



# Consolidated Financial Statement for the First Half of the Fiscal Year Ending March 31, 2009

November 7, 2008

## SUZUKEN CO., LTD

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Stock Exchange Listings: Tokyo, Nagoya, Sapporo  
Stock Code: 9987  
Planned Date of Filing of Annual Securities Report: November 14, 2008  
Scheduled Date for Commencement of Dividend Payments: December 10, 2008

## 1. Results for the second quarter of the Fiscal Year ending March 31, 2009 (April 1, 2008 - September 30, 2008)

### (1) Consolidated Results of Operations

(Fractions less than ¥1 million have been omitted.)  
(% shows changes from results for the same period in the previous year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q ended March 31, 2009	795,976	-	6,465	-	13,447	-
2Q ended March 31, 2008	767,000	11.8	9,195	27.7	15,870	15.8

	Net income		Net income per share Basic		Net income per share Diluted	
	Millions of yen	%	Yen		Yen	
2Q ended March 31, 2009	4,883	-	53.13		-	
2Q ended March 31, 2008	8,875	16.3	95.29		-	

### (2) Consolidated Financial Position

(Fractions less than ¥1 million have been omitted.)

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
2Q ended March 31, 2009	817,061		278,099		33.6		2,990.03	
Year ended March 31, 2008	822,852		274,357		33.0		2,951.19	

Reference: Shareholders' equity: 2Q ended March 31, 2009: ¥274,819 million  
Year ended March 31, 2008: ¥271,261 million

## 2. Dividends

(Record Date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full-year
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2008	-	25.00	-	25.00	50.00
Year ended March 31, 2009	-	31.00	-	-	-
Year ended March 31, 2009 (Forecast)	-	-	-	31.00	62.00

Note: Changes in dividend forecasts made during the first quarter under review: None

## 3. Forecasts for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(% shows changes from the results for the previous term)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full-year	1,661,400	4.7	16,400	(29.5)	30,000	(19.3)	10,000	(53.1)	108.80	

Note: Changes in consolidated earnings forecasts made during the second quarter under review: None

**4. Other**

- (1) Significant changes in subsidiaries (change in specified subsidiaries resulting in a change in the scope of consolidation):  
None
- (2) Simplified methods and methods peculiar to the preparation of quarterly consolidated financial statements applied in accounting treatment: Yes  
Note: For details, please refer to 4. Others of [Qualitative Data and Financial Statements] on page 6.
- (3) Changes in accounting policies and procedures and methods of presentation concerning the preparation of quarterly consolidated financial statements (to be included in changes in important items to prepare quarterly consolidated financial statements)
- i Changes resulting from amendments to accounting standards: Yes
  - ii Changes other than i above: Yes
- Note: For details, please refer to 4. Others of [Qualitative Data and Financial Statements] on page 6.
- (4) Number of shares outstanding (Common share)
- i Number of shares outstanding at the year-end (including treasury shares)
 

2Q ended March 31, 2009:	93,949,167 shares
Year ended March 31, 2008:	93,949,167 shares
  - ii Number of treasury shares at the year-end
 

2Q ended March 31, 2009:	2,037,142 shares
Year ended March 31, 2008:	2,033,363 shares
  - iii Average number of shares for the period (Year to Date on a consolidated basis)
 

2Q ended March 31, 2009:	91,914,070 shares
2Q ended March 31, 2008:	93,141,483 shares

*Explanations concerning the appropriate use of earnings forecast and other special remarks*

1. The above statements about the future including earnings forecast which are listed in this material are based on information available to the Company at the time of this report and certain conditions deemed to be reasonable to the Company. Actual results, performance or achievements may differ from the above forecasts due to various factors.
2. From the 1st quarter of the consolidated accounting year, the company has applied the “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No.12) and the “Guideline for Application of the Accounting Standard for Quarterly Financial Statements” (Corporate Accounting Standards Application Guidelines No.14). In addition, the company is creating quarterly consolidated financial statements in accordance with the “Regulations Concerning Quarterly Consolidated Financial Statements” following their revision due to the provisos of Article 7.1.5 of the Supplementary Provisions of the “Cabinet Office Regulation Revising Part of the Regulations on the Terms, Style and Preparation Methods of Financial Statements, etc” (Cabinet Office Regulation No.50,

## [Qualitative Data and Financial Statements]

### 1. Qualitative Data Regarding Consolidated Results of Operations

#### [Overview of Results of Operations]

It is assumed that the recession phase of the Japanese economy strengthened during the 2<sup>nd</sup> quarter under review, with economic deceleration domestically and overseas caused by the financial instability emanating from America in addition to the stagnation of personal consumption caused mainly by the high prices of raw materials, the suppression of facility investment and the deterioration of the employment situation.

Although the ethical pharmaceuticals market was affected by the 5.2% reduction in the National Health Insurance Drug Price Standard of April 2008 and the penetration of policies promoting the use of generic drugs, the market is inferred to have grown, if only mildly, due to the advance of aging, the expansion of the market for drugs for lifestyle-related diseases and the effects of new drugs, etc.

The urgent proposals put together at the “Council for Improvement of the Distribution of Ethical Drugs” are positioned as important issues in the pharmaceutical industry and the pharmaceutical companies, wholesalers, medical institutions and insurance pharmacies involved in the distribution of drugs are working together as one on improving drug distribution.

