

# Consolidated Financial Statement for the Year Ended March 31, 2006

May 15, 2006

## SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo

Stock Code: 9987

Board of Directors meeting: May 15, 2006

Use of U.S. accounting standards: No

## 1. Results for Fiscal Year Ended March 31, 2006 (April 1, 2005 – March 31, 2006)

### (1) Consolidated Results of Operations

(Fractions less than ¥ million have been omitted.)

	Net sales		Operating income		Ordinary income	
	¥ million	% change	¥ million	% change	¥ million	% change
Year ended March 31, 2006	1,388,694	4.3	16,804	35.9	29,639	26.6
Year ended March 31, 2005	1,330,982	11.5	12,361	(37.3)	23,413	(20.6)

	Net income		Net income per share Basic	Net income per share Diluted	Return on equity	Return on assets	Ordinary income /net sales
	¥ million	% change	¥	¥	%	%	%
Year ended March 31, 2006	17,138	36.6	187.42	--	7.4	4.0	2.1
Year ended March 31, 2005	12,576	(27.3)	135.72	135.46	5.7	3.2	1.8

Notes: 1. Equity in earnings of associated companies: ¥ - million for fiscal year ended March 31, 2006

¥ 3 million for fiscal year ended March 31, 2005

2. Average number of shares outstanding (Consolidated): 90,895,509 shares for fiscal year ended March 31, 2006  
91,574,388 shares for fiscal year ended March 31, 2005

3. No change was made in accounting policies during the current period.

4. Change (%) for net sales, operating income, ordinary income and net income represents year-on-year comparisons

### (2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity / total assets	Shareholders' equity per share
	¥ million	¥ million	%	¥
March 31, 2006	739,870	240,146	32.5	2,640.53
March 31, 2005	758,232	223,978	29.5	2,462.37

Note: Number of shares outstanding at end of period: 90,890,354 shares at March 31, 2006

90,900,347 shares at 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 year
	¥ million	¥ million	¥ million	¥ million
Year ended March 31, 2006	19,636	(6,425)	(9,241)	120,695
Year ended March 31, 2005	18,094	(856)	(8,895)	116,723

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

Consolidated subsidiaries: 47 companies

Non-consolidated subsidiaries accounted for by the equity method: None

Associated companies accounted for by the equity method: None

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

Consolidation: (Newly consolidated subsidiaries) 5 companies

(Excluded subsidiaries) 3 companies

Equity-method: None (Excluded) None

## 2. Projected Results for Fiscal Year Ending March 31, 2007 (April 1, 2006 – March 31, 2007)

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Interim period ending September 30, 2006	695,200	13,300	7,600
Year ending March 31, 2007	1,461,000	31,700	18,100

Reference: Estimated net income per share (EPS) for the year ending March 31, 2007: ¥199.14

*The financial estimates are based on information available as of May 15, 2006, 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 Fiscal Year Ended March 2006

##### (1) Overview of performance

Year ended March31	2005	2006	Change (%)
Net sales	1,330,982	1,388,694	4.3
Operating income	12,361	16,804	35.9
Ordinary income	23,413	29,639	26.6
Net income	12,576	17,183	36.6
Net income per share	135.72	187.42	38.1

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

During the fiscal year ended March 2006, the Japanese economy continued to remain on a recovery track, backed by improvements in corporate earnings, an increase in capital investments in the private sector, and steady growth of consumer spending.

While a vibrant debate took place concerning healthcare reforms to achieve appropriate pricing of medical products and services, the Japanese market for ethical pharmaceuticals grew by an estimated 4 to 5%. The market expanded despite the lower incidence of influenza, pollen allergies, and other seasonal ailments compared to the previous year because of Japan's aging population and the introduction of new drugs.

Meanwhile, amid the growing market domination of large pharmaceutical wholesalers, these companies are increasingly reflecting the need to preserve suitable margins in their price negotiations with medical institutions. Suzuken believes that this stance prevented a rapid price drop, a problem that occurred in the previous year.

Against this backdrop, in its core pharmaceutical distribution business, Suzuken increased efforts to preserve suitable margins when negotiating prices with medical institutions in order to improve its gross margin. In addition, Suzuken conducted more productive marketing activities and improved the quality of its distribution services.

