

# Financial Section

26	Eleven-Year Highlights
30	Financial Review
34	Business Risks
36	Consolidated Balance Sheets
38	Consolidated Statements of Income
39	Consolidated Statements of Changes in Equity
40	Consolidated Statements of Cash Flows
41	Notes to Consolidated Financial Statements

# Eleven-Year Highlights

Suzuken Co., Ltd, and Subsidiaries  
Years ended March 31

	<i>Millions of Yen except per share data</i>			
	2009	2008	2007	2006
<b>For the year:</b>				
Net sales	¥ 1,641,332	¥ 1,586,596	¥ 1,454,842	¥ 1,388,695
Gross profit	162,065	164,040	148,362	140,525
Selling, general and administrative expenses	147,384	140,789	129,951	123,721
Operating income	14,681	23,251	18,411	16,804
Net income	7,072	21,327	17,702	17,184
Depreciation and amortization	7,068	6,573	5,716	5,517
Capital expenditures	15,333	9,716	10,628	10,681
Research and development costs	5,391	5,438	5,461	6,230
<b>Per share data:</b>				
Net income (EPS)				
Basic	77.10	230.49	191.72	187.42
Diluted	—	—	—	—
Equity	2,961.98	2,984.88	2,898.37	2,640.53
Cash dividends	62.00	50.00	42.00	36.00
Operating cash flow	(50.93)	(175.36)	737.73	216.07
<b>At year-end:</b>				
Total assets	828,516	822,853	857,516	739,871
Short-term bank loans + Current portion of long-term debt + Long-term debt	2,915	957	1,208	1,550
Total equity	270,856	274,357	271,229	240,146
<b>Ratios:</b>				
Return on assets (ROA) (%)	0.9	2.5	2.2	2.3
Return on equity (ROE) (%)	2.6	7.9	7.0	7.4
Interest coverage ratio	—	—	3,021.1	189.1
Dividend payout ratio (%)	80.4	21.7	21.9	19.2
Number of employees	13,702	12,623	11,724	10,518

Notes:

1 U.S. dollar amounts are provided solely for the reader's convenience and use the exchange rate of ¥98 to the U.S. dollar prevailing on March 31, 2009.

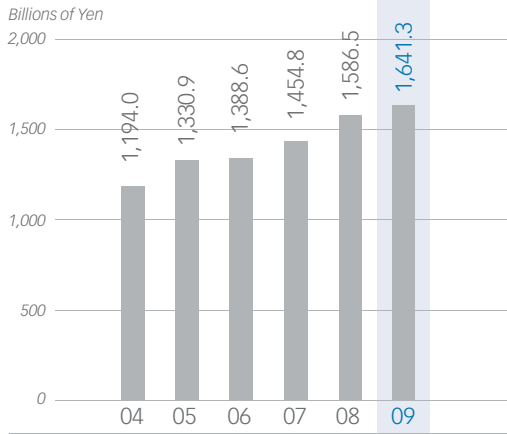
2 Net income per share is and operating cash flow per share calculated using the average number of shares outstanding during each fiscal year, net of the average treasury stock during each fiscal year. Equity per share is calculated using the number of shares outstanding at the end of each fiscal year, net of treasury stock at the end of each fiscal year.

							<i>Millions of Yen except per share data</i>	<i>Thousands of U.S. Dollars except per share data</i>
2005	2004	2003	2002	2001	2000	1999	2009	
¥ 1,330,983	¥ 1,194,024	¥ 1,060,211	¥ 955,749	¥ 917,145	¥ 872,512	¥ 815,276	\$ 16,748,286	
129,072	125,120	115,468	97,610	96,246	98,563	99,187	1,653,724	
116,711	105,413	96,529	86,404	86,127	85,665	84,599	1,503,918	
12,361	19,707	18,939	11,206	10,119	12,898	14,588	149,806	
12,576	17,308	16,004	8,794	9,202	9,554	8,324	72,163	
5,241	5,264	5,258	5,915	6,341	5,506	4,594	72,122	
11,030	7,643	6,440	6,115	7,729	8,762	7,526	156,459	
5,155	4,598	5,026	4,330	3,521	3,083	—	55,010	
135.72	193.08	184.57	97.63	98.67	102.45	89.26	0.787	
135.46	189.98	180.80	96.42	—	—	—	—	
2,462.37	2,342.42	2,147.14	1,941.05	1,897.78	1,792.62	1,701.65	30,224	
30.00	26.00	24.00	20.00	20.00	20.00	20.00	0.633	
197.60	359.83	(46.37)	(78.31)	382.09	194.30	—	(0.520)	
758,232	692,365	623,553	569,433	595,319	552,551	520,947	8,454,245	
7,112	2,446	5,933	7,393	3,859	5,724	914	29,745	
223,979	213,539	186,899	164,701	176,968	167,162	158,678	2,763,837	
1.7	2.6	2.7	1.5	1.6	1.8	1.8		
5.7	8.6	9.1	5.1	5.3	5.9	5.9		
274.3	1,134.1	—	—	63.7	137.2	—		
22.1	11.2	10.8	17.3	16.9	17.1	16.1		
10,402	9,454	8,423	7,075	7,168	7,402	—		

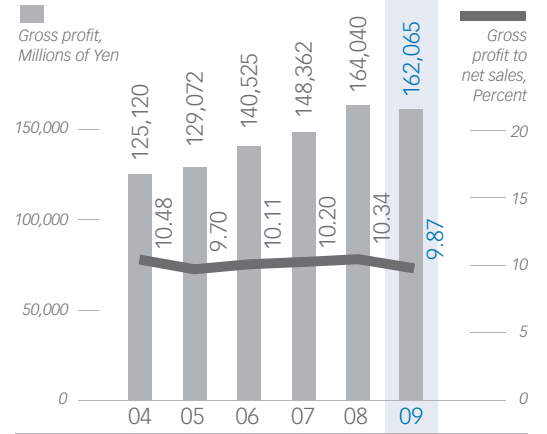
3 Per share data in prior years has been adjusted to reflect the 1.2-for-1 stock split conducted on March 31, 2004 (stock distribution date: May 19, 2004).

4 The interest coverage ratio has been omitted due to the reporting of negative operating cash flow for the fiscal year under review.

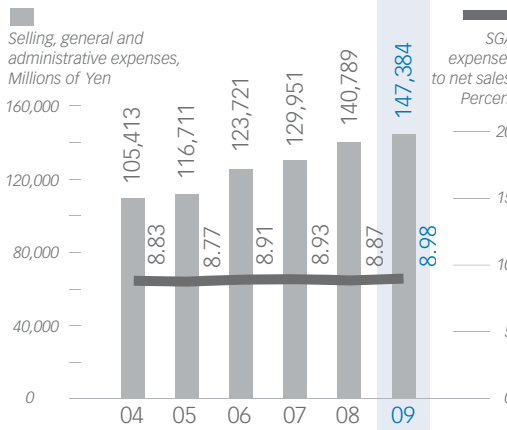
### Net sales



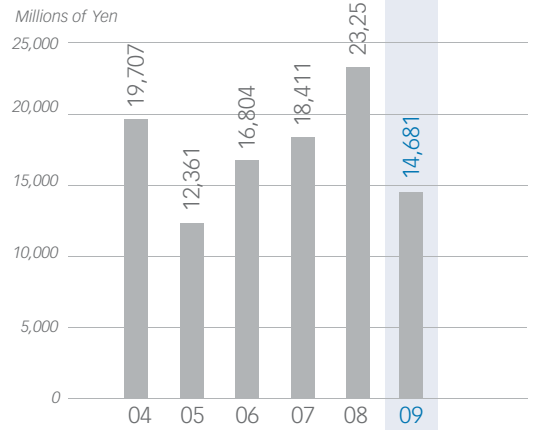
### Gross profit Gross profit to net sales