In such circumstances, the Suzuken Group has pursued tenacious business negotiations based on strong relationships of trust with customers such as medical institutions and insurance pharmacies. As a result, it was possible to see further improvement in the promotion of early-stage price agreements, one of the urgent proposals mentioned above, in comparison to the time of the drug price revision two years ago. However, the intensification of competition among wholesalers and the strict price reduction demands of customers invited a reduction in the gross profit margin ratio.

In terms of business management, Suzuken announced the company’s 2010 medium term management plan in May 2008, raised the “establishment of a medical distribution platform” and “best partner for medical treatment and healthcare” as the company’s medium-term visions, and is aiming to be of use to everybody related to medical distribution functions overall, from pharmaceutical companies to medical institutions, insurance pharmacies and patients. As part of those efforts, Suzuken concluded a comprehensive business alliance with N.I.C. Corporation, which holds in common with Suzuken the philosophy of “further contributions to medicine, welfare and health”, aiming at further improvement of levels of satisfaction among medical institutions, etc. In addition, Suzuken has concluded a share transfer contract with Pfercos (an insurance pharmacy business), a consolidated subsidiary of N.I.C. Corporation, believing that new value can be created by amalgamating with the operational base, business management and know-how of that company.

In terms of sales, under the “Every Employee is A Salesperson” activity policy common throughout the Suzuken Group, the company is advancing the construction of a new sales support system for use by MS (the sales staff of pharmaceutical wholesalers), using mobile terminals that enable the handling of diversified customer needs.

In regard to distribution, the Suzuken Group is making efforts towards enhancing functions such as “timely delivery”, “range of goods” and “traceability” and the effects of decreasing product shortages, etc., are being seen at the Hanshin Distribution Center, which began operations in October 2007. Furthermore, we will generate momentum towards the early realization of the development of the national distribution center framework by completing the securement of sites for all of the remaining distribution centers in Chiba, Miyagi and Okayama.

In the Pharmaceutical Manufacturing Business, Sanwa Kagaku Kenkyusho Co., Ltd, a Suzuken Group company, and Kowa Co., Ltd concluded a licensing agreement for the joint development and marketing in Japan of SK-0403 (DPP-IV inhibitor), a new drug for the treatment of diabetes, and at the same time, Sanwa Kagaku Kenkyusho Co., Ltd concluded a licensing agreement with Choongwae Pharma Corporation of Korea (Seoul) granting exclusive rights for development and sales in Korea.

In overseas business operations, Suzuken established Shanghai Suzuken Huzhong Pharmaceutical Co., Ltd, a Chinese joint venture running a wholesaling business for ethical pharmaceuticals, etc. Since May 2008, the company has been working on strengthening sales activities in the East China region centered on the cities of Shanghai and Tsingtao and on expanding the range of products that it handles.

Through these activities, the Suzuken Group is maximizing group synergies and making efforts towards the improvement of corporate value as the health-creating Suzuken Group based on the construction of new projects, etc.

In regard to earnings during the 2<sup>nd</sup> quarter consolidated cumulative period as a result of the activities described above, net sales were ¥795,976 million (3.8% increase in comparison to the previous year), operating income was ¥6,465 million (29.7% decrease in comparison to the previous year), ordinary income was ¥13,447 million (15.3% decrease in comparison to

the previous year), and net income was ¥4,883 million (45.0% decrease in comparison to the previous year).

### Overview of performance by business segment

(Units: Millions of yen)

		Interim period of the term ended March 2008	2 <sup>nd</sup> quarter cumulative period of the term ending March 2009	Change (%)
Pharmaceutical Distribution	Net sales	746,068	769,770	3.2
	Operating income	7,280	2,644	(63.7)
Pharmaceutical Manufacturing	Net sales	26,497	31,202	17.8
	Operating income	1,382	4,004	189.6
Healthcare-related Services	Net sales	18,897	23,537	24.6
	Operating income	176	(282)	-

- i In the Pharmaceutical Distribution Business, although there was a reduction in the National Health Insurance Drug Price Standard in April 2008, net sales finished at ¥769,770 million (3.2% increase in comparison to the previous year). Despite the fact that the company made efforts in price negotiations based on economic rationalization, the price reduction demands of medical institutions, etc., were strong and the gross profit margin declined. Due to this and other factors, operating income finished at ¥2,644 million (63.7% decrease in comparison to the previous year).
- ii In the Pharmaceutical Manufacturing Business, sales of “Seibule Tablets”, a drug that improves postprandial hyperglycemia in patients with diabetes mellitus, progressed steadily, and due also to the increase in contract manufacturing sales and sales for R&D, sales finished at ¥31,202 million (17.8% increase in comparison to the previous year). Due to the increase in sales of “Seibule Tablets” and the sales for R&D, etc., operating income finished at ¥4,004 million (189.6% increase in comparison to the previous year).
- iii In the Healthcare-related Services Business, net sales grew 24.6% on a year-on-year basis to ¥23,537 million. At the operating level, a loss of ¥282 million was reported compared with a profit of ¥176 million for the same period of the previous fiscal year. Major reasons for the loss included starting the process of expanding nursing-care services in the Chugoku area in November 2007.

Note: Segment sales results include intersegment transactions.

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

\* The comparisons with the same period of the previous year in the text are included as a reference.