Moreover, in October 2005, Suzuken formed a business alliance with SHOYAKU CO., LTD., which operates in Kyushu. This move made Suzuken the first pharmaceutical wholesaler in Japan to cover all regions of Japan. In addition, Suzuken started a voluntary early retirement program to support employees who want to launch a second career outside the Company.

On the operational side, Suzuken made ongoing efforts to boost efficiency by using MS-Navi, a marketing support system, spinning off delivery functions so that salespeople can devote more time to core marketing activities, and introducing a system that manages sales schedule and performance of medical salespeople (MS). Finally, Suzuken continued to reduce non-sales activities.

In addition to reinforcing marketing activities geared to establishing trust with customers, Suzuken worked on shifting to a new business model that caters to the needs of pharmaceutical manufacturers. Under the new framework, Suzuken will collect information on marketing activities that target the sources of prescriptions, as well as study methods of collating and analyzing customer information on pharmaceutical use. Suzuken took these and other steps to build a new operational base.

On the logistics side, Suzuken is making improvements to the quality of its distribution services, including the transfer of certain operations to subsidiaries, introduction of a new distribution system that facilitates the management of individual lots and other items, and start of operations at the Toda Distribution Center, which covers the Tokyo Metropolitan area.

Finally, in the pharmaceutical manufacturing business, on January 11, 2006, Suzuken started selling Seibule, which is being co-promoted with Dainippon Sumitomo Pharma Co., Ltd. In October 2005, Suzuken received approval to manufacture and sell this agent for treating postprandial hyperglycemia.

Finally, as part of organizational reforms in marketing, Suzuken established three business divisions for pharmaceuticals, diagnostic reagents, and nutrition (foods for medical use). This structure will bolster the development of these three businesses while reinforcing links among them. The ultimate goal is making a greater contribution to the field of diabetes treatment.

As a result of the above items, in the year ended March 31, 2006, consolidated net sales totaled ¥1,388,694 million, an increase of 4.3% over the previous year. Operating income rose 35.9% to ¥16,804 million, while ordinary income grew 26.6% to ¥29,639 million. Net income was ¥17,183 million, up 36.6% from the previous year.

## (2) Analysis by business segment

### Overview of performance by business segment

Years ended March 31		2005	2006	Change (%)
Pharmaceutical Distribution	Net sales	1,294,655	1,345,172	3.9
	Operating income	8,156	12,584	54.3
Pharmaceutical Manufacturing	Net sales	17,499	19,588	11.9
	Operating income	3,230	3,465	7.3
Other Healthcare- Related Services	Net sales	18,827	23,933	27.1
	Operating income	121	(165)	-

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

#### *Pharmaceutical distribution*

Segment sales rose 3.9% year on year to ¥1,345,172 million, partly due to acquiring ASTIS Co., Ltd. as a wholly owned subsidiary on October 1, 2004. Operating income soared 54.3% to ¥12,584 million, owing to measures taken to improve gross margins.

#### *Pharmaceutical manufacturing*

Segment sales increased 11.9% to ¥19,588 million, largely due to growth of in the pharmaceuticals, diagnostic reagents, and nutrition categories, as well as revenues generated by co-promoted sales of the new drug Seibule. Operating income rose 7.3% to ¥3,465 million, mainly attributable to higher earnings and an improved gross margin, both of which offset an increase in selling, general and administrative expenses.

#### *Other healthcare-related services*

Segment sales rose 27.1% to ¥23,933 million, thanks to the higher number of consolidated subsidiaries, most notably the conversion of ASTIS Co., Ltd. into a wholly owned subsidiary. Meanwhile, the segment posted an operating loss of ¥165 million compared to operating income of ¥121 million in fiscal 2005. This loss was mainly due to the establishment of Collabo Works Co., Ltd. in March 2005, a new business that provides distribution support services to pharmaceuticals manufacturers.

Note: Segment sales results do not include intersegment transactions.

Geographic segment information is not presented since Suzuken has no significant consolidated subsidiaries or offices outside Japan.