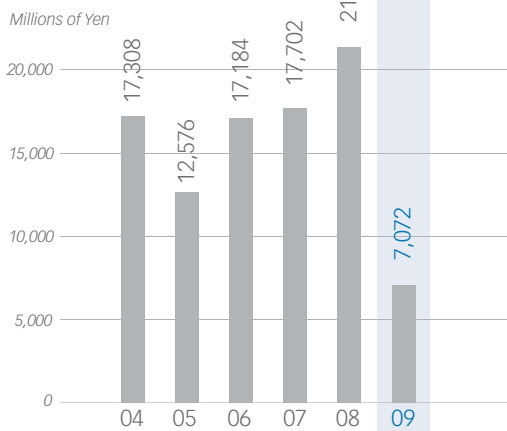
### Selling, general and administrative expenses, SGA expenses to net sales



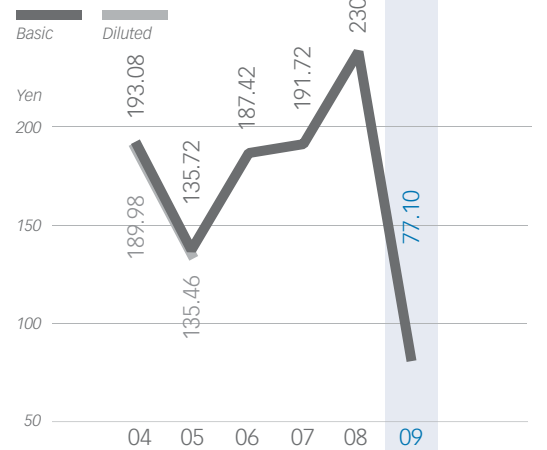
### Operating income



### Net income

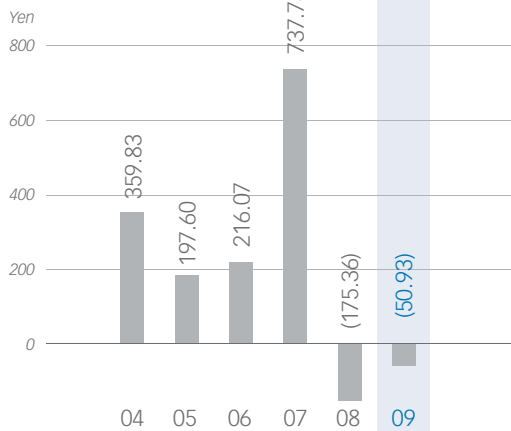


### Net income per share (EPS)

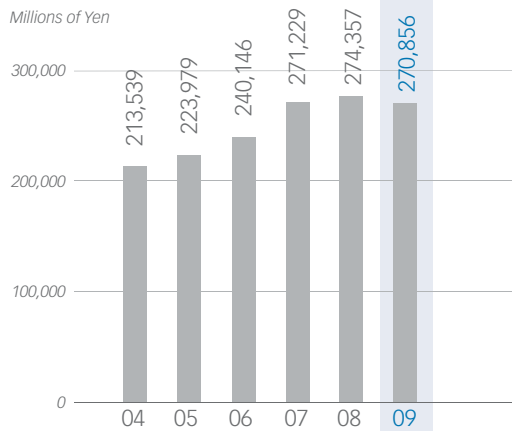


Note: Since there have been no dilutive shares since fiscal 2006, diluted net income per share is not presented.

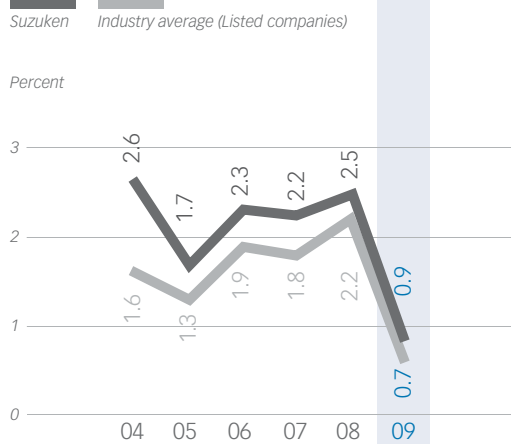
### Operating cash flow per share



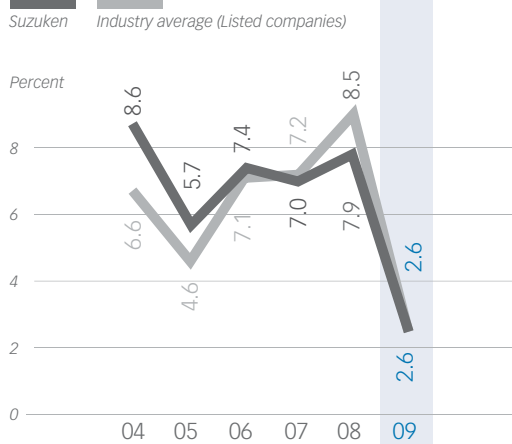
### Total equity



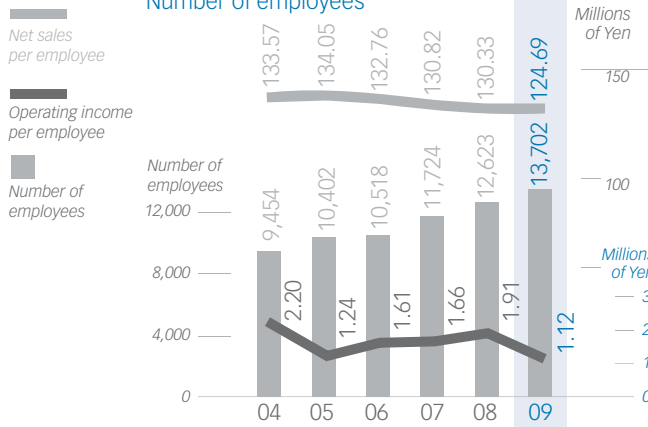
### Return on assets (ROA)



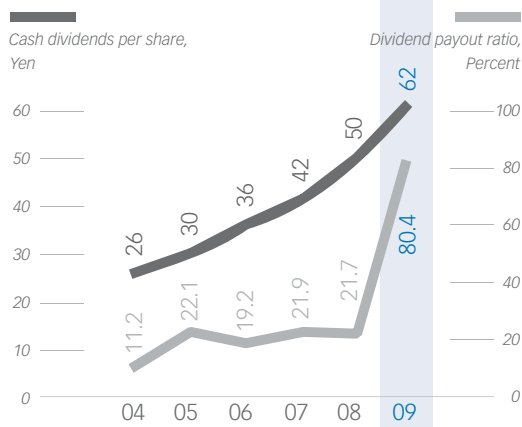
### Return on equity (ROE)



### Net sales per employee Operating income per employee Number of employees



### Cash dividends per share Dividend payout ratio



# Financial Review

The consolidated financial statements for the year ended March 31, 2009 include 59 subsidiaries. The equity method is not applied for associated companies because of its immateriality. The Company and Group companies are primarily engaged in the wholesale, sale and manufacture of pharmaceuticals and healthcare-related services and other activities. Consolidated subsidiaries increased from 55 to 59 companies during the year mainly due to the inclusion of nine additional companies and the decrease of five subsidiaries by merger with other subsidiaries.

## Business Segments

Our business segments are as follows:

### 1 Pharmaceutical distribution

This business segment distributes pharmaceuticals, diagnostic reagents, medical equipment and medical supplies. The Company acquired SHOYAKU as a wholly owned subsidiary in October, 2006. As a result, our distribution network has been further expanded and we have sales base all over Japan, a first for the pharmaceutical distribution industry.

The main companies included in the Pharmaceutical distribution segment are as follows:

- SUZUKEN CO., LTD.
- SANKI CORPORATION
- ASTIS CO., LTD.
- SHOYAKU CO., LTD.
- SUZUKEN OKINAWA YAKUHIN CO., LTD.
- NAKANO YAKUHIN CO., LTD.
- SUZUKEN IWATE CO., LTD.

### 2 Pharmaceutical manufacturing

This business segment manufactures and sells pharmaceuticals such as a drug for treating diabetes, diagnostic reagents and medical foods.

The company included in the Pharmaceutical manufacturing segment is as follows:

- SANWA KAGAKU KENKYUSHO CO., LTD. ("SKK")

SKK obtained an approval to manufacture and sell an agent for treating postprandial hyperglycemia in October 2005 and started marketing it as *Seibule* as of January 11, 2006.