## 2. Qualitative Data Regarding Consolidated Financial Position

The status of assets, liabilities and net assets at the end of the 2<sup>nd</sup> quarter consolidated accounting period was as follows.  
(Assets)

Total assets at the end of the 2<sup>nd</sup> quarter consolidated accounting period decreased ¥5,791 million in comparison to the end of the previous consolidated accounting year to ¥817,061 million. The main causes of this decrease were as follows.

Current assets decreased ¥15,958 million in comparison to the end of the previous consolidated accounting year. This was mainly because although merchandises and products increased ¥5,044 million, cash and cash equivalents decreased ¥11,070 million, trade notes and accounts receivable decreased ¥5,845 million, and other current assets decreased ¥3,809 million due to the decrease in purchase rebates receivable due to changes in the rebate system, etc.

Fixed assets increased ¥10,167 million in comparison to the end of the previous consolidated accounting year. This was mainly because total investments and other assets increased ¥8,257 million due to the purchases of investment securities and an increase in advance pension costs due to special contributions to the corporate pension fund.

(Liabilities)

Total liabilities at the end of the 2<sup>nd</sup> quarter consolidated accounting period decreased ¥9,533 million in comparison to the end of the previous consolidated accounting year to ¥538,962 million. This was mainly due to income taxes payable, decreasing ¥5,880 million due to the payment of income taxes.

(Net assets)

Total assets at the end of the 2<sup>nd</sup> quarter consolidated accounting period increased ¥3,742 million in comparison to the end of the previous consolidated accounting year to ¥278,099 million. This was mainly because although retained earnings decreased due to the payment of dividends, retained earnings increased ¥2,670 million due to net income.

### 3. Qualitative Data Regarding Business Forecasts

Despite the average 5.2% reduction in the National Health Insurance Drug Price Standard on April 1, 2008, the ethical pharmaceuticals market is inferred to have continued growing, if only mildly, due to the advance of aging and the expansion of the market for drugs for lifestyle-related diseases, etc.

The Suzuken Group makes customer-oriented “Every Employee is A Salesperson” an activity policy common to all employees, and in parallel with improvements in the quality of sales and distribution functions, is strengthening low cost management and working on the construction of stable distribution foundations. To that end, the Suzuken Group will advance measures to transfer employees to distribution subsidiaries in order to strengthen sales functions in the Pharmaceuticals Distribution Business and lower the costs of distribution functions. Furthermore, the company will implement measures to transfer some of the company’s employees to Shoyaku Co., Ltd, aiming at the maximization of mutual synergies with that company, to which Suzuken transferred its business in the Kyushu region in January last year, for Shoyaku to become the leading company in its field in the Kyushu region.

In regard to the Ethical Pharmaceuticals Distribution Business, Suzuken will continue to make efforts towards the improvement of distribution and will work on price negotiations with an emphasis on economic rationalism. However, Suzuken presumes that further intensification of competition among wholesalers and difficult price negotiations with customers will continue.

In the Pharmaceutical Manufacturing Business, Suzuken will pour all of its efforts into the strengthening of detailing aimed at expanding the number of prescriptions at existing Seibule Tablet-prescribing facilities and into undertakings aimed at acquiring new prescribing facilities in order to increase the market share of the drug, a postprandial hyperglycemia in patients with diabetes mellitus. In addition, the Suzuken Group’s Sanwa Kagaku Kenkyusho Co., Ltd will utilize the sales network with the top share of the domestic market for blood glucose self-measurement systems to penetrate new markets in the development of the “Banalyst Ace” (a high precision measurement system for CRP, a marker of inflammation, and hemoglobin A<sub>1C</sub>, a blood glucose control marker for diabetes), which uses the world’s first measurement chip based on liquid reagent, developed jointly with Rohm Co., Ltd (semiconductor manufacturer) and Ushio Inc (manufacturer of light sources and optical equipment).

In such circumstances, because earnings following on from the 2<sup>nd</sup> quarter is forecast to fall below the forecast given at the time of presentation of the financial summary given on May 12, 2008, the company revised the consolidated and non-consolidated forecasts for the 2<sup>nd</sup> quarter cumulative period and the consolidated and non-consolidated forecasts for the full term on October 27, 2008. Please refer to the “Announcement of a Revision of the Earnings Forecast” released on the same day, October 27, 2008, in regard to the details of the revision.

#### 4. Other

##### (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries entailing a change in the scope of consolidation)

N/A

##### (2) Application of simplified accounting procedures and specific accounting procedures in the preparation of quarterly consolidated financial statements

###### ① Simplified accounting procedures

###### a) Method for calculation of doubtful receivable estimates in general liabilities

Estimates of doubtful receivables are calculated based on the actual rate of doubtful receivables calculated for the previous consolidated accounting year because there is no marked change with the actual rate of doubtful receivables calculated at the end of the previous consolidated accounting year.

###### b) Method for calculation of corporate income tax, etc., deferred tax assets and deferred tax liabilities

The calculation of corporate income tax, etc., is carried out based on a method that limits calculation to significant adjusted account items and tax exempt items.

In addition, the determination of the collectability of deferred tax assets is carried out based on a method that uses the future results forecast and tax planning used in the previous consolidated accounting year in the event that it is recognized no significant changes have occurred in the business environment, etc., since the previous consolidated accounting year.

Moreover, calculations concerning subsidiaries lacking in importance shall be carried out based on a method that calculates by multiplication of the tax burden ratio following the application of tax effect accounting on the profit and loss statement of the previous consolidated accounting year.

