

Consolidated Financial Statement for the Interim Period of Fiscal 2006

November 10, 2006

SUZUKEN CO., LTD.

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo
Stock Code: 9987
Board of Directors meeting: November 10, 2006
Use of U.S. accounting standards: No

1. Results for the Interim Period of Fiscal 2006 (April 1, 2006 - September 30, 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
Interim period of fiscal 2006	686,139	0.5	7,202	3.4	13,711	4.0
Interim period of fiscal 2005	682,755	9.7	6,964	53.9	13,189	35.8
Year ended March 31, 2006	1,388,694	4.3	16,804	35.9	29,639	26.6

	Net income		Net income per share Basic	Net income per share Diluted
	¥ million	% change	¥	¥
Interim period of fiscal 2006	7,632	26.4	84.10	--
Interim period of fiscal 2005	6,037	25.9	66.42	--
Year ended March 31, 2006	17,183	36.6	187.42	--

- Notes:
- Equity in earnings of associated companies: ¥-- million in the current interim period
¥-- million in the previous interim period
¥-- million for FYE March 31, 2006
 - Average number of shares outstanding (Consolidated): 90,757,358 shares in the current interim period
90,898,560 shares in the previous interim period
90,895,509 shares in the FYE March 31, 2006
 - 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, 2006	780,963	247,485	31.3	2,699.29
September 30, 2005	729,396	230,037	31.5	2,530.78
March 31, 2006	739,870	240,146	32.5	2,640.53

- Note: Number of shares outstanding at end of period: 90,639,516 shares at the end of the current interim period.
90,895,927 shares at the end of the previous interim period
90,890,354 shares at the end of the FYE March 31, 2006

(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 2006	49,988	(23,680)	(3,128)	143,875
Interim period of fiscal 2005	(3,137)	(6,687)	(3,509)	103,388
Year ended March 31, 2006	19,636	(6,425)	(9,241)	120,695

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

Consolidated subsidiaries: 50 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) 3 companies (Excluded subsidiaries) None
Equity methods: None

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

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Fiscal 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, 2006: ¥192.70

The financial estimates are based on information available as of November 10, 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 Interim Period for Fiscal 2006 (April 1, 2006 – September 30, 2006)

(1) Performance overview

(Units: Millions of yen*)

Fiscal period	2005	2006	Change (%)	Fiscal year ended March 31, 2006
Net sales	682,755	686,139	0.5	1,388,694
Operating income	6,964	7,202	3.4	16,804
Ordinary income	13,189	13,711	4.0	29,639
Net income	6,037	7,632	26.4	17,183
Net income per share (¥)	66.42	84.10	26.6	187.42

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

The Japanese economy continued on a recovery track in the six-month period ended September 30, 2006. Private-sector capital investment rose amid higher corporate earnings. Improved employment conditions helped consumer spending to record solid growth.

The Japanese ethical pharmaceuticals market expanded by approximately 2% in value, despite a cut in the NHI tariff (the reimbursement schedule for listed drugs) averaging 6.7% that was implemented in April 2006. The Japanese government also introduced measures aimed at promoting the greater use of generics (cheaper medicines with the same indications and efficacy as equivalent branded drugs whose patents have expired). These factors were offset by a combination of effects, including the continued aging of the Japanese population, the rising incidence of lifestyle-related diseases and the launch of new branded drugs.

Pricing negotiations between medical institutions and the Japanese ethical pharmaceutical wholesaling industry remained problematic, with many institutions continuing to seek discounts relative to the NHI price when purchasing prescription drugs. As part of ongoing efforts to improve drug distribution in Japan, the industry worked to secure pricing settlements with medical institutions as early as possible on a rational economic basis, based on guidelines issued by the Ministry of Health, Labor and Welfare. Unfortunately, however, the proportion of medical institutions with which agreements were successfully concluded was lower than in the equivalent period after the previous NHI price revision in 2004.