### 3 Other healthcare-related services

This business segment is divided into the following four categories:

- 1 Publications in medical and healthcare fields and dispatch of clinical research coordinators
- 2 Manufacture of diagnostic equipment such as electrocardiographs and blood pressure meters
- 3 Operation of dispensing pharmacies
- 4 Others such as insurance agency, logistics service and sales of foods and goods

The main companies included in the Other healthcare-related services segment are as follows:

- LIFE MEDICOM CO., LTD. (Publication)
- SANKI-CLINICAL LINK CO., LTD. (Support for clinical trials)
- KENZMEDICO CO., LTD. (Medical equipment manufacturing)
- PFERCOS CO., LTD. (Pharmacies)

## Operating Environment

Business conditions in Japan were weak for the fiscal year ended March 31, 2009 due to the decline of business investment and consumer spending under the influence of the global financial crisis, concern about the downturn of business activities, significant fluctuations in stock prices and foreign currency exchange rates, and so on.

In the pharmaceutical wholesale market, we have worked on the improvement of distribution based on “the Urgent Proposal” addressed by “the Committee on improvement of pharmaceutical distribution” (committee held by the Ministry of Health, Labour and Welfare). As a result, we carried

out certain achievements with regard to the “Improvement of long-term disputed or provisional price” and “Improvement of bulk buying transactions.” However, we were not able to see improvement in “Improvement of negative margin caused by provisional price” because of tough competition among distributors. Accordingly, the gross profit rate of our Group went down.

As a result, net sales increased by 3.4% to ¥1,641,332 million (\$16,748 million), and operating income decreased by 36.9% to ¥14,681 million (\$150 million).

## Sales Including Intersegment Sales and Profitability

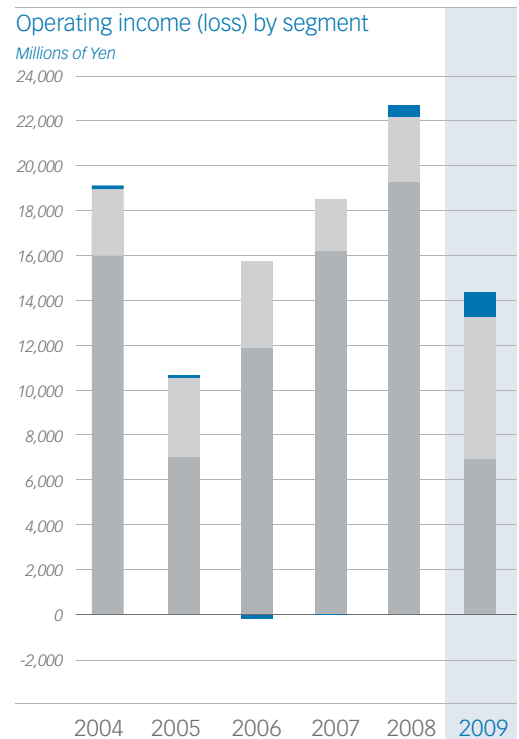
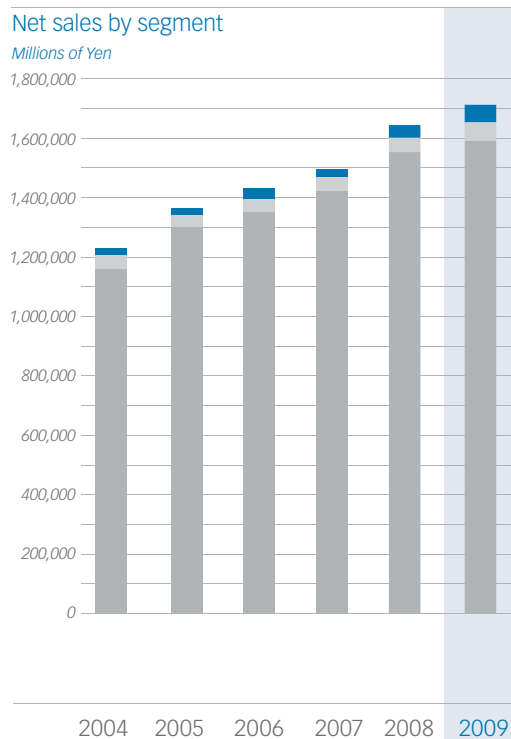
In the Pharmaceutical distribution segment, sales increased by 2.5% to ¥1,580,387 million (\$16,126 million). Operating income decreased by 64.0% to ¥6,931 million (\$71 million) due to the reduction in gross profit caused by tough price negotiations with medical institutions.

In the Pharmaceutical manufacturing segment, sales increased by 13.5% to ¥62,319 million (\$636 million) with good sales performance of postprandial hyperglycemia *Seibule* and R&D sales. The effect of the increase in sales of *Seibule* and other was to increase operating income by 107.2% to ¥6,419 million (\$66 million).

In the Other healthcare-related services segment, sales increased by 44.2% to ¥59,220 million (\$604 million) mainly due to the contribution by

PFERCOS Co., Ltd., operating pharmacies, acquired in October 2008. As a result of the increase in sales, operating income increased by 114.5% to ¥1,199 million (\$12 million).

Within other income and expenses, write-down of investment securities increased from ¥534 million in the prior fiscal year to ¥4,355 million (\$44 million) in the current fiscal year. Also, special retirement payment arisen mainly from the transfer of employees for logistics amounted to ¥8,127 million (\$83 million). As a result, in total, other expenses – net was recorded. Income before income taxes and minority interests decreased by 63.7% to ¥13,664 million (\$139 million). Net income decreased by 66.8% to ¥7,072 million (\$72 million).



Other healthcare-related services	16,135	20,580	26,034	29,329	41,074	59,220	147	121	(165)	(39)	559	1,199
Pharmaceutical manufacturing	41,574	45,805	49,209	51,199	54,926	62,319	2,691	3,230	3,466	2,082	3,098	6,419
Pharmaceutical distribution	1,169,401	1,300,680	1,353,020	1,418,957	1,541,982	1,580,387	16,326	8,157	12,584	16,472	19,240	6,931

## Cash Flow

Net cash used in operating activities decreased by ¥11,535 million (\$118 million) to ¥4,583 million (\$47 million) for the fiscal year ended March 31, 2009. This mainly resulted from income before income taxes and minority interests of ¥13,664 million (\$139 million), depreciation and amortization of ¥7,068 million (\$72 million), write-down of investment securities of ¥4,355 million (\$44 million), and increase in trade payables by ¥11,558 million (\$118 million), whereas trade receivables and inventories increased by ¥13,930 million (\$142 million) and ¥5,587 million (\$57 million), respectively, liability for retirement benefits decreased by ¥10,469 million (\$107 million), and income taxes of ¥11,776 million (\$120 million) were paid.

Net cash used in investing activities decreased by ¥5,562 million (\$57 million) to ¥15,455 million (\$158 million) for the fiscal year ended March 31, 2009. This was caused by ¥6,300 million (\$64

million) of proceeds from sales and redemption of marketable securities, ¥8,500 million (\$87 million) of purchases of property and equipment, ¥10,383 million (\$106 million) of purchases of investment securities and ¥2,117 million (\$22 million) of net decrease in cash and cash equivalents due to newly consolidated subsidiaries.

Net cash used in financing activities decreased by ¥2,163 million (\$22 million) to ¥10,527 million (\$107 million) for the fiscal year ended March 31, 2009. This was mainly caused by ¥580 million (\$6 million) of repayments of long-term debt, ¥5,020 million (\$51 million) of acquisition of treasury stock – net and ¥5,177 million (\$53 million) of dividends paid, including payment to minority shareholders.

In total, cash and cash equivalents at the end of the fiscal year decreased by ¥30,567 million (\$312 million) to ¥73,018 million (\$745 million).

## Financial Position

Total assets increased by ¥5,663 million to ¥828,516 million (\$8,454 million). This was mainly caused by the decrease of ¥30,567 million (\$312 million) in cash and cash equivalents, the increase of ¥16,459 million (\$168 million) in trade notes

and accounts receivable and ¥6,607 million (\$67 million) in inventories in line with sales increase, and the increase of ¥9,634 million (\$98 million) of prepaid pension cost due to special contributions to the corporate pension fund.

## Per Share Information

Decreased net income resulted in a decrease in net income per share from ¥230.49 to ¥77.10 (\$0.787).

