

# Consolidated Financial Statement for First Quarter of the Fiscal Year ending March 2007

August 9, 2006

## SUZUKEN CO., LTD.

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Stock Code: 9987

### 1. Matters concerning the preparation of the consolidated business results for the first quarter of the fiscal year ending March 31, 2007 are highlighted as follows:

1. Simplified methods applied in accounting method:
  - a. Inventories are calculated based on book value.
  - b. Simplified methods are used for items having little financial impact.
2. Difference in accounting method from that of the previous fiscal year: None
3. Changes relevant to scope of consolidation and application of the equity method: None

### 2. Results for the first quarter of the fiscal year ending March 31, 2007 (April 1 – June 30, 2006)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	% change	¥ million	% change	¥ million	% change	¥ million	% change
IQ ended June 30, 2006	344,760	0.7	3,256	61.9	6,437	25.0	3,427	64.7
IQ ended June 30, 2005	342,390	9.5	2,010	9.7	5,150	17.0	2,081	(10.4)
Year ended March 31, 2006	1,388,694		16,804		29,639		17,183	

	Net income per share Basic	Net income per share Diluted
	¥	¥
IQ ended June 30, 2006	37.71	-
IQ ended June 30, 2005	22.90	-
Year ended March 31, 2006	187.42	-

Note: Percent changes show changes from the same period in the previous year.

### Qualitative Data Regarding Consolidated Results of Operations

Japan's economy continued to mount a strong recovery during the first quarter. Growth was largely spearheaded by exports, personal consumption and private-sector capital investment.

In the ethical pharmaceuticals market, the enactment of drug tariffs on April 1, 2006, which led to an average 6.7% drop in drug prices, has caused delays in the setting of market drug prices. Exacerbating this delay are demands for price reductions, particularly from medical institutions, in light of lower insurance reimbursements for medical treatment.

In this environment, Suzuken took two key actions to upgrade its sales base in the pharmaceutical wholesaling business. The first involved the conclusion of a memorandum of understanding that will make Kyushu-based pharmaceuticals firm Shoyaku Co., Ltd., a wholly owned subsidiary on October 1, 2006. The second was the decision to transfer Suzuken operations in the Kyushu area to Shoyaku on January 1, 2007.

In the pharmaceutical manufacturing business, Suzuken worked both to expand the market share of *Seibule*, an agent for treating postprandial hyperglycemia, and to reduce costs.

Net sales in the first quarter edged up 0.7% to ¥344,760 million. On the earnings front, operating income was ¥3,256 million, up 61.9% from the same period a year earlier, while ordinary income increased by 25.0% to ¥6,437 million. In line with mandatory drug price revisions enacted from April 2006, drug manufacturers have altered their existing pricing systems, instead opting to implement

systems with lower rebates and sales incentives. Suzuken, for its part, continues to pursue business negotiations founded on sound economic rationale, aimed at covering these declines, while aggressively capturing allowances. These and other efforts helped lower the cost of sales by 0.4 of a percentage point year on year.

### Consolidated financial position

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

¥million	Total asset	Shareholders' equity	Shareholders' equity /Total asset	Shareholders' equity per share
1Q ended June 30, 2006	749,113	242,626	32.0	2,646.37
1Q ended June 30, 2005	756,952	224,695	29.7	2,471.94
Year ended March 31, 2006	739,870	240,146	32.5	2,640.53

### Consolidated cash flows

¥million	Operating cash flow	Investing cash flow	Financing cash flow	Cash and cash equivalents, end of year
1Q ended June 30, 2006	15,047	(19,483)	(2,974)	113,284
1Q ended June 30, 2005	15,900	(5,649)	(1,905)	125,069
Year ended March 31, 2006	19,636	(6,425)	(9,241)	120,695

### Qualitative Data Regarding Consolidated Financial Position

As of June 30, 2006, cash and cash equivalents amounted to ¥113,284 million, down ¥7,411 million, or 6.1%, from the previous fiscal year-end. Cash flows during the first quarter were as follows:

#### Cash flows from operating activities

Net cash provided by operating activities was ¥15,047 million. Cash was mainly provided by an increase of ¥19,038 million in trade payables and ¥6,402 million in income before income taxes and minority interests for the quarter. These factors outweighed an increase of ¥3,026 million in trade receivables and ¥8,521 million in income tax paid.

#### Cash flows from investing activities

Net cash used in investing activities was ¥19,483 million. The main uses of cash were ¥13,256 million for the purchase of marketable securities and investment securities, and ¥5,001 million used for time deposits.