## 2. Outlook for Fiscal Year Ending March 2007

### (1) Performance forecasts

Year ended March31	2006	2007	Change (%)
Net sales	1,388,694	1,461,000	5.2
Operating income	16,804	19,600	16.6
Ordinary income	29,639	31,700	7.0
Net income	17,183	18,100	5.3
Net income per share	187.42	199.14	6.3

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

### (2) Performance outlook by business segment

The Japanese economy is expected to remain on a gradual recovery track, backed by higher corporate earnings and capital investments in the private sector. Although Japan's NHI prices for prescription pharmaceuticals were reduced by 6.7% on average in April 2006, the pharmaceuticals market is expected to grow by around 1 to 2% in fiscal 2007 as the aging population and the introduction of new drugs fuel demand. Pressure from medical institutions for discounts, due to cuts in remuneration for medical services, is also unlikely to abate. Nonetheless, Suzuken does not expect price competition to suddenly intensify because price negotiations will continue to be based on reasonable economic terms.

In this environment, Suzuken plans to continue to fulfill the overall goal of prevailing as number one in terms of overall capabilities—in other words, as “the health creating” with pharmaceutical distribution being the main earnings pillar. To this end, Suzuken will prepare marketing and distribution frameworks that accurately meet customer needs, with the ultimate aim of securing a high-ranking share of prescription pharmaceutical sales in each region of Japan. In addition, Suzuken will take steps to correct the distribution method of these products by correcting its provisional shipment and payment systems under the auspices of the Ministry of Health, Labour and Welfare.

On the operational side, Suzuken will implement measures to boost efficiency, including increasing the hours spent by MS on marketing activities, making reforms to conduct effective and efficient marketing activities from the customer's standpoint, and generating fees for services provided within the new business model in which Suzuken conducts marketing activities targeting pharmaceutical prescribers.

On the logistics side, Suzuken will accelerate work on completing its network of distribution

centers, while also working to realize low-cost operations by improving the quality and productivity of distribution services. These efforts will be combined with enhancements to the business framework for expanding the market for Seibule, an agent for treating postprandial hyperglycemia, as well as the early start of sales in Japan of capsule endoscopes, for which Suzuken has applied for approval.

Going forward, Suzuken will strive to strengthen the base of operations, becoming number one in each region of Japan and number one in terms of overall capabilities through providing products and services that win customer trust.

Suzuken is forecasting segment sales in the year ending March 2007 as follows: pharmaceutical distribution, ¥1,423,500 million; pharmaceutical manufacturing, ¥53,700 million, as subsidiary Sanwa Kagaku Kenkyusho Co., Ltd. makes inroads in more markets by leveraging the comprehensive strengths comprising the four businesses of pharmaceuticals, diagnostic reagents, nutrition, and contract manufacturing business; and other healthcare-related services, ¥28,000 million, which reflects both an increase in the scope of consolidation and expansion of existing businesses.

Note: Segment sales forecasts are prior to corporate elimination for intersegment transactions.

## Consolidated Balance Sheets

ASSETS	Current Fiscal Year April 1, 2005-March 31, 2006		Previous Fiscal Year April 1, 2004-March 31, 2005		Year on year Change
	¥ million	%	¥ million	%	¥ million
<b>Current Assets:</b>					
Cash on hand and in banks, and time deposits	117,667		115,194		2,472
Trade notes and accounts receivable	343,276		361,165		(17,889)
Marketable securities	2,030		57		1,973
Inventories	92,915		100,759		(7,843)
Deferred tax assets	7,927		7,298		629
Purchase rebates receivable	24,141		27,430		(3,289)
Other current assets	2,393		2,917		(523)
Allowance for doubtful accounts	(4,602)		(4,352)		(249)
<b>Total Current Assets</b>	<b>585,750</b>	<b>79.2</b>	<b>610,469</b>	<b>80.5</b>	<b>(24,719)</b>
<b>Fixed Assets:</b>					
<b>Property and Equipment:</b>					
Buildings and structures	34,666		33,169		1,497
Machinery and vehicles	3,108		2,038		1,069
Tools, furniture and fixtures	1,869		1,938		(69)
Land	42,733		44,794		(2,060)
Construction in progress	370		1,231		(860)
<b>Total property and equipment</b>	<b>82,748</b>	<b>11.2</b>	<b>83,172</b>	<b>11.0</b>	<b>(423)</b>
<b>Intangible Fixed Assets:</b>	<b>10,035</b>	<b>1.3</b>	<b>7,433</b>	<b>1.0</b>	<b>2,602</b>
<b>Investments and Other Assets:</b>					
Investment securities	39,459		34,604		4,854
Long-term loans	471		449		21
Deferred tax assets	1,398		769		628
Prepaid pension expenses	11,615		11,790		(175)
Others	10,220		11,983		(1,762)
Allowance for doubtful accounts	(1,828)		(2,440)		612
<b>Total investments and other assets</b>	<b>61,336</b>	<b>8.3</b>	<b>57,156</b>	<b>7.5</b>	<b>4,179</b>
<b>Total Fixed Assets</b>	<b>154,120</b>	<b>20.8</b>	<b>147,762</b>	<b>19.5</b>	<b>6,357</b>
<b>Total Assets</b>	<b>739,870</b>	<b>100.0</b>	<b>758,232</b>	<b>100.0</b>	<b>(18,361)</b>

