



## Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2012 (Japanese Standard)

November 4, 2011

Company name: SUZUKEN CO., LTD

Stock Exchange Listings: Tokyo, Nagoya, Sapporo

Stock Code: 9987 URL : <http://www.suzuken.co.jp>

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Scheduled date for submission of the quarterly report: November 14, 2011 Scheduled Date for Commencement of Dividend Payments: December 8, 2011

Creation of supplementary explanatory materials: Yes

Holding of explanatory meeting on quarterly settlement: Yes

### 1. Results for the second quarter of the fiscal year ending March 31, 2012 (April 1, 2011 – September 30, 2011)

#### (1) Consolidated Results of Operations (Cumulative)

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

(% shows changes from results for the same period in the previous year)

	Net sales		Operating income (loss)		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q period ended September 30, 2011	905,863	6.3	(394)	—	7,138	(25.6)
2Q period ended September 30, 2010	851,800	0.2	2,379	(58.5)	9,589	(25.9)

	Net income		Net income per share—basic	Net income per share—diluted
	Millions of yen	%	Yen	Yen
2Q period ended September 30, 2011	3,279	(36.1)	36.38	—
2Q period ended September 30, 2010	5,132	(27.2)	56.93	—

(Note) Comprehensive income: 2Q period ended September 30, 2011 ¥2,902 million (-27.0%)

2Q period ended September 30, 2010 ¥3,977 million (-%)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2011	893,996	284,979	31.8
As of March 31, 2011	912,406	284,851	31.2

(Reference) Shareholders' equity: As of September 30, 2011 ¥284,737 million As of March 31, 2011 ¥284,644 million

### 2. Dividends

(Record Date)	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2011	-	31.00	-	31.00	62.00
Year ending March 31, 2012	-	25.00			
Year ending March 31, 2012 (Forecast)			-	25.00	50.00

(Note) Changes in most recently announced dividend forecasts: None

### 3. Forecasts for the Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(% shows changes from results for the same period in the previous term)

	Net sales		Operating income (loss)		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,842,000	5.1	3,100	(42.3)	18,200	(9.1)	10,000	3.9	110.92

(Note) Changes in most recently announced results forecasts: None

### 4. Other

- (1) Significant changes in subsidiaries (change in specified subsidiaries resulting in changes in the scope of consolidation):

None

New: - companies (-)

Excluded: - companies (-)

- (2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: None

- (3) Changes in accounting policies, estimates and restatements

i. Changes in accounting policies resulting from amendments to accounting standards, etc.: None

ii. Changes in accounting policies other than item i. above: None

iii. Changes in accounting estimates: None

iv. Restatements: None

- (4) Number of shares outstanding (Common shares)

i Number of shares outstanding (including treasury shares)

As of September 30, 2011	93,949,167 shares	As of March 31, 2011	93,949,167 shares
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ii Number of treasury shares

As of September 30, 2011	3,798,351 shares	As of March 31, 2011	3,797,531 shares
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iii Average number of shares during the period (Year to Date on a consolidated basis)

2Q period ended September 30, 2011	90,151,675 shares	2Q period ended September 30, 2010	90,157,850 shares
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- \* Presentation of information on the state of implementation of quarterly audit procedures

This quarterly financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act and at the time of public disclosure of this quarterly financial report, the audit procedures for the quarterly financial statements have not been completed.

- \* Explanations concerning the appropriate use of earnings forecasts and other special remarks

Earnings forecasts and other statements about the future that are included in this material are based on information currently in the possession of the Company and certain conditions judged reasonable by the Company. Actual results, etc., may differ significantly due to various factors. For notes, etc., on the conditions for earnings forecasts and the use of earnings forecasts, please refer to “(3) Qualitative Information on the Consolidated Earnings Forecasts” on page 4 of the attached documentation.

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## 1. Qualitative Information on Quarterly Consolidated Financial Statements

### (1) Qualitative Information on the Consolidated Results of Operations

During the first two quarters of the fiscal year ending March 31, 2012, the economic situation in Japan remained severely affected by the Great East Japan Earthquake of March 11, 2011. Nevertheless, certain industries saw their business activity start to pick up in response to demand from the recovery effort, among other factors. However, the longer term economic prospects for Japan and overseas remain uncertain, mainly due to concerns about the domestic power supply arising as a result of the stoppage of nuclear power plants in Japan, and the protracted appreciation of the yen associated with the declining creditworthiness of Europe and North America.