## Dividend Policy

The Company considers providing returns to shareholders to be one of its highest priorities. The Company sets a basic policy to raise the consolidated dividend payout ratio gradually aiming for 30%, and dividends are determined based on annual consolidated performance and consolidated dividend rate to shareholders' equity. However, we will also retain earnings and allocate resources efficiently in order to keep competitive position and stable growth in this tough environment surrounding our industry.

We obtained approval at the Board of Directors' meeting held on May 8, 2009 to distribute year-end dividends of ¥31 (\$0.316). Together with interim dividends of ¥31 (\$0.316), annual dividends were ¥62 (\$0.633). Annual dividends were ¥50 in the prior fiscal year.

We will still likely remain under the tough environment, but in order to retain stable dividends to shareholders, annual dividends applicable to the next fiscal year are scheduled for ¥62 (\$0.633).

# Business Risks

There are a number of business risks associated with the Suzuken Group's operations, finances and other aspects of its business that could have a significant impact on the decisions of investors. These are stipulated below. The Suzuken Group is aware of the potential risks, and its policy is to avoid where possible, or to deal with them in a timely and effective manner if they should arise.

The following contains forward-looking statements based on the judgments of Suzuken management as of March 31, 2009, however does not cover all the risks faced by the Suzuken Group, business-related and otherwise.

## 1 Statutory Requirements

Suzuken operates its Pharmaceutical distribution business through sales offices in 47 regions across Japan. When opening a sales office or marketing pharmaceuticals and related products, the Company is subject to Japan's Pharmaceutical Affairs Law and related regulations. The Company obtains the necessary official approvals, registrations, authorizations and licenses from local authorities with jurisdiction over head and branch sales offices, or officially notifies the appropriate regulatory authorities, prior to undertaking business activities. The extent of Suzuken's ability to obtain approvals from regulatory authorities could have an impact on the financial performance of its Pharmaceutical distribution business.

## 2 National Health Insurance (NHI) System Reform

The main products handled in Suzuken's Pharmaceutical distribution business are ethical pharmaceuticals, which are included on the NHI drug tariff list. The drug tariffs, published by the Ministry of Health, Labour and Welfare, serve as a means of calculating expenditure on healthcare provided in accordance with health insurance legislation. The drug tariff list places limitations on the types of drugs to be used for treatment under the NHI system and stipulates the reimbursement prices medical institutions may claim for drugs used. The drug tariffs are revised every two years to reflect the actual market prices of pharmaceuticals, and reimbursement prices for many drugs are reduced. Consequently, factors such as lower selling prices following drug tariff revisions could have an impact on the financial performance of Suzuken's Pharmaceutical distribution business.

Moreover, national medical expenses are increasing as Japanese society ages, and the

government is in the process of reforming the NHI system to counteract deterioration of the system's financial base. Depending on their nature, these reforms could have an impact on the financial performance of Suzuken's Pharmaceutical distribution business.

## 3 Specific Commercial Practices

### 1 Unpriced transactions

The public and private sectors are currently joining forces to improve Japan's distribution system. Within this context, the pharmaceutical wholesaling industry is characterized by an unusual sales method, whereby a wholesaler supplies pharmaceuticals to purchasers such as medical institutions without agreeing on prices in advance. After delivery has taken place, the wholesaler and purchaser commence price negotiations. This custom arose because pharmaceuticals are products on which lives depend, making any delay in their supply unacceptable.

In recording sales for the Pharmaceutical distribution business, Suzuken uses projected prices based on reasonable estimates. There are occasions when the final agreed price is lower than the projected price, and this could have an impact on the financial performance of Suzuken's Pharmaceutical distribution business.

### 2 Rebates and sales incentives

In the pharmaceutical wholesaling industry, price rebates and sales incentives are paid to wholesalers by pharmaceutical manufacturers. These rebates are paid as a fixed percentage, usually based on the value of products purchased by the wholesaler, while the sales incentives are paid in return for achieving sales volumes and number of deliveries and other targets agreed between the manufacturer and the wholesaler. Suzuken makes

efforts to secure these rebates and sales incentives, which lower procurement prices, exerting a positive impact on gross profit. However, factors such as changes to the marketing strategies of manufacturers could have an impact on the financial performance of Suzuken's Pharmaceutical distribution business.

#### **4 New Product Development**

Not all drugs under development can be brought to market. In some situations, development or launch of a product must be abandoned before completion. The event of such occurrences could have a significant impact on the financial performance of Suzuken's Pharmaceutical manufacturing business.

Moreover, the withdrawal of new drug candidates could have a significant impact on Suzuken's future earnings.

#### **5 Side Effects**

Pharmaceuticals require approval based on rigorous safety testing by the Ministry of Health, Labour and Welfare. However, particularly in the case of new drugs, there is a limit to the number of case studies possible during clinical trials, and unexpected side effects can come to light after the launch of a product. The discovery of unexpected side effects following the launch of a product could have a significant impact on the financial performance of Suzuken's Pharmaceutical manufacturing business.

#### **6 IT Systems**

The Suzuken Group relies on computer systems and networks to conduct the majority of its marketing activities and product management, among other business operations. Any failure of our IT systems as a result of human error, accident, natural disaster, or any other cause, could hinder Suzuken's sales, distribution or other key operations.

#### **7 Nonperformance of Obligations**

The Suzuken Group conducts transactions with a large number of business partners. Any unexpected development occurring in relation to obligations accompanying an ongoing transaction could have an impact on the financial performance and position of the Group.

# Consolidated Balance Sheets

Suzuken Co., Ltd. and Subsidiaries  
March 31, 2009 and 2008

	2009	2008	2009
		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars (Note 1)</i>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	¥ 73,018	¥ 103,585	\$ 745,082
Time deposits (Note 8)	1,817	2,491	18,541
Marketable securities (Note 4)	4,791	4,800	48,888
Receivables:			
Trade notes and accounts	402,883	386,424	4,111,051
Purchase rebates receivable	21,556	24,373	219,959
Allowance for doubtful accounts	(3,813)	(4,246)	(38,908)
Inventories (Note 5)	108,699	102,092	1,109,173
Deferred tax assets (Note 11)	10,112	8,346	103,184
Other current assets	2,830	1,562	28,877
Total current assets	621,893	629,427	6,345,847
Property and Equipment: (Notes 2(F) and 6)			
Land (Note 8)	49,555	47,052	505,663
Buildings and structures (Note 8)	86,601	83,551	883,684
Machinery and equipment	23,247	21,764	237,214
Construction in progress	1,810	255	18,469
Total	161,213	152,622	1,645,030
Accumulated depreciation	(64,716)	(60,575)	(660,367)
Net property and equipment	96,497	92,047	984,663
Investments and Other Assets:			
Investment securities (Notes 4 and 8)	56,201	61,821	573,480
Investments in associated companies	2,701	2,672	27,561
Goodwill	4,305	3,079	43,929
Intangible assets	13,440	9,497	137,143
Deferred tax assets (Note 11)	648	1,324	6,612
Prepaid pension cost (Note 9)	22,110	12,476	225,612
Other assets	10,721	10,510	109,398
Total investments and other assets	110,126	101,379	1,123,735
<b>Total</b>	<b>¥ 828,516</b>	<b>¥ 822,853</b>	<b>\$ 8,454,245</b>

		Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Liabilities and Equity</b>			
Current Liabilities:			
Short-term bank loans (Note 7)	¥ 2,003	¥ 220	\$ 20,439
Current portion of long-term debt (Notes 7 and 8)	216	249	2,204
Payables:			
Trade notes and accounts	518,244	504,514	5,288,204
Purchases of property, equipment and other assets	2,501	487	25,520
Income taxes payable	2,695	9,651	27,500
Accrued bonuses	7,409	9,054	75,602
Other current liabilities	9,433	9,927	96,255
Total current liabilities	542,501	534,102	5,535,724
Long-term Liabilities:			
Long-term debt (Notes 7 and 8)	696	488	7,102
Liability for employees' retirement benefits (Note 9)	4,539	5,200	46,316
Liability for retirement benefits to directors and corporate auditors (Note 9)	750	646	7,653
Deferred tax liabilities (Note 11)	6,265	5,090	63,929
Deferred tax liabilities for land revaluation (Note 11)	2,119	2,177	21,622
Other long-term liabilities	790	793	8,062
Total long-term liabilities	15,159	14,394	154,684
Contingent Liabilities and Commitments (Note 14)			
Equity (Note 10):			
Common stock			
Authorized:	374,000,000 shares in 2009 and 2008		
Issued:	93,949,167 shares in 2009 and 2008		
	13,547	13,547	138,235
Capital surplus	39,373	39,375	401,765
Retained earnings	233,857	231,846	2,386,296
Net unrealized (loss) gain on available-for-sale securities	(491)	1,151	(5,010)
Land revaluation difference (Note 2(H))	(7,079)	(6,994)	(72,235)
Treasury stock, at cost			
	3,967,415 shares in 2009 and		
	2,033,363 shares in 2008		
	(12,682)	(7,664)	(129,408)
Total	266,525	271,261	2,719,643
Minority interests	4,331	3,096	44,194
Total equity	270,856	274,357	2,763,837
Total	¥ 828,516	¥ 822,853	\$ 8,454,245

See notes to Consolidated Financial Statements.