LIABILITIES:	Current Fiscal Year April 1, 2005-March 31, 2006		Previous Fiscal Year April 1, 2004-March 31, 2005		Year on year Change
	¥ million	%	¥ million	%	¥ million
<b>Current Liabilities:</b>					
Trade notes and accounts payable	452,374		486,433		(34,059)
Short-term bank loans	490		5,220		(4,729)
Income taxes payable	8,644		6,195		2,449
Reserves for sales returns	504		612		(107)
Accrued bonuses	8,094		7,725		368
Other current liabilities	10,047		9,125		922
<b>Long-term Liabilities:</b>	<b>480,156</b>	<b>64.9</b>	<b>515,311</b>	<b>68.0</b>	<b>(35,155)</b>
Long-term borrowings	1,058		1,891		(832)
Deferred tax liabilities	8,338		6,814		1,523
Deferred tax liabilities from revaluations	2,574		2,780		(205)
Liability of employees' retirement benefits	3,461		3,430		30
Liability for directors' and corporate auditors' retirement benefits	506		593		(87)
Goodwill on consolidation	271		327		(56)
Other long-term liabilities	630		645		(15)
<b>Total Liabilities</b>	<b>16,840</b>	<b>2.3</b>	<b>16,484</b>	<b>2.2</b>	<b>356</b>
<b>MINORITY INTERESTS</b>	<b>496,997</b>	<b>67.2</b>	<b>531,796</b>	<b>70.2</b>	<b>(34,798)</b>
<b>SHAREHOLDERS' EQUITY:</b>	<b>2,727</b>	<b>0.3</b>	<b>2,457</b>	<b>0.3</b>	<b>269</b>
Common stock	13,546	1.8	13,546	1.8	—
Additional paid-in capital	32,180	4.4	32,179	4.3	0
Retained earnings	200,588	27.1	187,397	24.7	13,191
Land revaluation difference	(6,601)	(0.9)	(7,468)	(1.0)	866
Net unrealized gain on available-for-sale securities	6,961	1.0	4,818	0.6	2,142
Treasury stock, at cost	(6,528)	(0.9)	(6,495)	(0.9)	(33)
<b>Total Shareholders' Equity</b>	<b>240,146</b>	<b>32.5</b>	<b>223,978</b>	<b>29.5</b>	<b>16,167</b>
<b>Total</b>	<b>739,870</b>	<b>100.0</b>	<b>758,232</b>	<b>100.0</b>	<b>(18,361)</b>

## Consolidated Statements of Income

	Current Fiscal Year		Previous Fiscal Year		Year on year
	April 1, 2005-March 31, 2006		April 1, 2004-March 31, 2005		Change
	¥ million	%	¥ million	%	¥ million
<b>Net Sales</b>	1,388,694	100.0	1,330,982	100.0	57,712
<b>Cost of sales</b>	1,248,258	89.9	1,201,972	90.3	46,285
<b>Gross Profit</b>	140,436	10.1	129,010	9.7	11,426
Reversal of sales returns	592	0.0	642	0.0	(49)
Provision for sales returns	504	0.0	580	0.0	(75)
<b>Gross Profit after Adjustment</b>	140,524	10.1	129,071	9.7	11,453
<b>Selling, General and Administrative Expenses</b>	123,720	8.9	116,710	8.8	7,010
<b>Operating Income</b>	16,804	1.2	12,361	0.9	4,442
<b>Non-operating Income</b>	13,273	0.9	11,522	0.9	1,751
Interest	436		368		67
Dividends	293		209		84
Purchase discounts	7,391		6,468		923
Commission for supplying sales data	3,630		3,102		528
Other	1,521		1,373		147
<b>Non-operating Expenses</b>	438	0.0	469	0.0	(31)
Interest expenses	110		65		44
Real estate rental expenses	111		129		(17)
Other	215		274		(58)
<b>Ordinary Income</b>	29,639	2.1	23,413	1.8	6,226
<b>Extraordinary Gain:</b>	4,069	0.3	1,612	0.1	2,457
Gain on sales of fixed assets	303		135		167
Gain on sales of investment securities	2,919		1,083		1,836
Gain on transfer of business	711		—		711
Other	135		393		(258)
<b>Extraordinary Loss:</b>	4,900	0.3	2,776	0.2	2,123
Loss on sales and disposal of fixed assets	895		2,069		(1,173)
Impairment loss	1,304		—		1,304
Special retirement pay	2,375		129		2,246
Other	324		577		(253)
<b>Income before Income Taxes and Minority Interests</b>	28,809	2.1	22,249	1.7	6,559
<b>Income Taxes:</b>					
Current	12,535	0.9	8,361	0.7	4,174
Deferred	(1,279)	(0.0)	1,102	0.1	(2,382)
<b>Minority interests</b>	369	0.0	209	0.0	160
<b>Net Income</b>	17,183	1.2	12,576	0.9	4,607