#### Cash flows from financing activities

Net cash used in financing activities was ¥2,974 million, and consisted largely of ¥1,789 million used for dividends paid and ¥1,040 million for the acquisition of treasury stocks.

### 3. Forecast for the fiscal year ending March 31, 2007 (April 1, 2006 – March 31, 2007)

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Six months ending September 30, 2005	695,200	13,300	7,600
Year ending March 31, 2006	1,461,000	31,700	18,100

Reference: Forecast for net income per share for the fiscal year ending March 31, 2006 ¥199.14

The forecasts made public at the beginning of the fiscal year stand without any modification, because the financial results have remained within the forecasted amounts.

### Qualitative Data Regarding Business Forecasts

Delays in setting market drug prices notwithstanding, in light of business results for the first quarter, no changes have been made at the present time to initial interim and full-year forecasts for the fiscal year ending March 31, 2007.

Business forecasts are based on information available at the time that this report was compiled. Readers are cautioned that any number of uncertainties and unknowns may cause actual results to differ materially from these forecasts.

## Consolidated Balance Sheets

ASSETS	Current Period June 30, 2006		Previous Period June 30, 2005		Previous year March 31, 2006		Difference	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
<b>Current Assets:</b>								
Cash on hand and in banks, and time deposits	114,255		123,546		117,667		(3,411)	
Trade notes and accounts receivable	346,302		348,401		343,276		3,026	
Marketable securities	5,422		46		2,030		3,391	
Inventories	94,414		102,751		92,915		1,499	
Deferred tax assets	7,814		7,311		7,927		(113)	
Purchase rebates receivable	19,185		23,109		24,141		(4,955)	
Other current assets	3,062		3,410		2,393		669	
Allowance for doubtful accounts	(4,647)		(4,340)		(4,602)		(45)	
<b>Total Current Assets</b>	<b>585,810</b>	<b>78.2</b>	<b>604,236</b>	<b>79.8</b>	<b>585,750</b>	<b>79.2</b>	<b>60</b>	<b>0.0</b>
<b>Fixed Assets:</b>								
<b>Property and Equipment:</b>								
Buildings and structures	34,144		32,694		34,666		(522)	
Machinery and vehicles	3,002		1,990		3,108		(106)	
Tools, furniture and fixtures	1,820		1,867		1,869		(48)	
Land	42,948		44,014		42,733		215	
Construction in progress	402		3,459		370		31	
Total property and equipment	82,318	11.0	84,026	11.1	82,748	11.2	(429)	(0.5)
<b>Intangible Fixed Assets:</b>	<b>10,005</b>	<b>1.3</b>	<b>8,017</b>	<b>1.1</b>	<b>10,035</b>	<b>1.3</b>	<b>(30)</b>	<b>(0.3)</b>
<b>Investments and Other Assets:</b>								
Investment securities	49,148		38,477		39,459		9,688	
Long-term loans	487		417		471		15	
Deferred tax assets	1,409		664		1,398		11	
Prepaid pension expenses	11,695		11,769		11,615		80	
Others	10,059		11,758		10,220		(161)	
Allowance for doubtful accounts	(1,821)		(2,414)		(1,828)		6	
Total investments and other assets	70,977	9.5	60,672	8.0	61,336	8.3	9,641	15.7
<b>Total Fixed Assets</b>	<b>163,302</b>	<b>21.8</b>	<b>152,716</b>	<b>20.2</b>	<b>154,120</b>	<b>20.8</b>	<b>9,181</b>	<b>6.0</b>
<b>Total Assets</b>	<b>749,113</b>	<b>100.0</b>	<b>756,952</b>	<b>100.0</b>	<b>739,870</b>	<b>100.0</b>	<b>9,242</b>	<b>1.2</b>