# Consolidated Statements of Income

Suzuken Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

		Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Net sales	¥ 1,641,332	¥ 1,586,596	\$ 16,748,286
Cost of Sales	1,479,267	1,422,556	15,094,562
Gross profit	162,065	164,040	1,653,724
Selling, General and Administrative Expenses (Note 12)	147,384	140,789	1,503,918
Operating income	14,681	23,251	149,806
Other Income (Expenses):			
Interest and dividends	1,762	1,544	17,980
Interest expense	(43)	(48)	(439)
Purchase discounts	6,519	6,204	66,520
Loss on sales and disposal of fixed assets - net	(607)	(838)	(6,194)
Gain on sales of investment securities - net	11	1,386	112
Cumulative effect of the adoption of the new accounting standard for measurement of inventories (Note 2 (D))	(1,486)	-	(15,163)
Write-down of investment securities	(4,355)	(534)	(44,439)
Commission for supplying sales data	4,346	4,320	44,347
Impairment loss (Note 6)	(380)	(43)	(3,878)
Special retirement payment	(8,127)	(27)	(82,929)
Other - net	1,343	2,470	13,706
Other (expenses) income - net	(1,017)	14,434	(10,377)
Income before Income Taxes and Minority Interests	13,664	37,685	139,429
Income Taxes (Note 11):			
Current	4,781	16,187	48,786
Deferred	1,308	(47)	13,347
Total income taxes	6,089	16,140	62,133
Minority Interests in Net Income	503	218	5,133
Net Income	¥ 7,072	¥ 21,327	\$ 72,163
		Yen	U.S. Dollars
Per Share of Common Stock (Note 2(Q)):			
Basic net income	¥ 77.10	¥ 230.49	\$ 0.787
Cash dividends applicable to the year	62.00	50.00	0.633

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Suzuken Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

	Thousands							Millions of Yen		
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available- for-sale Securities	Land Revaluation Difference	Treasury Stock	Total	Minority Interests	Total Equity
Balance at April 1, 2007	93,921	¥ 13,547	¥ 39,375	¥ 214,780	¥ 7,660	¥ (6,891)	¥ (86)	¥ 268,385	¥ 2,844	¥ 271,229
Net income	-	-	-	21,327	-	-	-	21,327	-	21,327
Cash dividends, ¥47 per share	-	-	-	(4,364)	-	-	-	(4,364)	-	(4,364)
Reversal of land revaluation difference due to sales of land	-	-	-	103	-	-	-	103	-	103
Purchase of treasury stock	(2,006)	-	-	-	-	-	(7,580)	(7,580)	-	(7,580)
Disposal of treasury stock	1	-	0	-	-	-	2	2	-	2
Net changes in the year	-	-	-	-	(6,509)	(103)	-	(6,612)	252	(6,360)
Balance at March 31, 2008	91,916	13,547	39,375	231,846	1,151	(6,994)	(7,664)	271,261	3,096	274,357
Net income	-	-	-	7,072	-	-	-	7,072	-	7,072
Cash dividends, ¥56 per share	-	-	-	(5,147)	-	-	-	(5,147)	-	(5,147)
Reversal of land revaluation difference due to sales and revaluation of land	-	-	-	86	-	-	-	86	-	86
Purchase of treasury stock	(1,936)	-	-	-	-	-	(5,028)	(5,028)	-	(5,028)
Disposal of treasury stock	2	-	(2)	-	-	-	10	8	-	8
Net changes in the year	-	-	-	-	(1,642)	(85)	-	(1,727)	1,235	(492)
Balance at March 31, 2009	89,982	¥ 13,547	¥ 39,373	¥ 233,857	¥ (491)	¥ (7,079)	¥ (12,682)	¥ 266,525	¥ 4,331	¥ 270,856

	Thousands of U.S. Dollars (Note 1)									
Balance at March 31, 2008		\$138,235	\$401,785	\$2,365,775	\$11,745	\$(71,368)	\$(78,204)	\$2,767,968	\$31,592	\$2,799,560
Net income		-	-	72,163	-	-	-	72,163	-	72,163
Cash dividends, \$0.57 per share		-	-	(52,520)	-	-	-	(52,520)	-	(52,520)
Reversal of land revaluation difference due to sales and revaluation of land		-	-	878	-	-	-	878	-	878
Purchase of treasury stock		-	-	-	-	-	(51,306)	(51,306)	-	(51,306)
Disposal of treasury stock		-	(20)	-	-	-	102	82	-	82
Net changes in the year		-	-	-	(16,755)	(867)	-	(17,622)	12,602	(5,020)
Balance at March 31, 2009		\$138,235	\$401,765	\$2,386,296	\$(5,010)	\$(72,235)	\$(129,408)	\$2,719,643	\$44,194	\$2,763,837

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Suzuken Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Operating Activities:</b>			
Income before income taxes and minority interests	¥ 13,664	¥ 37,685	\$ 139,429
Adjustments for:			
Income taxes - paid	(11,776)	(14,103)	(120,163)
Depreciation and amortization	7,068	6,573	72,122
Loss on sales and disposal of fixed assets - net	607	838	6,194
Gain on sales of investment securities - net	(11)	(1,386)	(112)
Write-down of investment securities	4,355	534	44,439
Impairment loss	380	43	3,878
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(13,930)	(17,335)	(142,143)
(Increase) decrease in inventories	(5,587)	4,645	(57,010)
Decrease (increase) in purchase rebates receivables	2,817	(1,250)	28,745
Increase (decrease) in trade payables	11,558	(34,161)	117,939
Decrease in allowance for doubtful accounts	(728)	(178)	(7,429)
Decrease in liability for retirement benefits	(10,469)	(748)	(106,827)
Other - net	(2,531)	2,725	(25,827)
Total adjustments	(18,247)	(53,803)	(186,194)
Net cash used in operating activities	(4,583)	(16,118)	(46,765)
<b>Investing Activities:</b>			
Decrease in time deposits - net	705	10,227	7,194
Proceeds from sales of property and equipment	955	640	9,745
Purchases of property and equipment	(8,500)	(8,698)	(86,735)
Proceeds from sales and redemption of marketable securities	6,300	4,816	64,286
Purchases of marketable securities	(1,491)	(2,391)	(15,214)
Proceeds from sales and redemption of investment securities	4,188	7,359	42,735
Purchases of investment securities	(10,383)	(27,079)	(105,949)
Increase in investments in associated companies - net	-	(2,596)	-
Net decrease in cash and cash equivalents due to newly consolidated subsidiaries (Note 3)	(2,117)	(759)	(21,602)
Purchases of intangible assets	(5,231)	(3,143)	(53,378)
Decrease in other assets - net	119	607	1,214
Net cash used in investing activities	(15,455)	(21,017)	(157,704)
<b>Financing Activities:</b>			
Increase in short-term bank loans - net	180	-	1,837
Proceeds from long-term debt	70	70	714
Repayments of long-term debt	(580)	(806)	(5,918)
Acquisition of treasury stock - net	(5,020)	(7,578)	(51,224)
Dividends paid, including payment to minority shareholders	(5,177)	(4,376)	(52,827)
Net cash used in financing activities	(10,527)	(12,690)	(107,418)
Foreign currency translation adjustments on cash and cash equivalents	(2)	(2)	(21)
Net decrease in cash and cash equivalents	(30,567)	(49,827)	(311,908)
Cash and cash equivalents, beginning of year	103,585	153,412	1,056,990
Cash and cash equivalents, end of year	¥ 73,018	¥ 103,585	\$ 745,082

See notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

Suzuken Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by SUZUKEN CO., LTD. (the "Company") and its subsidiaries (together with the Company, hereinafter referred to as the "Companies") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order

to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

### A Consolidation

The Company had 59 subsidiaries and nine associated companies at March 31, 2009 (55 subsidiaries and nine associated companies at March 31, 2008).