The Japanese ethical pharmaceuticals market is estimated to have expanded, albeit gradually, supported by growth in the market for medicines to treat lifestyle-related diseases in line with the aging of Japanese society, sales of new drugs, and increased demand for vaccines for cervical cancer and other diseases. However, price negotiations remain difficult and competition among drug wholesalers continues to intensify. As a result, the operating environment surrounding drug wholesalers has become increasingly challenging.

As a result, cumulative consolidated results for the second quarter under review were as follows: Net sales were ¥905,863 million (up 6.3% year on year), the operating loss was ¥394 million (versus operating income of ¥2,379 million in the first two quarters of the previous fiscal year), ordinary income was ¥7,138 million (down 25.6% year on year), and cumulative net income as of the second quarter of the year ending March 31, 2012 was ¥3,279 million (down 36.1% year on year).

Performance by segment was as follows.

#### Overview of performance by business segment

(Millions of yen; fractions less than ¥1 million have been omitted.)

Name of segment		2Q period ended September 30, 2010 (cumulative)	2Q period ended September 30, 2011 (cumulative)	Change (%)
Pharmaceutical Distribution	Net sales	810,218	863,015	6.5
	Operating loss	(2,339)	(5,248)	-
Pharmaceutical Manufacturing	Net sales	34,064	31,914	(6.3)
	Operating income	3,116	2,054	(34.1)
Insurance Pharmacy	Net sales	33,374	36,991	10.8
	Operating income	1,024	1,921	87.6
Healthcare-related Services	Net sales	10,718	11,104	3.6
	Operating income	485	499	3.1

(Note) Segment sales results include intersegment transactions.

#### (Pharmaceutical Distribution)

In response to the urgent proposals contained in the “Roundtable Meeting on Improvements in the Distribution of Ethical Drugs,” Suzuken has been working to improve distribution. At the same time, the Company has been negotiating prices for individual ethical drugs in line with their respective values, aiming to firmly establish the “System for Promoting the Creation of New Drugs and Resolving the Problems of Unapproved Usage of Foreign Drugs” which was experimentally introduced in April 2010.

Net sales grew steadily as a result of the Company's rigorous activities to meet the needs of individual customers, as well as being in step with market expansion. On the earnings front, however, we faced a challenging situation as a result of continuing difficulties over price negotiations and ongoing competition among wholesalers.

As a result of the above, net sales finished at ¥863,015 million (up 6.5% year on year) and there was an operating loss of ¥5,248 million (compared with an operating loss of ¥2,339 million in the previous fiscal year's first two quarters).

Reasonably estimated prices have been applied to customers to whom sales prices have yet to be determined at this time.

#### (Pharmaceutical Manufacturing)

Supply volumes in this segment temporarily decreased at the beginning of the fiscal year, mainly reflecting a temporary

increase in distribution inventories in response to the Great East Japan Earthquake. Sales of the mainstay product “Seibule Tablets,” a drug that improves postprandial hyperglycemia in patients with diabetes mellitus, decreased 5.4% to ¥8,648 million. This decrease mainly reflected the impact of the Great East Japan Earthquake and the expansion of the DPP-IV blocker market.

As a result of the above, net sales finished at ¥31,914 million (decrease of 6.3% year on year) and operating income finished at ¥2,054 million (decrease of 34.1% year on year).

(Insurance Pharmacy)

Suzuken has expanded business through M&A and the opening of new stores, concentrated administrative work and enhanced inventory control to streamline operations.

As a result, net sales finished at ¥36,991 million (increase of 10.8% year on year) and operating income finished at ¥1,921 million (increase of 87.6% year on year).

(Healthcare-related Services)

At Sanki Well-Being, which runs a nursing care business, the number of users increased primarily at small-scale, multi-function centers integrating “ambulatory”, “accommodation” and “home visit” functions, and at group homes.

As a result, net sales finished at ¥11,104 million (increase of 3.6% year on year) and operating income finished at ¥499 million (increase of 3.1% year on year).

**(2) Qualitative Information on the Consolidated Financial Position**

Assets, liabilities and net assets at the end of the second quarter consolidated accounting period under review were as follows.

(Assets)

Total assets at September 30, 2011 decreased ¥18,410 million compared with March 31, 2011 to ¥893,996 million. The main causes of this decrease were as follows.

