6	187,397	24.7	7,509	4.0
Land revaluation difference	(6,590)	(0.8)	(7,228)	(0.9)	(7,468)	(1.0)	877	(11.7)
Net unrealized gain on available-for-sale securities	6,554	0.8	4,735	0.6	4,818	0.6	1,735	36.0
Treasury stock, at cost	(6,523)	(0.8)	(4,174)	(0.5)	(6,495)	(0.9)	(27)	0.4
Total Shareholders' Equity	234,074	28.1	221,949	27.4	223,978	29.5	10,095	4.5
Total	833,771	100.0	809,430	100.0	758,232	100.0	75,538	10.0

2. Consolidated Statements of Income

	Nine months ended December 31, 2005		Nine months ended December 31, 2004		Year ended March 31, 2005		Increase (Decrease)	
	¥ million	%	¥ million	%	¥million	%	¥ million	%
Net Sales	1,060,514	100.0	987,907	100.0	72,606	7.3	1,330,982	100.0
Cost of sales	958,260	90.4	895,893	90.7	62,367	7.0	1,201,972	90.3
Gross Profit	102,253	9.6	92,013	9.3	10,239	11.1	129,010	9.7
Reversal of sales returns	592	0.1	634	0.1	(42)	(6.6)	642	0.0
Provision for sales returns	488	0.1	515	0.1	(27)	(5.3)	580	0.0
Gross Profit after Adjustment	102,358	9.6	92,133	9.3	10,225	11.1	129,071	9.7
Selling, General and Administrative Expenses	91,227	8.6	84,722	8.6	6,504	7.7	116,710	8.8
Operating Income	11,131	1.0	7,410	0.7	3,720	50.2	12,361	0.9
Non-operating Income	9,900	0.9	8,203	0.8	1,697	20.7	11,522	0.9
Interest and dividends	483		392		90		578	
Purchase discounts	5,557		4,709		847		6,468	
Commission for supplying sales data	2,739		2,242		497		3,102	
Other	1,120		859		261		1,373	
Non-operating Expenses	339	0.0	175	0.0	164	93.9	469	0.0
Interest expenses	75		39		36		65	
Expenses of rental building	86		44		42		129	
Other	177		91		86		274	
Ordinary Income	20,692	1.9	15,438	1.5	5,253	34.0	23,413	1.8
Extraordinary Gain:	4,039	0.4	896	0.1	3,142	350.4	1,612	0.1
Gain on sales of fixed assets	294		135		158		135	
Gain on sales of investment securities	2,907		461		2,446		1,083	
Gain on transfer of business	711		—		711		—	
Other	126		299		(173)		393	
Extraordinary Loss:	4,229	0.4	1,671	0.2	2,558	153.1	2,776	0.2
Loss on sales and disposal of fixed assets	495		1,262		(766)		2,069	
Impairment loss	1,169		—		1,169		—	
Special retirement pay	2,364		—		2,364		129	
Other	199		409		(209)		577	
Income before Income Taxes and Minority Interests	20,502	1.9	14,664	1.4	5,838	39.8	22,249	1.7
Income Taxes:	8,624	0.8	6,131	0.6	2,492	40.7	9,463	0.8
Minority interests	343	0.0	223	0.0	120	54.1	209	0.0
Net Income	11,534	1.1	8,309	0.8	3,224	38.8	12,576	0.9

3. Consolidated Statements of Cash Flows

	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Year ended March 31, 2005
	¥ million	¥ million	¥ million
I. Operating Activities:			
Income before income taxes and minority interests	20,502	14,664	22,249
Depreciation	4,022	3,823	5,241
Impairment loss	1,169	—	—
Provision for (reversal of) allowance for doubtful accounts	(195)	(133)	(2,099)
Decrease in liability for employees' retirement benefits	123	(102)	(348)
Provision for other allowance	(3,735)	(4,954)	(1,110)
Interest and dividend income	(483)	(392)	(578)
Gain on sales of investment securities	(2,907)	(461)	(1,083)
Loss on sales and disposal of fixed assets	495	1,262	2,069
Special retirement pay	2,364	—	129
Payments for spin-off (business transfer) (by GS)	(711)	—	—
Decrease (increase) in trade receivables	(25,325)	(23,329)	(7,797)
Increase in inventories	(20,937)	(27,672)	(5,632)
Decrease (increase) in purchase rebates receivable	1,953	34	(2,581)
Decrease in trade payables	78,257	81,767	20,410
Other	(811)	(2,142)	542
Subtotal	53,782	42,364	29,413
Interest and dividend income received	483	395	580
Interest expenses paid	(69)	(32)	(65)
Special retirement pay paid	(2,355)	—	(88)
Income tax paid	(9,997)	(11,709)	(11,744)
Net cash used in operating activities	41,843	31,017	18,094
II. Investing Activities:			
Purchases of property and equipment	(5,638)	(6,035)	(8,025)
Proceeds from sales of property and equipment	1,488	1,724	3,086
Acquisition of intangible fixed assets	(3,808)	(1,422)	(2,273)
Purchase of investment securities	(1,328)	(658)	(1,111)
Proceeds from sales of investment securities	5,149	631	1,665
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	—	302	302
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	126	4,266	4,266
Payments for spin-off (business transfer)	(2,650)	—	—
Disbursements for loans	(341)	(205)	(206)
Proceeds from collections of loans	251	305	526
Other, net	1,119	(94)	913
Net Cash provided by (used in) investing activities	(5,631)	(1,185)	(856)
III. Financing Activities			
Decrease in short-term borrowings, net	(989)	99	(102)
Repayments of long-term borrowings	(1,277)	(703)	(1,137)
Repurchasing redemption of convertible bonds	—	(14)	(14)
Redemption of convertible bonds	—	(221)	(221)
Acquisition of treasury stocks	(28)	(2,850)	(5,171)
Proceeds from Sales of treasury stocks	0	3	3
Dividends paid	(2,949)	(2,217)	(2,247)
Dividends paid to minority shareholders	(10)	(4)	(4)
Net cash (used in) provided by financing activities	(5,255)	(5,909)	(8,895)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	1	9	11
V. Net Decrease in Cash and Cash Equivalents	30,958	23,931	8,354
VI. Cash and Cash Equivalents, Beginning of Period	116,723	108,369	108,369
VII. Cash and Cash Equivalents, End of Period	147,681	132,301	116,723