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 59 subsidiaries (55 subsidiaries in 2008).

Details of the significant subsidiaries included in each segment at March 31, 2009 are as follows:

Business Segment	Significant Subsidiaries	Equity Ownership Percentage	Common Stock
			<i>Millions of Yen</i>
Pharmaceutical distribution:	SANKI CORPORATION	100.0	¥ 1,081
	ASTIS CO., LTD.	100.0	946
	SHOYAKU CO., LTD.	100.0	880
	SUZUKEN OKINAWA YAKUHIN CO., LTD.	100.0	12
	NAKANO YAKUHIN CO., LTD.	100.0	94
	SUZUKEN IWATE CO., LTD.	100.0	97
Pharmaceutical manufacturing:	SANWA KAGAKU KENKYUSHO CO., LTD.	90.1	101
Other healthcare related services:			
Healthcare-related services	LIFE MEDICOM CO., LTD.	100.0	10
	SANKI-CLINICAL LINK CO., LTD.	100.0	90
Medical equipment manufacturing	KENZMEDICO CO., LTD.	100.0	10
Dispensing pharmacies	PFERCOS CO., LTD.	58.0	382
Other services	LIFE SUPPORT CO., LTD.	100.0	30

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years, unless deemed immaterial and charged to income as incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

The fiscal year-end of a subsidiary differs from that of the Company. The accounts of the subsidiary which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions at March 31, 2009 and 2008, and the results of operations for the years ended March 31, 2009 and 2008.

## **B Business Combination**

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the Accounting Standard Board of Japan (the "ASBJ") issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures".

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under

common control and for joint ventures.

The Company acquired 58% of shares of PFERCOS CO., LTD. on October 1, 2008 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over five years.

## **C Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, beneficial interests in trust and commercial paper, all of which mature or become due within three months of the date of acquisition.

## **D Inventories**

Prior to April 1, 2008, inventories were stated at cost, mainly determined by the moving-average method for merchandise and raw materials, by the annual average method for finished goods and work in process and by the last purchase price method for supplies. In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Companies applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to increase operating income by ¥1,185 million (\$12,092 thousand) and to decrease income before income taxes and minority interests by ¥301 million (\$3,071 thousand) for the year ended March 31, 2009. Cumulative effect was presented in the other expense in the 2009 consolidated statement of income.

## **E Marketable and Investment Securities**

Marketable and investment securities are classified and accounted for depending on management's intent as follows:

- I held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and
- II available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

## **F Property and Equipment**

Property and equipment are stated at cost.

Depreciation is computed mainly by the declining-balance method at rates based on the estimated useful lives of assets, while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

Depreciation of leased assets under finance leases is computed by the straight-line method over the lease period.

## **G Long-lived Assets**

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable

amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

## **H Land Revaluation**

Under the "Law of Land Revaluation", the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation difference represents unrealized devaluation of land and is stated, net of income taxes, as a component of equity. There is no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax assets / liabilities.

The carrying amount of land after the one-time revaluation noted above exceeded market value by ¥3,479 million (\$35,500 thousand) at March 31, 2009.

## **I Intangible Assets**

Software for internal use is amortized by the straight-line method over five years.

Depreciation of leased assets under finance leases is computed by the straight-line method over the lease period.

## **J Retirement and Pension Plans**

The Companies have contributory funded pension plans, non-contributory funded pension plans and unfunded retirement benefit plans for employees.

The Companies accounted for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Directors and corporate auditors are not covered by the above plan. Certain subsidiaries make provisions for severance payments to directors and corporate auditors, the accumulated balance of which represents 100% of all directors' and corporate auditors' severance payments at the respective balance sheet dates.

On June 29, 2004, the Company abolished the retirement benefit plan to directors and corporate auditors and the balances at March 31, 2009 and 2008 were the portion attributable to subsidiaries.

#### **K Research and Development Costs**

Research and development costs are charged to income as incurred.

#### **L Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

#### **M Leases**

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and

do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Companies applied the revised accounting standard effective April 1, 2008. In addition, the Companies accounted for leases which existed at the transition date and does not transfer ownership of the leased property to the lessee as operating lease transactions. The effect of this change was immaterial on the statement of income for the year ended March 31, 2009. All other leases are accounted for as operating leases.

#### **N Bonuses to Directors and Corporate Auditors**

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

#### **O Foreign Currency Transactions**

Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

#### **P Derivatives and Hedging Activities**

The Companies use derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

All of the foreign exchange forward contracts of the Companies are utilized to hedge foreign exchange. Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end, are not subject to the disclosure of market value information.

## **Q Per Share Information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with full exercise of outstanding stock options.

Diluted net income per share for the years ended March 31, 2009 and 2008 is not disclosed because the Company has no dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

## **R New Accounting Pronouncements**

### **Business Combinations**

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows:

- 1 The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- 2 The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- 3 The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be

systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

### **Asset Retirement Obligations**

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

### 3. Business Combination

#### Effect on Cash Flows Due to Business Combination Transactions

Details of the net decrease in cash and cash equivalents due to business combination and consolidating several companies for the year ended March 31, 2009 were as follows:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Current assets	¥ 4,628	\$ 47,224
Non-current assets	2,273	23,194
Current liabilities	(4,532)	(46,245)
Non-current liabilities	(745)	(7,602)
Minority interests	(783)	(7,989)
Goodwill	2,128	21,714
Acquisition cost	¥ 2,969	\$ 30,296
Cash and cash equivalents	(852)	(8,694)
Net decrease in cash and cash equivalents due to newly consolidated subsidiaries	¥ 2,117	\$ 21,602

Details of the net decrease in cash and cash equivalents due to business combination and consolidating several companies for the year ended March 31, 2008 were as follows:

	<i>Millions of Yen</i>
Current assets	¥ 1,538
Non-current assets	726
Current liabilities	(1,285)
Non-current liabilities	(434)
Minority interests	(54)
Goodwill	710
Acquisition cost	¥ 1,201
Cash and cash equivalents	(442)
Net decrease in cash and cash equivalents due to newly consolidated subsidiaries	¥ 759

## 4. Marketable and Investment Securities

Marketable and investment securities at March 31, 2009 and 2008 consisted of the following:

		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Current:			
Debt securities	¥ 4,791	¥ 4,794	\$ 48,888
Other	-	6	-
Total	¥ 4,791	¥ 4,800	\$ 48,888
Non-current:			
Equity securities	¥ 22,390	¥ 27,318	\$ 228,470
Debt securities	33,383	32,053	340,642
Other	428	2,450	4,367
Total	¥ 56,201	¥ 61,821	\$ 573,480

The Company entered into security lending transactions during the year ended March 31, 2009.

At March 31, 2009, marketable securities of ¥4,791 million (\$48,888 thousand) and investment securities of ¥19,196 million (\$195,878 thousand) were securities under securities lending transactions and included in debt securities above.