## Consolidated Statements of Cash Flows

	Current Fiscal Year April 1, 2005-March 31, 2006	Previous Fiscal Year April 1, 2004-March 31, 2005
	¥ million	¥ million
<b>I. Operating Activities:</b>		
Income before income taxes and minority interests	28,809	22,249
Depreciation	5,516	5,241
Impairment loss	1,304	-
Provision for (reversal of) allowance for doubtful accounts	(355)	(2,099)
Decrease in liability for employees' retirement benefits	205	(348)
Provision for other allowance	228	(1,110)
Interest and dividend income	(729)	(578)
Interest expenses	110	65
Gain on sales of fixed assets	(303)	(135)
Gain on sales of investment securities	(2,919)	(1,083)
Loss on sales and disposal of fixed assets	895	2,069
Payments for spin-off (business transfer)	(711)	-
Special retirement pay	2,375	129
Decrease (increase) in trade receivables	12,173	(7,797)
Increase in inventories	8,198	(5,632)
Decrease (increase) in purchase rebates receivable	3,289	(2,581)
Decrease in trade payables	(28,820)	20,410
Other	2,209	612
<b>Subtotal</b>	<b>31,476</b>	<b>29,413</b>
Interest and dividend income received	729	580
Interest expenses paid	(103)	(65)
Special retirement pay paid	(2,371)	(88)
Income tax paid	(10,093)	(11,744)
<b>Net cash used in operating activities</b>	<b>19,636</b>	<b>18,094</b>
<b>II. Investing Activities:</b>		
Purchases of property and equipment	(6,658)	(8,025)
Proceeds from sales of property and equipment	1,749	3,086
Acquisition of intangible fixed assets	(4,865)	(2,273)
Proceeds from sales intangible fixed assets	1	195
Purchase of investment securities	(1,420)	(1,111)
Proceeds from sales of investment securities	6,135	1,665
Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	-	302
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	136	4,266
Payments for spin-off (business transfer)	(2,650)	-
Disbursements for loans	(251)	(206)
Proceeds from collections of loans	279	526
Other, net	1,118	718
<b>Net Cash provided by (used in) investing activities</b>	<b>(6,425)</b>	<b>(856)</b>
<b>III. Financing Activities</b>		
Decrease in short-term borrowings, net	(4,115)	(102)
Repayments of long-term borrowings	(2,086)	(1,137)
Repurchasing redemption of convertible bonds	-	(14)
Redemption of convertible bonds	-	(221)
Acquisition of treasury stocks	(34)	(5,171)
Proceeds from Sales of treasury stocks	0	3
Dividends paid	(2,995)	(2,247)
Dividends paid to minority shareholders	(10)	(4)
<b>Net cash (used in) provided by financing activities</b>	<b>(9,241)</b>	<b>(8,895)</b>
<b>IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	<b>1</b>	<b>11</b>
<b>V. Net Decrease in Cash and Cash Equivalents</b>	<b>3,971</b>	<b>8,354</b>
<b>VI. Cash and Cash Equivalents, Beginning of Period</b>	<b>116,723</b>	<b>108,369</b>
<b>VII. Cash and Cash Equivalents, End of Period</b>	<b>120,695</b>	<b>116,723</b>