Against this backdrop, Suzuken is working to raise further the degree of satisfaction of key customers through accurate and timely assessment of the needs of medical institutions, whose requirements are changing constantly due to the measures being implemented to control medical costs. In its pricing negotiations with customers, with the aim of raising gross profits Suzuken continues to put emphasis on the need to preserve suitable drug wholesaling margins.

Key operational developments included the incorporation of Shoyaku Co., Ltd., a pharmaceutical wholesaler operating in the Kyushu region, into the Suzuken Group as a wholly owned subsidiary in October 2006. This made Suzuken the first company within the industry to achieve complete nationwide coverage. Aside from traditional wholesaling functions targeting customers such as medical institutions, Suzuken has been focusing on developing new business models aimed at pharmaceutical manufacturers whereby the company provides drug suppliers with timely information based on the data collected by sales people.

Other initiatives focused on boosting the value of the Suzuken Group as a “health-creation enterprise.” Efforts continued to launch at the earliest opportunity the capsule endoscope, a device that promises considerable benefits for patients. Suzuken also focused on developing testing support services to help pharmaceutical manufacturers assess the efficacy and side-effect profile of new drugs in development. One initiative in this area is a cardiac safety evaluation program based on electrocardiographic QT interval measurements.

Marketing programs focused on generating improvements in the quality of services provided to medical institutions by spinning off delivery functions so that the sales force has more time to focus on sales activities. Suzuken also introduced process reforms at sales divisions with the aim of boosting productivity while lowering costs. Responding to the swiftly evolving needs of medical institutions, as part of these reforms Suzuken examined ways to vary the frequency, timing and nature of sales visits to better match customer requirements.

In addition, the company made improvements to the activity scheduling system, which is the basis of operations for providing information-based services to drug manufacturers through MS sales activities.

On the logistics side, Suzuken focused on raising the quality of its distribution services in the Tokyo metropolitan area by expanding the product range at the Toda Distribution Center, which started operations in the fall of 2005, and by improving the timeliness of deliveries. Work also began on the construction of the new Hanshin Distribution Center, which will serve the Kansai region in western Japan spanning the prefectures of Osaka and Hyogo. In addition, in the second half of fiscal 2006, Suzuken plans to initiate redevelopment of distribution facilities in the prefecture of Shizuoka, which have previously been managed as separate operations.

In the pharmaceutical manufacturing business, Suzuken launched Seibule tablets for the treatment of postprandial hyperglycemia in January 2006. The company is expanding the market for this drug through co-promotion with Dainippon Sumitomo Pharma Co., Ltd.

Consolidated net sales for the six-month period ended September 30, 2006 amounted to ¥686,139 million, a year-on-year increase of 0.5%. Operating income rose 3.4% to ¥7,202 million, while ordinary income increased 4.0% in year-on-year terms to ¥13,711 million. Net income was ¥7,632 million, up 26.4% compared with the same period in the previous year.

(2) Analysis by business segment

Overview of performance by business segment

(Units: Millions of yen*)

Fiscal period		2005	2006	Change (%)	Fiscal year ended March 31, 2006
Pharmaceutical Distribution	Net sales	662,412	664,685	0.3	1,345,172
	Operating income	4,719	5,950	26.1	12,584
Pharmaceutical Manufacturing	Net sales	8,677	9,206	6.1	19,588
	Operating income	1,885	1,265	(32.9)	3,465
Other Healthcare-Related Services	Net sales	11,664	12,247	5.0	23,933
	Operating income	98	150	52.6	165

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

Pharmaceutical distribution

Segment sales increased 0.3% compared with the same period a year earlier to ¥664,685 million, reflecting a decline in drug sales prices following the NHI price revision in April 2006 and other factors. As a result of renewed efforts to preserve drug wholesaling margins in price negotiations with medical institutions, which helped to improve gross profitability, segment operating income rose 26.1% in year-on-year terms to ¥5,950 million.

Pharmaceutical manufacturing

Sales of the new product Seibule and of diagnostic reagents helped to offset the effect of lower sales prices due to the April 2006 NHI price revision. Segment sales increased 6.1% compared with a year earlier to ¥9,206 million. A significant increase in promotional expenses associated with sales of Seibule resulted in a 32.9% year-on-year decline in segment operating income to ¥1,265 million.