Current assets decreased ¥20,537 million compared with March 31, 2011. This was mainly due to cash and cash equivalents decreased ¥22,088 million to pay for procurement in response to a decrease in merchandise and products of ¥15,939 million, as well as at the end of March in response to the Great East Japan Earthquake, despite an increase in trade notes and accounts receivable of ¥23,549 million in line with an increase in sales.

Fixed assets increased ¥2,126 million compared with March 31, 2011. This was mainly because of an increase in intangible fixed assets of ¥1,797 million through system investments and others.

(Liabilities)

Total liabilities at September 30, 2011 were down ¥18,538 million compared with March 31, 2011 to ¥609,016 million. This was mainly due to a decrease in trade notes and accounts payable of ¥16,160 million in line with payments.

(Net assets)

Total net assets at September 30, 2011 increased ¥128 million compared with the end of the previous consolidated fiscal year to ¥284,979 million. This mainly reflected the recording of ¥3,279 million in net income, which offset the payment of ¥2,794 million in surpluses as dividends.

### **(3) Qualitative Information on the Consolidated Earnings Forecasts**

As regards the half-year performance in the pharmaceutical distribution business, net sales grew steadily as a result of the Company's rigorous activities to meet the needs of individual customers, as well as being in step with market expansion. On the earnings front, however, we faced a challenging situation to preserve gross profit as a result of continuing difficulties over price negotiations and ongoing competition among wholesalers. At the same time, we endeavored to restrain selling, general and administrative expenses in the pharmaceutical distribution business, the pharmaceutical manufacturing business, and the insurance pharmacy business.

As a result, net sales, operating income, ordinary income and net income all exceeded initial forecasts.

There has been no change to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2012, which were announced on May 9, 2011.

## **2. Summary (Other) Information**

### **(1) Significant Changes in Subsidiaries during the Quarter under Review**

None

### **(2) Application of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements**

None

### **(3) Changes in Accounting Policies and Estimates, and Restatements**

None

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheets**

	(Units: Millions of yen)	
	Previous consolidated accounting period (March 31, 2011)	End of the quarterly consolidated accounting period under review (September 30, 2011)
Assets		
Current Assets		
Cash and cash equivalents	71,171	49,082
Trade notes and accounts receivable	416,061	439,611
Marketable securities	7,797	4,799
Merchandise and products	133,987	118,047
Products in process	3,421	4,313
Raw materials and inventories of merchandise and supplies	1,741	1,780
Other current assets	39,898	35,346
Allowance for doubtful accounts	(3,520)	(2,961)
Total Current Assets	670,558	650,020
Property and Equipment		
Tangible Fixed Assets	109,638	109,443
Intangible Fixed Assets		
Goodwill	1,877	1,267
Other	24,692	27,100
Total Intangible Fixed Assets	26,570	28,367
Total Investments and Other Assets	105,640	106,164
Total Fixed Assets	241,848	243,975
Total Assets	912,406	893,996

(Units: Millions of yen)

	Previous consolidated accounting period (March 31, 2011)	End of the quarterly consolidated accounting period under review (September 30, 2011)
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Trade notes and accounts payable	580,776	564,615
Short-term bank loans	518	523
Income taxes payable	3,583	2,986
Reserves for sales returns	448	392
Accrued bonuses	7,314	7,059
Reserves for loss on disaster	402	305
Other current liabilities	12,505	11,833
<b>Total Current Liabilities</b>	<b>605,548</b>	<b>587,717</b>
<b>Long-term Liabilities</b>		
Long-term debt	157	142
Liability for employees' retirement benefits	4,796	4,582
Liability for retirement benefits to directors and corporate auditors	793	559
Other long-term liabilities	16,259	16,013
<b>Total Long-term Liabilities</b>	<b>22,006</b>	<b>21,299</b>
<b>Total Liabilities</b>	<b>627,555</b>	<b>609,016</b>
<b>Net Assets</b>		
<b>Shareholders' Equity:</b>		
Common stock	13,546	13,546
Capital surplus	38,899	38,898
Retained earnings	246,190	246,668
Treasury stock, at cost	(12,054)	(12,055)
<b>Total Shareholders' Equity</b>	<b>286,582</b>	<b>287,058</b>
<b>Accumulated Other Comprehensive Income</b>		
Net unrealized gain on available-for-sale securities	5,065	4,672
Land revaluation difference	(7,003)	(6,995)
Foreign currency translation adjustment	-	2
<b>Total Accumulated Other Comprehensive Income</b>	<b>(1,937)</b>	<b>(2,320)</b>
Minority Interests	206	241
<b>Total Net Assets</b>	<b>284,851</b>	<b>284,979</b>
<b>Total Liabilities and Net Assets</b>	<b>912,406</b>	<b>893,996</b>