LIABILITIES:	Current Period June 30, 2006		Previous Period June 30, 2005		Previous Year March 31, 2006		Difference	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
<b>Current Liabilities:</b>								
Trade notes and accounts payable	471,412		488,535		452,374		19,038	
Short-term bank loans	746		5,406		490		255	
Income taxes payable	2,752		2,090		8,644		(5,891)	
Reserves for sales returns	504		592		504		—	
Accrued bonuses	4,811		4,510		8,094		(3,282)	
Other current liabilities	10,263		12,174		10,047		216	
<b>Total Current Liabilities</b>	<b>490,492</b>	<b>65.5</b>	<b>513,310</b>	<b>67.8</b>	<b>480,156</b>	<b>64.9</b>	<b>10,335</b>	<b>2.2</b>
<b>Long-term Liabilities:</b>								
Long-term borrowings	657		1,804		1,058		(401)	
Deferred tax liabilities	7,884		6,917		8,338		(453)	
Deferred tax liabilities from revaluations	2,574		2,762		2,574		—	
Liability of employees' retirement benefits	3,517		3,427		3,461		55	
Liability for directors' and corporate auditors' retirement benefits	470		561		506		(35)	
Other long-term liabilities	889		945		901		(12)	
<b>Total Long-term Liabilities</b>	<b>15,994</b>	<b>2.1</b>	<b>16,419</b>	<b>2.2</b>	<b>16,840</b>	<b>2.3</b>	<b>(846)</b>	<b>(5.0)</b>
<b>Total Liabilities</b>	<b>506,486</b>	<b>67.6</b>	<b>529,729</b>	<b>70.0</b>	<b>496,997</b>	<b>67.2</b>	<b>9,489</b>	<b>1.9</b>
<b>MINORITY INTERESTS</b>	<b>—</b>	<b>—</b>	<b>2,527</b>	<b>0.3</b>	<b>2,727</b>	<b>0.3</b>	<b>—</b>	<b>—</b>
<b>SHAREHOLDERS' EQUITY:</b>								
Common stock	—		13,546	1.8	13,546	1.8	—	
Additional paid-in capital	—		32,179	4.3	32,180	4.4	—	
Retained earnings	—		187,812	24.8	200,588	27.1	—	
Land revaluation difference	—		(7,494)	(1.0)	(6,601)	(0.9)	—	
Net unrealized gain on available-for-sale securities	—		5,152	0.7	6,961	1.0	—	
Treasury stock, at cost	—		(6,500)	(0.9)	(6,528)	(0.9)	—	

<b>Total Shareholders' Equity</b>	—	—	224,695	29.7	240,146	32.5	—	—
<b>Total</b>	—	—	756,952	100.0	739,870	100.0	—	—
<b>NET ASSETS</b>								
<b>Shareholders' Equity</b>								
Common stock	13,546		—		—		—	
Additional paid-in capital	32,180		—		—		—	
Retained earnings	202,051		—		—		—	
Treasury stock, at cost	(7,569)		—		—		—	
<b>Total Shareholders' Equity</b>	240,208	32.1	—	—	—	—	—	—
<b>Revaluation and Translation Difference</b>								
Net unrealized gain on available for sale securities	6,264		—		—		—	
Land revaluation difference	(6,601)		—		—		—	
<b>Revaluation and Translation Difference</b>	(336)	0.0	—	—	—	—	—	—
<b>Minority Interests</b>	2,755	0.3	—	—	—	—	—	—
<b>Total net assets</b>	242,626	32.4	—	—	—	—	—	—
<b>Total</b>	749,113	100.0	—	—	—	—	—	—

## Consolidated Statements of Income

	Current Period June 30, 2006		Previous Period June 30, 2005		Difference		Previous year March 31, 2006	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
<b>Net Sales</b>	344,760	100.0	342,390	100.0	2,370	0.7	1,388,694	100.0
<b>Cost of sales</b>	310,970	90.2	310,292	90.6	678	0.2	1,248,258	89.9
<b>Gross Profit</b>	33,790	9.8	32,097	9.4	1,692	5.3	140,436	10.1
Reversal of sales returns	435	0.1	517	0.2	(81)	(15.8)	592	0.0
Provision for sales returns	435	0.1	517	0.2	(81)	(15.8)	504	0.0
<b>Gross Profit after Adjustment</b>	33,790	9.8	32,097	9.4	1,692	5.3	140,524	10.1
<b>Selling, General and Administrative Expenses</b>	30,534	8.9	30,086	8.8	447	1.5	123,720	8.9
<b>Operating Income</b>	3,256	0.9	2,010	0.6	1,245	61.9	16,804	1.2
<b>Non-operating Income</b>	3,263	0.9	3,243	0.9	19	0.6	13,273	0.9
Interest and dividends	252		167		85		729	
Purchase discounts	1,686		1,826		(139)		7,391	
Commission for supplying sales data	961		897		64		3,630	
Other	361		352		9		1,521	
<b>Non-operating Expenses</b>	82	0.0	104	0.0	(21)	(21.0)	438	0.0
Interest expenses	11		29		(17)		110	
Other	70		74		(4)		327	
<b>Ordinary Income</b>	6,437	1.8	5,150	1.5	1,287	25.0	29,639	2.1
<b>Extraordinary Gain:</b>	96	0.0	1,159	0.3	(1,062)	(91.6)	4,069	0.3
Gain on sales of fixed assets	39		165		(126)		303	
Gain on sales of investment securities	0		273		(273)		2,919	
Gain on transfer of business	—		711		(711)		711	
Other	56		8		48		135	
<b>Extraordinary Loss:</b>	131	0.0	2,414	0.7	(2,283)	(94.6)	4,900	0.3
Loss on sales and disposal of fixed assets	116		242		(125)		895	
Impairment loss	—		—		—		1,304	
Special retirement pay	—		2,166		(2,166)		2,375	
Other	14		6		8		324	
<b>Income before Income Taxes and Minority Interests</b>	6,402	1.8	3,894	1.1	2,508	64.4	28,809	2.1
<b>Income Taxes</b>	2,910	0.8	1,745	0.5	1,165	66.8	11,255	0.9
<b>Minority interests</b>	64	0.0	67	0.0	(3)	(4.6)	369	0.0
<b>Net Income</b>	3,427	1.0	2,081	0.6	1,346	64.7	17,183	1.2