Other healthcare-related services

Segment sales increased 5.0% compared with a year earlier to ¥12,247 million, reflecting revenue growth from new service businesses in areas such as medical-related surveys and logistics support for pharmaceutical manufacturers. The segment recorded an operating loss of ¥150 million, compared with a loss of ¥98 million a year earlier. This was primarily attributable to start-up expenses associated with the launch of logistics support services for pharmaceutical manufacturers, a business that is still in the development phase.

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

(Units: Millions of yen*)

Fiscal year	2005	2006	Change (%)
Net sales	1,388,694	1,461,000	5.2
Operating income	16,804	19,100	13.7
Ordinary income	29,639	31,700	7.0
Net income	17,183	18,100	5.3
Net income per share (¥)	187.42	192.70	2.8

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

(2) Performance outlook by business segment

In the pharmaceutical distribution business, as in the first half of fiscal 2006, the major focus in the second half of the year will continue to be securing favorable outcomes from price negotiations with medical institutions based on rational economic arguments. Suzuken also plans to continue investing in its operational platform to generate higher customer satisfaction through the construction of new business models that add value to traditional pharmaceutical wholesaling activities. Ongoing initiatives include the application of MS-Navi and other operational support systems to improve the effectiveness of drug detailing activities and the development of specific alliances to cater to the sales, delivery and order requirements of particular customers.

Suzuken forecasts sales by business segment for 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. continues to make inroads into markets by leveraging comprehensive strengths across its four businesses of pharmaceuticals, diagnostic reagents, nutrition and contract manufacturing; and other healthcare-related services ¥28,000 million, which reflects the expansion of existing businesses.

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

Consolidated Balance Sheets

ASSETS	Current Interim Period September 30, 2006		Previous Interim Period September 30, 2005		Previous year March 31, 2006	
	¥ million	%	¥ million	%	¥ million	%
Current Assets:						
Cash on hand and in banks, and time deposits	146,881		102,361		117,667	
Trade notes and accounts receivable	341,068		345,811		343,276	
Marketable securities	5,392		31		2,030	
Inventories	93,980		95,766		92,915	
Deferred tax assets	8,986		7,003		7,927	
Purchase rebates receivable	20,409		26,013		24,141	
Other current assets	3,028		2,463		2,393	
Allowance for doubtful accounts	(4,407)		(4,609)		(4,602)	
Total Current Assets	615,340	78.8	574,841	78.8	585,750	79.2
Fixed Assets:						
Property and Equipment:						
Buildings and structures	34,392		32,708		34,666	
Machinery and vehicles	2,893		1,977		3,108	
Tools, furniture and fixtures	1,814		1,911		1,869	
Land	42,466		43,375		42,733	
Construction in progress	659		4,055		370	
Total property and equipment	82,226	10.5	84,028	11.5	82,748	11.2
Intangible Fixed Assets:	10,941	1.4	8,384	1.2	10,035	1.3
Investments and Other Assets:						
Investment securities	50,568		40,599		39,459	
Long-term loans	470		460		471	
Deferred tax assets	1,414		697		1,398	
Prepaid pension expenses	11,776		11,726		11,615	
Others	10,039		10,702		10,220	
Allowance for doubtful accounts	(1,815)		(2,043)		(1,828)	
Total Fixed Assets	72,455	9.3	62,141	8.5	61,336	8.3
Fixed Assets	165,623	21.2	154,554	21.2	154,120	20.8
Total Assets	780,963	100.0	729,396	100.0	739,870	100.0