**(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

## Quarterly Consolidated Statements of Income

Second quarter consolidated cumulative accounting period

(Units: Millions of yen)

	Previous second quarter consolidated cumulative accounting period (From April 1, 2010 to September 30, 2010)	Second quarter consolidated cumulative accounting period under review (From April 1, 2011 to September 30, 2011)
Net Sales	851,800	905,863
Cost of Sales	770,349	826,787
Gross Profit	81,450	79,075
Reversal of sales returns	481	448
Provision for sales returns	446	392
Gross Profit after Adjustment	81,485	79,132
Selling, General and Administrative Expenses	79,105	79,527
Operating Income (Loss)	2,379	(394)
Non-operating Income:		
Interests income	366	360
Dividends income	534	465
Purchase discounts	3,358	3,387
Commission for supplying sales data	2,238	2,350
Other	1,013	1,201
Total Non-Operating Income	7,510	7,765
Non-operating Expenses:		
Interest expenses	44	28
Real estate rental expenses	118	116
Other	136	86
Total Non-Operating Expenses	300	231
Ordinary Income	9,589	7,138
Extraordinary Gain:		
Gain on sales of fixed assets	30	47
Reversal of allowance for doubtful accounts	111	—
Compensation for products damaged in disaster	—	644
Insurance surrender payments	28	233
Other	273	150
Total Extraordinary Gains	444	1,076

	(Units: Millions of yen)	
	Previous second quarter consolidated cumulative accounting period (From April 1, 2010 to September 30, 2010)	Second quarter consolidated cumulative accounting period under review (From April 1, 2011 to September 30, 2011)
Extraordinary Loss:		
Loss on retirement and sales of fixed assets	246	668
Impairment loss	313	86
Loss on disaster	—	98
Cumulative effect of the adoption of the new accounting standard for asset retirement obligations	189	—
Other	290	99
Total Extraordinary Losses	1,039	953
Quarterly Income Before Income Taxes and Minority Interests	8,995	7,261
Income Taxes	3,852	3,968
Quarterly Net Income Before Minority Interests	5,143	3,292
Minority Interests	10	12
Quarterly Net Income	5,132	3,279

Quarterly Consolidated Statements of Comprehensive Income  
 Second quarter consolidated cumulative accounting period

	(Units: Millions of yen)	
	Previous second quarter consolidated cumulative accounting period (From April 1, 2010 to September 30, 2010)	Second quarter consolidated cumulative accounting period under review (From April 1, 2011 to September 30, 2011)
Quarterly Income Before Income Taxes and Minority Interests	5,143	3,292
Other Comprehensive Income		
Net unrealized gain on available-for-sale securities	(1,165)	(393)
Foreign currency translation adjustment	—	3
Total Other Comprehensive Income (loss)	(1,165)	(390)
Quarterly Comprehensive Income	3,977	2,902
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,967	2,888
Comprehensive income attributable to minority interests	10	13

**(3) Quarterly Consolidated Statements of Cash Flows**

(Units: Millions of yen)

	Previous second quarter consolidated cumulative accounting period (From April 1, 2010 to September 30, 2010)	Second quarter consolidated cumulative accounting period under review (From April 1, 2011 to September 30, 2011)
<b>Cash flows from Operating Activities</b>		
Quarterly income before income taxes and minority interests	8,995	7,261
Depreciation	4,619	5,036
Impairment loss	313	86
Decrease in allowance for doubtful accounts	(109)	(609)
Increase (decrease) in liability for employees' retirement benefits	(1,790)	463
Decrease in provision for other allowance	(370)	(645)
Interest and dividend income	(900)	(826)
Interest expenses	44	28
Loss on sale and disposal of fixed assets	215	620
Loss on disaster	—	98
Decrease (increase) in trade receivables	14,383	(23,514)
Decrease (increase) in inventories	(5,929)	15,037
Decrease in trade payables	(6,875)	(16,242)
Other	(651)	2,769
<b>Subtotal</b>	<b>11,944</b>	<b>(10,434)</b>
Interest and dividend income received	900	838
Interest expenses paid	(44)	(28)
Payment of loss on disaster	—	(70)
Payment of special severance payment for retired employees	(4)	(10)
Income taxes paid	(5,721)	(3,849)
Income taxes refunded	—	1,544
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>7,073</b>	<b>(12,009)</b>