The value of corporate income tax adjustment is presented included in corporate income tax, etc.

###### ② Specific accounting procedures in the preparation of quarterly consolidated financial statements

N/A

##### (3) Changes in accounting principles and procedures, methods of presentation, etc., related to the preparation of quarterly consolidated financial statements

① From the 1st quarter of the consolidated accounting year, the company has applied the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and the “Guideline for Application of the Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.14). In addition, the company is creating quarterly consolidated financial statements in accordance with the “Regulations for Quarterly Consolidated Financial Statements” following their revision due to the provisos of Article 7.1.5 of the Supplementary Provisions of the “Cabinet Office Regulation Revising Part of the Regulations on the Terms, Style and Preparation Methods of Financial Statements, etc” (Cabinet Office Regulation No.50, August 7, 2008).

② The company has applied the “Accounting Standards for Measurement of Inventories” (ASBJ Statement No.9, July 5, 2006) since the 1st quarter of the consolidated accounting year and has changed its measurement standard from one cost accounting method to another (book price devaluation based on the decrease in profitability of balance sheet values).

In association with this change, gross profit on sales, operating income and ordinary income have each increased ¥1,310 million in comparison to calculation using the previous method and income before income taxes and minority interests has decreased ¥175 million. The impacts on segment information are included in the relevant places.

③ It has been possible to apply the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, June 17, 1993, final revision: March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16, January 18, 1994, final revision: March 30, 2007) from quarterly consolidated financial statements related to consolidated accounting years starting on or after April 1, 2008, and in association with this, the company has applied this standard and guideline since the 1st quarter of the consolidated accounting year, changing from an accounting method conforming to the method for conventional lease transactions to an accounting method related to normal purchase transactions in regard to finance lease transactions other than those involving a transfer of ownership. Furthermore, in regard to the method for depreciation of lease assets related to finance lease transactions other than those involving a transfer of ownership, the company has adopted a straight line method taking the lease period as the useful life of the asset and making the residual value of the asset zero.

Moreover, the company will continue to apply the accounting method conforming to the method for normal lease transactions for finance lease transactions other than those involving a transfer of ownership that began prior to the first year of application of the “Accounting Standard for Lease Transactions”.

The impacts on gross profit on sales, operating income, ordinary income and income before income taxes and minority interests in association with this change will be minor.

**5. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

	(Units: Millions of yen)	
	End of 2 <sup>nd</sup> quarter consolidated accounting period (September 30, 2008)	Condensed Consolidated Balance Sheet at the Previous Consolidated Fiscal Year-End (March 31, 2008)
Assets		
Current Assets:		
Cash and cash equivalents	87,020	98,090
Trade notes and accounts receivable	380,578	386,423
Marketable securities	12,272	12,785
Merchandises and products	104,003	98,959
Products in process	1,517	1,705
Raw materials and inventories of merchandise and supplies	1,459	1,427
Other current assets	30,471	34,280
Allowance for doubtful accounts	(3,854)	(4,246)
Total Current Assets	613,467	629,426
Fixed Assets:		
Property and Equipment:	93,427	92,046
Intangible Fixed Assets:		
Goodwill	2,882	3,079
Other	10,223	9,497
Total Intangible Fixed Assets	13,105	12,576
Total Investments and Other Assets	97,060	88,802
Total Fixed Assets	203,594	193,426
Total Assets	817,061	822,852

	(Units: Millions of yen)	
	End of 2nd quarter consolidated accounting period (September 30, 2008)	Condensed Consolidated Balance Sheet at the Previous Consolidated Fiscal Year-End (March 31, 2008)
<b>Liabilities</b>		
Current Liabilities:		
Trade notes and accounts payable	502,019	504,514
Short-term bank loans	483	468
Income taxes payable	3,770	9,650
Reserves for sales returns	465	541
Accrued bonuses	8,152	9,050
Allowance for directors' bonuses	1	3
Other current liabilities	9,930	9,872
<b>Total Current Liabilities</b>	<b>524,824</b>	<b>534,102</b>
Long-term Liabilities:		
Long-term borrowings	401	487
Liability of employees' retirement benefits	4,550	5,199
Liability for directors' and corporate auditors' retirement benefits	647	645
Other long-term liabilities	8,539	8,060
<b>Total Long-term Liabilities</b>	<b>14,138</b>	<b>14,393</b>
<b>Total Liabilities</b>	<b>538,962</b>	<b>548,495</b>
<b>Net Assets</b>		
Shareholders' Equity:		
Common stock	13,546	13,546
Capital surplus	39,375	39,375
Retained earnings	234,516	231,845
Treasury stock, at cost	(7,678)	(7,663)
<b>Total Shareholders' Equity</b>	<b>279,760</b>	<b>277,103</b>
Revaluation and Translation Difference:		
Net unrealized gain on available for sale securities	2,138	1,150
Land revaluation difference	(7,079)	(6,993)
<b>Total Revaluation and Translation Difference</b>	<b>(4,940)</b>	<b>(5,842)</b>
Minority Interests	3,279	3,096
<b>Total Net Assets</b>	<b>278,099</b>	<b>274,357</b>
<b>Total Liabilities and Net Assets</b>	<b>817,061</b>	<b>822,852</b>