LIABILITIES:	Current Interim Period September 30, 2006		Previous Interim Period September 30, 2005		Previous year March 31, 2006	
	¥ million	%	¥ million	%	¥ million	%
Current Liabilities:						
Trade notes and accounts payable	492,649		454,850		452,374	
Short-term bank loans	766		4,003		490	
Income taxes payable	6,746		4,987		8,644	
Reserves for sales returns	454		497		504	
Accrued bonuses	8,097		7,661		8,094	
Other current liabilities	8,368		7,692		10,047	
Total current liabilities	517,083	66.2	479,692	65.8	480,156	64.9
Long-term Liabilities:						
Long-term borrowings	581		1,703		1,058	
Deferred tax liabilities	8,641		7,851		8,338	
Deferred tax liabilities from revaluations	2,513		2,690		2,574	
Liability of employees' retirement benefits	3,538		3,395		3,461	
Liability for directors' and corporate auditors' retirement benefits	480		479		506	
Goodwill on consolidation	—		299		271	
Other long-term liabilities	639		631		630	
Total Long term Liabilities	16,395	2.1	17,051	2.3	16,840	2.3
Total Liabilities	533,478	68.3	496,744	68.1	496,997	67.2
MINORITY INTERESTS	—	—	2,614	0.4	—	—
NET ASSETS					2,727	0.3
Shareholders' Equity						
Common stock	—		13,546	1.8	13,546	1.8
Additional paid-in capital	—		32,180	4.4	32,180	4.4
Retained earnings	—		190,902	26.2	200,588	27.1
Land revaluation difference	—		(6,628)	(0.9)	(6,601)	(0.9)
Net unrealized gain on available-for-sale securities	—		6,545	0.9	6,961	1.0
Treasury stock, at cost	—		(6,508)	(0.9)	(6,528)	(0.9)

Total Shareholders' Equity	—	—	230,037	31.5	240,146	32.5
Total	—	—	729,396	100.0	739,870	100.0
NET ASSETS						
Shareholders' equity						
Common stock	13,546	1.8	—	—	—	—
Additional paid-in capital	32,180	4.1	—	—	—	—
Retained earnings	206,379	26.4	—	—	—	—
Treasury stock, at cost	(7,578)	(1.0)	—	—	—	—
Total shareholders' equity	244,527	31.3	—	—	—	—
Revaluation and translation difference						
Net unrealized gain on available for sale securities	6,881	0.9	—	—	—	—
Land revaluation difference	(6,747)	(0.9)	—	—	—	—
Total revaluation and translation difference	134	0.0	—	—	—	—
Minority interests	2,822	0.4	—	—	—	—
Total net assets	247,485	31.7	—	—	—	—
Total	780,963	100.0	—	—	—	—

Consolidated Statements of Income

	Current Interim Period September 30, 2006		Previous Interim Period September 30, 2005		Previous year March 31, 2006	
	¥ million	%	¥ million	%	¥ million	%
Net Sales	686,139	100.0	682,755	100.0	1,388,694	100.0
Cost of sales	617,057	89.9	615,467	90.1	1,248,258	89.9
Gross Profit	69,082	10.1	67,288	9.9	140,436	10.1
Reversal of sales returns	504	0.1	592	0.1	592	0.0
Provision for sales returns	454	0.1	497	0.1	504	0.0
Gross Profit after Adjustment	69,132	10.1	67,384	9.9	140,524	10.1
Selling, General and Administrative Expenses	61,929	9.0	60,419	8.9	123,720	8.9
Operating Income	7,202	1.1	6,964	1.0	16,804	1.2
Non-operating Income	6,653	0.9	6,492	0.9	13,273	0.9
Interest	231		159		436	
Dividends	226		158		293	
Purchase discounts	3,243		3,609		7,391	
Commission for supplying sales data	1,903		1,785		3,630	
Other	1,049		780		1,521	
Non-operating Expenses	144	0.0	266	0.0	438	0.0
Interest expenses	13		52		110	
Real estate rental expenses	76		58		111	
Other	55		155		215	
Ordinary Income	13,711	2.0	13,189	1.9	29,639	2.1
Extraordinary Gain:	246	0.0	2,012	0.3	4,069	0.3
Gain on sales of fixed assets	65		179		303	
Gain on sales of investment securities	77		1,010		2,919	
Gain on transfer of business	—		711		711	
Other	103		110		135	
Extraordinary Loss:	330	0.0	4,046	0.6	4,900	0.3
Loss on sales and disposal of fixed assets	247		330		895	
Impairment loss	46		1,169		1,304	
Special retirement pay	7		2,361		2,375	
Other	30		185		324	
Income before Income Taxes and Minority Interests	13,626	2.0	11,155	1.6	28,809	2.1
Income Taxes:						
Current	6,708	1.0	4,828	0.7	12,535	0.9
Deferred	(809)	(0.1)	140	0.0	(1,279)	(0.0)
Minority interests	94	0.0	148	0.0	369	0.0
Net Income	7,632	1.1	6,037	0.9	17,183	1.2