## Consolidated Statements of Cash Flows

	Current Period June 30, 2006 ¥ million	Previous Period June 30, 2005 ¥ million	Previous year March 31, 2006 ¥ million
<b>I. Operating Activities:</b>			
Income before income taxes and minority interests	6,402	3,894	28,809
Depreciation	1,369	1,262	5,516
Impairment loss	—	—	1,304
Provision for (reversal of) allowance for doubtful accounts	38	(32)	(355)
Decrease in liability for employees' retirement benefits	(24)	17	205
Provision for other allowance	(3,317)	(3,198)	228
Interest and dividend income	(252)	(167)	(729)
Gain on sales of investment securities	(0)	(273)	(2,919)
Loss on sales and disposal of fixed assets	116	242	895
Special retirement pay	—	2,166	2,375
Payments for spin-off (business transfer)	—	(711)	(711)
Decrease (increase) in trade receivables	(3,026)	6,952	12,173
Increase in inventories	(1,499)	(1,670)	8,198
Decrease (increase) in purchase rebates receivable	4,955	4,320	3,289
Decrease in trade payables	19,038	7,524	(28,820)
Other	(471)	1,165	2,016
<b>Subtotal</b>	<b>23,328</b>	<b>21,493</b>	<b>31,476</b>
Interest and dividend income received	252	167	729
Interest expenses paid	(11)	(29)	(103)
Special retirement pay paid	—	—	(2,371)
Income tax paid	(8,521)	(5,731)	(10,093)
<b>Net cash used in operating activities</b>	<b>15,047</b>	<b>15,900</b>	<b>19,636</b>
<b>II. Investing Activities:</b>			
Disbursements for time deposits	(5,001)	(3)	(10)
Purchase of securities	(2,393)	—	—
Purchase of property and equipment	(1,033)	(2,962)	(6,658)
Proceeds from sales of property and equipment	272	895	1,749
Acquisition of intangible fixed assets	(669)	(1,605)	(4,865)
Purchase of investment securities	(10,863)	(27)	(1,420)
Proceeds from sales of investment securities	6	350	6,135
Payments for spin-off (business transfer)	—	(2,650)	(2,650)
Other, net	199	352	1,294
<b>Net Cash provided by (used in) investing activities</b>	<b>(19,483)</b>	<b>(5,649)</b>	<b>(6,425)</b>
<b>III. Financing Activities</b>			
Decrease in short-term borrowings, net	(3)	358	(4,115)
Repayments of long-term borrowings	(141)	(780)	(2,086)
Acquisition of treasury stocks	(1,040)	(5)	(34)
Proceeds from Sales of treasury stocks	—	0	0
Dividends paid	(1,753)	(1,467)	(2,995)
Dividends paid to minority shareholders	(35)	(10)	(10)
<b>Net cash (used in) provided by financing activities</b>	<b>(2,974)</b>	<b>(1,905)</b>	<b>(9,241)</b>
<b>IV. Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	<b>(0)</b>	<b>0</b>	<b>1</b>
<b>V. Net Decrease in Cash and Cash Equivalents</b>	<b>(7,411)</b>	<b>8,345</b>	<b>3,971</b>
<b>VI. Cash and Cash Equivalents, Beginning of Period</b>	<b>120,695</b>	<b>116,723</b>	<b>116,723</b>
<b>VII. Cash and Cash Equivalents, End of Period</b>	<b>113,284</b>	<b>125,069</b>	<b>120,695</b>