**(2) Quarterly Consolidated Statement of Income****(Units: Millions of yen)**

	2 <sup>nd</sup> quarter consolidated cumulative period (April 1, 2008 to September 30, 2008)
Net Sales	795,976
Cost of Sales	716,974
Gross Profit	79,001
Reversal of sales returns	541
Provision for sales returns	465
Gross Profit after Adjustment	79,077
Selling, General and Administrative Expenses	72,611
Operating Income	6,465
Non-operating Income:	
Interests income	582
Dividends income	326
Purchase discounts	3,054
Commission for supplying sales data	2,119
Other	1,045
Total Non-Operating Income	7,128
Non-operating Expenses:	
Interest expenses	16
Real estate rental expenses	111
Other	19
Total Non-Operating Expenses	146
Ordinary Income	13,447
Extraordinary Gain:	
Gain on disposal of fixed assets	24
Subsidy income	30
Other	48
Total Extraordinary Profits	103
Extraordinary Loss:	
Loss on retirement and sales of fixed assets	469
Impairment loss	80
Loss on revaluation of inventories	1,485
Loss on revaluation of investment securities	1,995
Other	328
Total Extraordinary Losses	4,360
Income before Income Taxes and Minority Interests	9,190
Income Taxes	4,075
Minority Interests	232
Net Income	4,883

**(3) Consolidated Statements of Cash Flows****(Units: Millions of yen)**2<sup>nd</sup> quarter consolidated cumulative period  
(April 1, 2008 to September 30, 2008)

Cash flows from Operating Activities:	
Income before income taxes and minority interests	9,190
Depreciation	3,424
Impairment loss	80
Decrease in allowance for doubtful accounts	(178)
Decrease in liability for employees' retirement benefits	(8,508)
Increase (decrease) in provision for other allowance	(982)
Interest and dividend income	(908)
Interest expenses	16
Gain on sales of fixed assets ( $\Delta$ indicates profit)	445
Loss on revaluation of inventories	1,485
Profit or loss on revaluation of investment securities ( $\Delta$ indicates profit)	1,995
Decrease (increase) in trade receivables	5,979
Decrease (increase) in inventories	(6,331)
Increase (decrease) in trade payables	(2,704)
Other	3,672
Subtotal	6,676
Interest and dividend income received	888
Interest expenses paid	(16)
Income tax paid	(9,638)
Net Cash Provided by (Used in) Operating Activities	(2,089)
Cash flows from Investing Activities:	
Purchases of marketable securities	(493)
Proceeds from redemption of marketable securities	2,400
Purchases of property and equipment	(3,580)
Proceeds from sales of property and equipment	777
Acquisition of intangible fixed assets	(1,598)
Purchase of investment securities	(6,847)
Other	2,657
Net Cash Used in Investing Activities	(6,684)
Cash flows from Financing Activities:	
Increase (decrease) in short-term borrowings, net	80
Income from long-term loans payable	50
Repayments of long-term borrowings	(345)
Repayment of lease obligations	(4)
Acquisition of treasury stocks	(17)
Proceeds from sales of treasury stocks	3
Dividends paid	(2,297)
Dividends paid to minority shareholders	(29)
Net Cash Used in Financing Activities	(2,562)
Translation Adjustments on Cash and Cash Equivalents	(0)
Net Increase (decrease) in Cash and Cash Equivalents	(11,336)
Cash and Cash Equivalents, Beginning of Period	103,584
Cash and Cash Equivalents, End of Period	92,247

From the 1st quarter of the consolidated accounting year, the company has applied the “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No.12) and the “Guideline for Application of the Accounting Standard for Quarterly Financial Statements” (Corporate Accounting Standards Application Guidelines No.14). In addition, the company is creating quarterly consolidated financial statements in accordance with the “Regulations Concerning Quarterly Consolidated Financial Statements” following their revision due to the provisos of Article 7.1.5 of the Supplementary Provisions of the “Cabinet Office Regulation Revising Part of the Regulations on the Terms, Style and Preparation Methods of Financial Statements, etc” (Cabinet Office Regulation No.50, August 7, 2008).

**(4) Notes on the assumption of the company as a going concern**

N/A

**(5) Segment information**

1. Segment information classified according to business type

2<sup>nd</sup> quarter consolidated cumulative period (April 1, 2008 to September 30, 2008)

(Units: Millions of yen)

	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Health-related service	Total	Deletions or company-wide	Consolidated
Sales						
(1) Sales to external customers	763,047	10,494	22,433	795,976	-	795,976
(2) Internal sales or transfers between segments	6,722	20,708	1,103	28,534	(28,534)	-
Total	769,770	31,202	23,537	824,510	(28,534)	795,976
Operating income or operating loss (△)	2,644	4,004	(282)	6,366	99	6,465

Notes: 1. The Company Group's business categories are divided into pharmaceutical distribution, pharmaceutical manufacturing, and health-related services, in consideration of the similarities of sales methods, business organization and markets/ technologies, etc.

2. The main work in each type of business is as follows.

(1) Pharmaceutical Distribution ... Sale of pharmaceutical products, diagnostic reagents and medical equipment and supplies, etc.

(2) Pharmaceutical Manufacturing ... Manufacture of pharmaceutical products and diagnostic reagents, etc.

(3) Health-related services

Health-related services ... Sale of health-related books, dispatch of clinical trial coordinators, etc.