(Units: Millions of yen)

	Previous second quarter consolidated cumulative accounting period (From April 1, 2010 to September 30, 2010)	Second quarter consolidated cumulative accounting period under review (From April 1, 2011 to September 30, 2011)
<b>Cash Flows from Investing Activities</b>		
Purchase of long-term deposits	(2,479)	(3,458)
Proceeds from long-term deposits	980	2,951
Proceeds from redemption of marketable securities	2,898	5,400
Purchases of property and equipment	(5,580)	(4,871)
Proceeds from sales of property and equipment	144	324
Acquisition of intangible fixed assets	(4,512)	(3,556)
Purchase of investment securities	(5,319)	(7,094)
Proceeds from sales and redemption of investment securities	1,158	1,766
Expenditure due to investments in subsidiaries	(2)	(3)
Other	87	932
<b>Net Cash Used in Investing Activities</b>	<b>(12,623)</b>	<b>(7,609)</b>
<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in short-term borrowings, net	(489)	2
Proceeds from long-term debt	150	25
Repayments of long-term debt	(338)	(36)
Repayment of lease obligations	(92)	(108)
Expenditures due to the repayment of installment liabilities	(56)	(46)
Expenditures due to the redemption of corporate bonds	(30)	—
Acquisition of treasury stock	(21)	(2)
Proceeds from sales of treasury stock	0	0
Dividends paid	(2,794)	(2,795)
Dividends paid to minority shareholders	—	(0)
<b>Net Cash Used in Financing Activities</b>	<b>(3,671)</b>	<b>(2,961)</b>
<b>Translation Adjustments on Cash and Cash Equivalents</b>	<b>(12)</b>	<b>(15)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(9,232)</b>	<b>(22,595)</b>
Cash and Cash Equivalents, Beginning of Period	71,954	68,776
Cash and Cash Equivalents, end of Period	62,722	46,180

**(4) Notes on the Assumption of the Company as a Going Concern**

None

**(5) Segment Information**

(Segment information)

Previous second quarter consolidated cumulative accounting period (From April 1, 2010 to September 30, 2010)

## 1. Information on sales, income and loss, assets, liabilities and others classified by reporting segment

(Unit: Millions of Yen)

	Reporting segment				Total
	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Insurance pharmacy	Healthcare-related Services	
Net sales					
Sales to external customers	799,198	10,909	33,374	8,318	851,800
Intersegment sales and transactions	11,019	23,155	0	2,400	36,575
Total	810,218	34,064	33,374	10,718	888,375
Segment income (loss)	(2,339)	3,116	1,024	485	2,286

## 2. Reconciliation of reporting segment totals to quarterly consolidated statements of income amounts and main components of reconciliation (matters concerning reconciliation)

(Millions of yen)

Income	Value
Reporting segment total	2,286
Elimination of intersegment transactions	93
Operating income on the quarterly consolidated statements of income	2,379

## 3. Information on impairment loss on fixed assets and goodwill by reporting segment

(Significant impairment loss on fixed assets)

None

(Significant changes in the amount of goodwill)

None

(Significant gain on negative goodwill)

None

Second quarter consolidated cumulative accounting period under review (From April 1, 2011 to September 30, 2011)

1. Information on sales, income and loss, assets, liabilities and others classified by reporting segment

(Unit: Millions of Yen)

	Reporting segment				Total
	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Insurance pharmacy	Healthcare-related Services	
Net sales					
Sales to external customers	850,202	9,985	36,990	8,684	905,863
Intersegment sales and transactions	12,813	21,928	0	2,419	37,161
Total	863,015	31,914	36,991	11,104	943,025
Segment income (loss)	(5,248)	2,054	1,921	499	(772)

2. Reconciliation of reporting segment totals to quarterly consolidated statements of income amounts and main components of reconciliation (matters concerning reconciliation)

(Millions of yen)

Income	Value
Reporting segment total	(772)
Elimination of intersegment transactions	377
Operating income (loss) on the quarterly consolidated statements of income	(394)

3. Information on impairment loss on fixed assets and goodwill by reporting segment

(Significant impairment loss on fixed assets)

None

(Significant changes in the amount of goodwill)

None

(Significant gain on negative goodwill)

None

**(6) Notes in the Event of Marked Changes in Shareholders' Equity**

None