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows :

March 31, 2009		<i>Millions of Yen</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	
Securities classified as:					
Available-for-sale:					
Equity securities	¥ 16,564	¥ 6,565	¥ 1,966	¥ 21,163	
Debt securities	17,338	83	3,234	14,187	
Other	453	6	31	428	
Held-to-maturity	23,987	308	2	24,293	
Total	¥ 58,342	¥ 6,962	¥ 5,233	¥ 60,071	

March 31, 2008		<i>Millions of Yen</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	
Securities classified as:					
Available-for-sale:					
Equity securities	¥ 18,846	¥ 9,200	¥ 1,957	¥ 26,089	
Debt securities	16,000	-	3,100	12,900	
Other	2,455	15	20	2,450	
Held-to-maturity	23,947	275	-	24,222	
Total	¥ 61,248	¥ 9,490	¥ 5,077	¥ 65,661	

March 31, 2009		<i>Thousands of U.S. Dollars</i>			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	
Securities classified as:					
Available-for-sale:					
Equity securities	\$ 169,020	\$ 66,990	\$ 20,061	\$ 215,949	
Debt securities	176,918	847	33,000	144,765	
Other	4,623	61	316	4,368	
Held-to-maturity	244,765	3,143	20	247,888	
Total	\$ 595,326	\$ 71,041	\$ 53,397	\$ 612,970	

Available-for-sale securities whose fair value was not readily determinable at March 31, 2009 and 2008 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Carrying Amount:			
Equity securities	¥ 1,227	¥ 1,229	\$ 12,521
Other	-	6	-
Total	¥ 1,227	¥ 1,235	\$ 12,521

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥2,178 million (\$2,224 thousand) and ¥5,827 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥56 million (\$571 thousand) and ¥42 million (\$429 thousand), respectively for the year ended March 31, 2009 and ¥1,414 million and ¥28 million, respectively for the year ended March 31, 2008.

The carrying values of debt securities and others by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

March 31, 2009	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>	
	Available- for-sale	Held-to- Maturity	Available- for-sale	Held-to- Maturity
Due in one year or less	¥ -	¥ 4,791	\$ -	\$ 48,888
Due after one year through five years	2,815	19,196	28,724	195,877
Due after five years through ten years	1,907	-	19,459	-
Due after ten years	9,485	-	96,786	-
Total	¥ 14,207	¥ 23,987	\$ 144,969	\$ 244,765

## 5. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Merchandise	¥ 102,578	¥ 96,462	\$ 1,046,714
Finished products	2,402	2,497	24,510
Raw materials	1,303	1,214	13,296
Work in process	2,170	1,705	22,143
Supplies	246	214	2,510
Total	¥ 108,699	¥ 102,092	\$ 1,109,173

## 6. Long-lived Assets

The Companies reviewed their long-lived assets for impairment as of March 31, 2009 and 2008, and as a result, recognized impairment losses of ¥380 million (\$3,878 thousand) and ¥43 million for the years ended March 31, 2009 and 2008, respectively, with regard to real estate such as land and buildings. The carrying amounts of unused assets and business assets were written down to the recoverable amounts measured at the net selling price. The carrying amounts of rental assets were written down to the recoverable amounts measured at the value in use and the discount rate used for computation of present value of future cash flows was 2.5%.

The breakdown of impairment losses for the years ended March 31, 2009 and 2008 was as follow:

		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Business assets	¥ -	¥ 15	\$ -
Unused assets	379	28	3,868
Rental assets	1	-	10
Total	¥ 380	¥ 43	\$ 3,878

## 7. Short-term Bank Loans and Long-term Debt

Short-term bank loans at March 31, 2009 and 2008 consisted of those on deed and notes to banks. The weighted average interest rate on short-term bank loans at March 31, 2009 and 2008 was 1.47% and 1.62% respectively. The weighted average interest rate on long-term bank borrowings at March 31, 2009 and 2008 was 2.05% and 1.90%, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the followings:

		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Borrowings from banks	¥ 496	¥ 737	\$ 5,061
Lease obligations	416	-	4,245
Total	912	737	9,306
Less current portion	(216)	(249)	(2,204)
Long-term debt, less current portion	¥ 696	¥ 488	\$ 7,102

Annual maturities of long-term debt at March 31, 2009 were as follows:

Years ending March 31	Millions of Yen		Thousands of U.S. Dollars	
		¥	\$	
2010		216		2,204
2011		249		2,541
2012		165		1,684
2013		143		1,459
2014		85		867
2015 and thereafter		54		551
Total		¥ 912		\$ 9,306

## 8. Pledged Assets

The carrying amounts of assets pledged as collateral for the long-term bank borrowings (including the current portion of long-term bank borrowings) of ¥50 million (\$510 thousand) at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 1,237	\$ 12,622
Buildings and structures - net of accumulated depreciation	257	2,623
Total	¥ 1,494	\$ 15,245

The carrying amounts of assets pledged as collateral for certain purchase transactions at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 4	\$ 41
Land	2,531	25,827
Buildings and structures - net of accumulated depreciation	523	5,337
Investment securities	880	8,979
Total	¥ 3,938	\$ 40,184

## 9. Retirement and Pension Plans

The Companies have severance payment plans for employees. In addition, certain subsidiaries have severance payment for directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. In addition, the Company and certain subsidiaries have defined contribution plan. Such retirement benefits are made in the form of a lump-sum severance payment or annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or voluntary retirement at certain specific ages prior to the mandatory retirement age. Certain domestic subsidiaries contribute to the multi-employer pension plans.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the followings:

		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Projected benefit obligation	¥ (43,367)	¥ (44,420)	\$ (442,520)
Fair value of plan assets	45,064	40,875	459,837
Unrecognized actuarial loss	15,874	10,999	161,979
Unrecognized prior service benefit	-	178	-
Net assets	¥ 17,571	¥ 7,276	\$ 179,296
Prepaid pension cost	22,110	12,476	225,612
Liability for employees' retirement benefit	¥ 4,539	¥ 5,200	\$ 46,316

The components of net periodic retirement benefit costs for the years ended March 31, 2009 and 2008 were as follows:

		<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2008	2009
Service cost	¥ 2,208	¥ 2,225	\$ 22,531
Interest cost	838	810	8,551
Expected return on plan assets	(665)	(677)	(6,786)
Recognized actuarial loss	1,451	1,082	14,806
Amortization of prior service benefits	(178)	(245)	(1,816)
Net periodic retirement benefit costs	3,654	3,195	37,286
Special retirement payments	8,127	12	82,928
Contribution to defined contribution pension plan	593	619	6,051
Total	¥ 12,374	¥ 3,826	\$ 126,265

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	<b>2009</b>	2008
Discount rate	1.50% to 2.00%	1.50% to 2.00%
Expected rate of return on plan assets	0.75% to 4.00%	2.00% to 5.00%
Amortization period of prior service benefit	5 years	5 years
Recognition period of actuarial loss	Average remaining service period (Mainly 13 years)	Average remaining service period (Mainly 14 years)

Funded status of the multi-employer pension plans at March 31, 2008 and 2007 (available information as of March 31, 2009 and 2008), to which contributions were recorded as net periodic retirement benefit costs by the Companies was as follows:

	<i>Millions of Yen</i>			
	Chugoku pharmaceutical employees' pension fund		Shikoku pharmaceutical employees' pension fund	
	<b>2008</b>	2007	<b>2008</b>	2007
Fair value of plan assets	¥ 20,576	¥ 23,240	¥ 13,179	¥ 15,058
Benefit obligation	21,179	19,775	12,943	12,155
Difference	¥ (603)	¥ 3,465	¥ 236	¥ 2,903
Companies' contribution percentage for multi-employer pension plan	21.58%	18.84%	25.66%	23.66%

Notes:

Chugoku pharmaceutical employees' pension fund

- 1 Difference resulted from surplus recorded by the pension funds, valuation adjustment of plan assets and unrecognized prior service cost of ¥3,643 million, ¥2,535 million and ¥1,711 million, respectively, at March 31, 2008 and ¥5,223 million, nil and ¥1,757 million, respectively, at March 31, 2007.
- 2 Prior service cost is amortized over 20 years.

Shikoku pharmaceutical employees' pension fund

- 1 Difference resulted from surplus recorded by the pension funds and unrecognized prior service cost of ¥2,226 million and ¥1,990 million, respectively, at March 31, 2008 and ¥5,019 million and ¥2,116 million, respectively, at March 31, 2007.
- 2 Prior service cost is amortized over 18 years.

## 10. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### A Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies meet certain criteria such as:

- 1 having the Board of Directors,
  - 2 having independent auditors,
  - 3 having the Board of Corporate Auditors, and
  - 4 the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation,
- the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Company meets all the above criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥ 3 million.