Medical equipment manufacturing ... Manufacture of biological and physiological test equipment, such as electrocardiographs, blood pressure meters, etc.

Insurance pharmacies ... Preparation of pharmaceutical products based on prescriptions issued by medical institutions

Other ... Insurance agency business, sales of food and other goods, etc.

3. The company has applied the “Accounting Standards for Measurement of Inventories” (Corporate Accounting Standards No.9, July 5, 2006) since the 1<sup>st</sup> quarter of the consolidated accounting year.

In association with the application of this standard, operating income in the 2<sup>nd</sup> quarter consolidated cumulative period has increased ¥1,322 million in the pharmaceutical distribution business and has decreased ¥11 million in the pharmaceutical manufacturing business in comparison to calculation using the previous method.

2. Segment information classified by location

There were no significant consolidated subsidiaries or branches located in countries or regions outside of Japan during the 2<sup>nd</sup> quarter consolidated cumulative period and so no matters are recorded here.

3. Overseas sales

Overseas sales were less than 10% of consolidated sales during the 2<sup>nd</sup> quarter consolidated cumulative period so no matters concerning overseas sales are recorded here.

**(6) Notes in cases of significant changes in the value of shareholders' equity**

N/A

**[Reference]****1. Financial Statements, etc., for the Same Quarter of the Previous Year****(1) Interim Consolidated Profit and Loss Statement**

(Units: Millions of yen)

	Previous interim consolidated accounting period (April 1, 2007 to September 30, 2007)
Net Sales	767,000
Cost of Sales	689,561
Gross Profit	77,438
Reversal of sales returns	529
Provision for sales returns	490
Gross Profit after Adjustment	77,477
Selling, General and Administrative Expenses	68,281
Operating Income	9,195
Non-operating Income:	
Interests income	456
Dividends income	279
Purchase discounts	2,993
Commission for supplying sales data	2,095
Other	1,079
Total Non-Operating Income	6,905
Non-operating Expenses:	
Interest expenses	26
Real estate rental expenses	119
Other	84
Total Non-Operating Expenses	230
Ordinary Income	15,870
Extraordinary Gain:	
Gain from adjustment of profit or loss for the previous term	403
Gain on disposal of fixed assets	196
Other	313
Total Extraordinary Profits	913
Extraordinary Loss:	
Loss on revaluation of investment securities	424
Loss on retirement and sales of fixed assets	231
Other	230
Total Extraordinary Losses	887
Interim net income before income taxes and other adjustments	15,897
Income Taxes	6,924
Minority Interests	97
Interim net income	8,875

**(2) Interim Consolidated Cash-flow Statement**

(Units: Millions of yen)

	Previous interim consolidated accounting period (April 1, 2007 to September 30, 2007)
Cash flows from Operating Activities:	
Interim net income before income taxes and minority interests	15,897
Depreciation	2,986
Decrease in allowance for doubtful accounts	(198)
Decrease in liability for employees' retirement benefits	(497)
Increase (decrease) in provision for other allowance	(644)
Interest and dividend income	(736)
Interest expenses	26
Gain on disposal of fixed assets	(196)
Loss on retirement and sales of fixed assets	231
Loss on revaluation of investment securities	424
Decrease (increase) in trade receivables	(6,286)
Decrease (increase) in inventories	1,094
Decrease (increase) in purchase rebates receivable.	(176)
Increase (decrease) in trade payables	2,524
Other	(1,119)
Subtotal	<u>13,328</u>
Interest and dividend income received	729
Interest expenses paid	(25)
Payment of special severance payments for retired employees	(28)
Income tax paid	<u>(7,498)</u>
Net Cash Provided by (Used in) Operating Activities	<u>6,506</u>
Cash flows from Investing Activities:	
Expenditures due to the deposit of fixed deposits	(1,986)
Income due to the withdrawal of fixed deposits	11,010
Purchases of marketable securities	(2,391)
Income due to the redemption of marketable securities	2,402
Purchases of property and equipment	(6,004)
Proceeds from sales of property and equipment	422
Acquisition of intangible fixed assets	(1,681)
Purchase of investment securities	(17,495)
Income due to disposal of investment securities	176
Expenditure due to the acquisition of subsidiary company shares entailing a change in the scope of consolidation	(481)
Expenditure due to the acquisition of shares in affiliated companies	(300)
Other (net value)	(93)
Net Cash Used in Investing Activities	<u>(16,424)</u>
Cash flows from Financing Activities:	
Repayments of long-term borrowings	(518)
Acquisition of treasury stocks	(7,568)
Proceeds from sales of treasury stocks	1
Payment of dividends by parent company	(2,065)
Dividends paid to minority shareholders	(12)
Net Cash Used in Financing Activities	<u>(10,163)</u>
Translation Adjustments on Cash and Cash Equivalents	<u>(0)</u>
Net Increase (decrease) in Cash and Cash Equivalents	<u>(20,081)</u>
Cash and Cash Equivalents, Beginning of Period	<u>153,411</u>
Cash and Cash Equivalents, End of Interim Period	<u>133,330</u>

**(3) Segment Information**

## 1. Segment information classified according to business type

Previous interim consolidated accounting period (April 1, 2007 to September 30, 2007)

(Units: Millions of yen)

	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Health-related service	Total	Deletions	Consolidated
Sales						
(1) Sales to external customers	740,558	8,773	17,668	767,000	-	767,000
(2) Internal sales or transfers between segments	5,509	17,723	1,228	24,462	(24,462)	-
Total	746,068	26,497	18,897	791,463	(24,462)	767,000
Operating income	7,280	1,382	176	8,840	355	9,195

Notes: 1. The Company Group's business categories are divided into pharmaceutical distribution, pharmaceutical manufacturing, and health-related services, in consideration of the similarities of sales methods, business organization and markets/ technologies, etc.