Consolidated Statements of Cash Flows

	Current Interim Period September 30, 2006	Previous Interim Period September 30, 2005	Previous year March 31, 2006
	¥ million	¥ million	¥ million
I. Operating Activities:			
Income before income taxes and minority interests	13,626	11,155	28,809
Depreciation	2,748	2,555	5,516
Impairment loss	46	1,169	1,304
Reversal of allowance for doubtful accounts	(208)	(133)	(355)
Increase (Decrease) in liability for employees' retirement benefits	(84)	29	205
Provision for other allowance	(72)	(225)	228
Interest and dividend income	(458)	(317)	(729)
Interest expenses	13	52	110
Gain on sales of fixed assets	(65)	(179)	(303)
Gain on sales of investment securities	(77)	(1,010)	(2,919)
Loss on sales and disposal of fixed assets	247	330	895
Gain on transfer of business	—	(711)	(711)
Special retirement pay	7	2,361	2,375
Decrease in trade receivables	2,373	9,542	12,173
Decrease (Increase) in inventories	(826)	5,314	8,198
Increase in purchase rebates receivable	3,731	1,416	3,289
Increase (Decrease) in trade payables	40,083	(26,159)	(28,820)
Other	(2,977)	(325)	2,209
Subtotal	58,106	4,863	31,476
Interest and dividend income received	452	317	729
Interest expenses paid	(9)	(50)	(103)
Special retirement pay paid	(7)	(2,295)	(2,371)
Income tax paid	(8,552)	(5,972)	(10,093)
Net cash provided by (used in) operating activities	49,988	(3,137)	19,636
II. Investing Activities:			
Disbursements for time deposits	(7,003)	(5)	(10)
Proceeds from time deposits	3	13	19
Purchases of securities	(2,393)	—	—
Proceeds from sales of securities	—	15	25
Purchases of property and equipment	(2,222)	(4,972)	(6,658)
Proceeds from sales of property and equipment	847	1,025	1,749
Acquisition of intangible fixed assets	(1,284)	(2,311)	(4,865)
Proceeds from sales of intangible fixed assets	52	0	1
Purchase of investment securities	(13,397)	(1,247)	(1,420)
Proceeds from sales of investment securities	2,200	2,496	6,135
Proceeds from purchase of subsidiaries' stock, resulting in change in scope of consolidation	80	31	136
Proceeds from subsidiaries' stock, resulting in change in scope of consolidation	(759)	—	(26)
Payments for transfer of business	—	(2,650)	(2,650)
Disbursements for loans	(35)	(101)	(251)
Proceeds from collections of loans	36	139	279
Other, net	194	877	1,109
Net Cash used in investing activities	(23,680)	(6,687)	(6,425)
III. Financing Activities			
Decrease in short-term borrowings, net	(3)	(873)	(4,115)
Repayments of long-term borrowings	(223)	(1,070)	(2,086)
Acquisition of treasury stocks	(1,049)	(13)	(34)
Proceeds from sales of treasury stocks	0	0	0
Dividends paid	(1,816)	(1,541)	(2,995)
Dividends paid to minority shareholders	(35)	(10)	(10)
Net cash used in financing activities	(3,128)	(3,509)	(9,241)
IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(0)	0	1
V. Net Increase (Decrease) in Cash and Cash Equivalents	23,180	(13,334)	3,971
VI. Cash and Cash Equivalents, Beginning of Period	120,695	116,723	116,723
VII. Cash and Cash Equivalents, End of Period	143,875	103,388	120,695