## 2. The main work in each type of business is as follows.

(1) Pharmaceutical Distribution ... Sale of pharmaceutical products, diagnostic reagents and medical equipment and supplies, etc.

(2) Pharmaceutical Manufacturing ... Manufacture of pharmaceutical products and diagnostic reagents, etc.

## (3) Health-related services

Health-related services ... Sale of health-related books, dispatch of clinical trial coordinators, etc.

Medical equipment manufacturing ... Manufacture of biological and physiological test equipment, such as electrocardiographs, blood pressure meters, etc.

Insurance pharmacies ... Preparation of pharmaceutical products based on prescriptions issued by medical institutions

Other ... Insurance agency business, sales of food and other goods, etc.

3. In association with the revision of the Corporation Tax Law, from this interim consolidated accounting period, the method for depreciation of tangible fixed assets acquired on or after April 1, 2007 will change to the method based on the revised Corporation Tax Law. In association with this change, operating expenses for this interim consolidated accounting period will increase ¥19 million in the pharmaceutical distribution business, ¥5 million in the pharmaceutical manufacturing business and ¥3 million in health related services, operations in comparison to calculation based on the same method used in the previous interim consolidated accounting period, and operating income has decreased by the same amount.

4. Due to the application from this interim consolidated accounting period of a method for depreciation of tangible fixed assets acquired on or before March 31, 2007 based on the revised Corporation Tax Law in association with the revision of that law, the depreciation of such tangible fixed assets is based on a method of average depreciation over 5 years of the difference between 5% of the acquisition price and the memorandum price from the consolidated financial year following the consolidated financial year in which 5% of the acquisition price is reached. In association with this application, operating expenses for this interim consolidated accounting period will increase ¥39 million in the pharmaceutical distribution business, ¥23 million in the pharmaceutical manufacturing business and ¥1 million in health related services, operations in comparison to calculation based on the same method used in the previous interim consolidated accounting period, and operating income has decreased by the same amount.

## 2. Segment information classified by location

There were no significant consolidated subsidiaries or branches located in countries or regions outside of Japan during the interim consolidated accounting period and so no matters are recorded here.

## 3. Overseas sales

Overseas sales were less than 10% of consolidated sales during the interim consolidated accounting period so no matters concerning overseas sales are recorded here.

**2. Quarterly Non-consolidated Financial Statements****(1) Quarterly Balance Sheet**

	End of this 2nd quarter accounting period (September 30, 2008)	Condensed balance sheet pertaining to the end of the previous fiscal year (March 31, 2008)
(Units: Millions of yen)		
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	60,597	72,761
Trade notes and accounts receivable	364,165	367,229
Marketable securities	12,272	12,785
Merchandises and products	73,913	71,902
Products in process	76	84
Raw materials and inventories of merchandise and supplies	299	359
Other current assets	23,021	26,540
Allowance for doubtful accounts	(3,105)	(3,419)
<b>Total Current Assets</b>	<b>531,239</b>	<b>548,243</b>
Fixed Assets:		
Property and Equipment:	57,019	55,451
Intangible Fixed Assets:	8,718	8,075
<b>Total Investments and Other Assets</b>	<b>137,010</b>	<b>128,843</b>
<b>Total Fixed Assets</b>	<b>202,748</b>	<b>192,370</b>
<b>Total Assets</b>	<b>733,987</b>	<b>740,614</b>
<b>Liabilities</b>		
Current Liabilities:		
Trade notes and accounts payable	465,944	471,150
Income taxes payable	1,703	6,818
Reserves for sales returns	351	416
Accrued bonuses	4,501	5,619
Other current liabilities	18,104	15,489
<b>Total Current Liabilities</b>	<b>490,606</b>	<b>499,494</b>
Long-term Liabilities:	6,532	6,093
<b>Total Liabilities</b>	<b>497,138</b>	<b>505,587</b>
<b>Net Assets</b>		
Shareholders' Equity:		
Common stock	13,546	13,546
Capital surplus	40,991	40,991
Retained earnings	195,510	194,315
Treasury stock, at cost	(7,678)	(7,663)
<b>Total Shareholders' Equity</b>	<b>242,369</b>	<b>241,188</b>
Revaluation and Translation Difference:		
Net unrealized gain on available for sale securities	1,558	831
Land revaluation difference	(7,079)	(6,993)
<b>Total Revaluation and Translation Difference</b>	<b>(5,521)</b>	<b>(6,162)</b>
<b>Total Net Assets</b>	<b>236,848</b>	<b>235,026</b>
<b>Total Liabilities and Net Assets</b>	<b>733,987</b>	<b>740,614</b>

**(2) Quarterly Profit and Loss Statement**

(Units: Millions of yen)

	Previous interim accounting period (April 1, 2007 to September 30, 2007)	This 2nd quarter cumulative period (April 1, 2008 to September 30, 2008)
Net Sales	670,399	702,308
Cost of Sales	624,465	658,621
Gross Profit	45,934	43,686
Reversal of sales returns	412	416
Provision for sales returns	376	351
Gross Profit after Adjustment	45,970	43,751
Selling, General and Administrative Expenses	40,590	42,078
Operating Income	5,380	1,673
Non-operating Income:		
Interests income	498	663
Dividends income	814	1,146
Purchase discounts	2,928	2,984
Commission for supplying sales data	1,637	1,655
Other	827	747
Total Non-Operating Income	6,706	7,197
Non-operating Expenses:		
Interest expenses	14	23
Sales discounts	457	492
Other	121	83
Total Non-Operating Expenses	593	599
Ordinary Income	11,493	8,271
Extraordinary Gain:		
Gain on disposal of fixed assets	192	24
Reversal of allowance for doubtful accounts	114	-
Other	86	12
Total Extraordinary Profits	392	37
Extraordinary Loss:		
Loss on retirement and sales of fixed assets	101	78
Impairment loss	-	73
Loss on revaluation of inventories	-	937
Loss on revaluation of investment securities	408	1,932
Other	1	76
Total Extraordinary Losses	510	3,099
Quarterly (interim) net income before taxes	11,375	5,209
Income Taxes	4,552	1,801
Quarterly (interim) net income	6,823	3,407

\* The quarterly non-consolidated financial statements above are not subject to quarterly review.

The company prepares quarterly non-consolidated financial statements based on the regulations, etc., for quarterly financial statements.

## 6. Other Information

## Reference data

**Forecast/ results comparison: Condensed consolidated profit and loss statement**

(Units: Millions of yen)

Account item	Term This quarter (forecast) April 1, 2008 to September 30, 2008		This quarter (results) April 1, 2008 to September 30, 2008		Difference (Results - forecast)		Full term (forecast)April 1, 2008 to March 31, 2009	
	Value	Percentage	Value	Percentage	Value	Results Forecast	Value	Percentage
Net Sales	795,900	100.0	795,976	100.0	76	100.0	1,661,400	100.0
Cost of Sales	716,900	90.1	716,974	90.1	74	100.0	1,495,000	90.0
Gross Profit	79,000	9.9	79,001	9.9	1	100.0	166,400	10.0
Provision for sales returns	-	-	(75)	0.0	(75)	-	-	-
Gross Profit after Adjustment	79,000	9.9	79,077	9.9	77	100.1	166,400	10.0
Selling, General and Administrative Expenses	72,600	9.1	72,611	9.1	11	100.0	150,000	9.0
Operating Income	6,400	0.8	6,465	0.8	65	101.0	16,400	1.0
Non-operating Income:	7,140	0.9	7,128	0.9	(11)	99.8	14,000	0.8
Non-operating Expenses:	140	0.0	146	0.0	6	104.9	400	0.0
Ordinary Income	13,400	1.7	13,447	1.7	47	100.4	30,000	1.8
Extraordinary Gain:	100	0.0	103	0.0	3	103.5	400	0.0
Extraordinary Loss:	4,400	0.6	4,360	0.6	(39)	99.1	12,400	0.7
Quarterly (current) income before income taxes and minority interests	9,100	1.1	9,190	1.1	90	101.0	18,000	1.1
Income Taxes	4,070	0.5	4,075	0.5	5	100.1	7,700	0.5
Minority Interests	230	0.0	232	0.0	2	101.0	300	0.0
Quarterly (current) net income	4,800	0.6	4,883	0.6	83	101.7	10,000	0.6

**Forecast/ results comparison: Condensed non-consolidated profit and loss statement**

(Units: Millions of yen)

Account item	Term This quarter (forecast) April 1, 2008 to September 30, 2008		This quarter (results) April 1, 2008 to September 30, 2008		Difference (Results - forecast)		Full term (forecast)April 1, 2008 to March 31, 2009	
	Value	Percentage	Value	Percentage	Value	Results Forecast	Value	Percentage
Net Sales	702,200	100.0	702,308	100.0	108	100.0	1,454,000	100.0
Cost of Sales	658,550	93.8	658,621	93.8	71	100.0	1,361,000	93.6
Gross Profit	43,650	6.2	43,686	6.2	36	100.1	93,000	6.4
Provision for sales returns	(50)	0.0	(64)	0.0	(14)	-	-	-
Gross Profit after Adjustment	43,700	6.2	43,751	6.2	51	100.1	93,000	6.4
Selling, General and Administrative Expenses	42,100	6.0	42,078	6.0	(21)	99.9	85,300	5.9
Operating Income	1,600	0.2	1,673	0.2	73	104.6	7,700	0.5
Non-operating Income:	7,200	1.0	7,197	1.0	(2)	100.0	13,550	1.0
Non-operating Expenses:	600	0.1	599	0.1	(0)	99.9	1,250	0.1
Ordinary Income	8,200	1.1	8,271	1.1	71	100.9	20,000	1.4
Extraordinary Gain:	40	0.0	37	0.0	(2)	92.9	100	0.0
Extraordinary Loss:	3,040	0.4	3,099	0.4	59	101.9	11,100	0.8
Quarterly (current) net income before taxes	5,200	0.7	5,209	0.7	9	100.2	9,000	0.6
Income Taxes	1,800	0.2	1,801	0.2	1	100.1	3,400	0.2
Quarterly (current) net income	3,400	0.5	3,407	0.5	7	100.2	5,600	0.4