### B Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### C Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate for the Company of approximately 40.4%, for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
<b>Deferred tax assets:</b>				
Allowance for doubtful accounts	¥ 1,762	¥ 1,583	\$ 17,979	
Accrued bonuses	3,002	3,670	30,633	
Liability for employees' retirement benefits	1,732	1,970	17,673	
Liability for retirement benefits to directors and corporate auditors	304	260	3,102	
Enterprise tax	264	791	2,694	
Securities contributed to retirement benefit trust	940	935	9,592	
Offsetting of unrealized intercompany transactions	1,302	973	13,286	
Impairment loss	682	550	6,959	
Accrued expenses for employees' social security expenses	592	592	6,041	
Tax loss carryforwards	3,765	1,142	38,418	
Other	6,427	5,407	65,582	
Less valuation allowance	(4,799)	(4,668)	(48,969)	
Total	¥ 15,973	¥ 13,205	\$ 162,990	
<b>Deferred tax liabilities:</b>				
Unrealized gains on available-for-sale securities	¥ (320)	¥ (5,040)	\$ (3,265)	
Prepaid pension cost	(8,931)	(592)	(91,133)	
Other	(2,234)	(2,993)	(22,796)	
Total	¥ (11,485)	¥ (8,625)	\$ (117,194)	
Net deferred tax assets	¥ 4,488	¥ 4,580	\$ 45,796	

The breakdown of net deferred tax assets at March 31, 2009 and 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Current deferred tax assets	¥ 10,112	¥ 8,346	\$ 103,184	
Non-current deferred tax assets	648	1,324	6,612	
Current deferred tax liabilities	(7)	-	(71)	
Non-current deferred tax liabilities	(6,265)	(5,090)	(63,929)	
Total	¥ 4,488	¥ 4,580	\$ 45,796	

The breakdown of net deferred tax liabilities for land revaluation at March 31, 2009 and 2008 were as follows:

	2009	2008	2009
	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
Deferred tax assets	¥ 4,123	¥ 4,122	\$ 42,071
Valuation allowance	(4,123)	(4,122)	(42,071)
Deferred tax liabilities	(2,119)	(2,177)	(21,622)
Total	¥ (2,119)	¥ (2,177)	\$ (21,622)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2009 was as follows:

	2009	2008
Normal effective statutory tax rate	40.4 %	40.4 %
Expenses not deductible for income tax purpose	3.1	1.1
Revenues not taxable for income tax purpose	(4.3)	(1.0)
Per capita tax	2.1	0.7
Amortization of goodwill	2.9	0.8
Other - net	0.4	0.8
Actual effective tax rate	44.6 %	42.8 %

## 12. Research and Development Costs

Research and development costs charged to income were ¥5,391 million (\$55,010 thousand) and ¥5,438 million for the years ended March 31, 2009 and 2008, respectively.

## 13. Leases

The Companies lease certain buildings, machinery, fixtures and other assets.

As discussed in Note 2 (M), the Group accounts for finance leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Total lease payments under such finance leases which existed at the transition date for the years ended March 31, 2009 and 2008 were ¥ 3,444 million (\$ 35,143 thousand) and ¥ 3,565 million, respectively. Pro forma information for the years ended March 31, 2009 and 2008 of such leases existed at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense, on an "as if capitalized" basis was as follows:

March 31, 2009						<i>Millions of Yen</i>
	Buildings and Structures	Machinery, Equipment and Vehicles	Furniture and Fixtures	Intangible Assets	Total	
Acquisition cost	¥ 381	¥ 6,451	¥ 6,074	¥ 951	¥	13,857
Accumulated depreciation	16	4,547	4,001	603		9,167
Net leased property	¥ 365	¥ 1,904	¥ 2,073	¥ 348	¥	4,690

March 31, 2008						<i>Millions of Yen</i>
	Buildings and Structures	Machinery, Equipment and Vehicles	Furniture and Fixtures	Intangible Assets	Total	
Acquisition cost	¥ 381	¥ 7,839	¥ 6,371	¥ 656	¥	15,247
Accumulated depreciation	3	4,743	3,476	314		8,536
Net leased property	¥ 378	¥ 3,096	¥ 2,895	¥ 342	¥	6,711

March 31, 2009						<i>Thousands of U.S. Dollars</i>
	Buildings and Structures	Machinery, Equipment and Vehicles	Furniture and Fixtures	Intangible Assets	Total	
Acquisition cost	\$ 3,898	\$ 65,816	\$ 61,980	\$ 9,704	\$	141,398
Accumulated depreciation	174	46,387	40,827	6,153		93,541
Net leased property	\$ 3,724	\$ 19,429	\$ 21,153	\$ 3,551	\$	47,857

Obligations under finance leases at March 31, 2009 and 2008 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>	
	2009	2008	2009	
Due within one year	¥ 2,192	¥ 2,714	\$ 22,367	
Due after one year	3,030	4,596	30,918	
Total	¥ 5,222	¥ 7,310	\$ 53,285	

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively. Depreciation expense and interest expense under finance leases for the years ended March 31, 2009 and 2008 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>	
	2009	2008	2009	
Depreciation expense	¥ 2,696	¥ 2,809	\$ 27,510	
Interest expense	277	297	2,827	

Obligations under operating leases at March 31, 2009 were as follows:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	2009	2009
Due within one year	¥ 610	\$ 6,224
Due after one year	1,739	17,745
Total	¥ 2,349	\$ 23,969

## 14. Contingent Liabilities and Commitments

The Companies have bank overdraft agreements with 18 banks to obtain working capital efficiently. Under these contracts, the Companies are able to overdraw a maximum of ¥38,240 million (\$390,204 thousand). The credit line used was ¥1,475 million (\$15,051 thousand) at March 31, 2009.

At March 31, 2009, the Companies had the following contingent liabilities:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Guarantees of trade accounts payable and bank loans for KENSHO CO., LTD., an associated company, and customers	¥ 836	\$ 8,531

## 15. Subsequent Events

### A Stock Exchange Agreement

On May 26, 2009, the Company entered into a stock exchange agreement with CHUOUNYU CO., LTD. ("CHUOUNYU") according to the resolution of the Company's board of directors meeting held on May 26, 2009. The Company will issue 611 thousand of its common stock to stockholders of CHUOUNYU in exchange for all of the issued stock of CHUOUNYU. CHUOUNYU will become a wholly-owned subsidiary of the Company effective September 1, 2009 as a result of the stock exchange. CHUOUNYU had been a shipping and warehouse company of pharmaceutical products, and the management of the Company believes that the Companies would develop a new distribution channel of products and achieve efficient distribution of products.

Financial data of CHUOUNYU Group for the year ended September 30, 2008 is as follows:

	<i>Millions of Yen</i>	
Sales	¥	7,271
Net income		30

### B Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's Board of Directors meeting held on May 8, 2009.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>	
Year-end cash dividends, ¥31 (\$ 0.32) per share	¥	2,789	\$	28,459

## 16. Segment Information

The Companies' segments are "Pharmaceutical distribution", "Pharmaceutical manufacturing" and "Other healthcare-related services". The segments are determined based on similarity of the type of business, marketing method, customers and technology employed for the years ended March 31, 2009 and 2008.

I Pharmaceutical distribution:	The segment distributes pharmaceuticals, diagnostic reagents, medical equipment and medical supplies.
II Pharmaceutical manufacturing:	The segment manufactures pharmaceuticals and diagnostic reagents.
III Other healthcare related services:	
Healthcare related services:	The segment publishes promotional materials for companies in medical and healthcare fields and dispatches clinical research coordinators.
Medical equipment manufacturing:	The segment manufactures diagnostic equipment such as electrocardiograph and blood pressure meters.
Dispensing pharmacies:	The segment dispenses prescribed pharmaceuticals.
Other services:	The segment includes insurance agency and sales of foods and goods.

### A Business Segment

Summarized financial information by business segment for the years ended March 31, 2009 and 2008 was as follows:

2009	<i>Millions of Yen</i>					
	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare- related Services	Elimination /Corporate	Consolidated	
Sales to customers	¥ 1,564,874	¥ 19,741	¥ 56,717	-	¥ 1,641,332	
Intersegment sales	15,513	42,578	2,503	¥ (60,594)	-	
Total sales	1,580,387	62,319	59,220	(60,594)	1,641,332	
Operating expenses	1,573,456	55,900	58,021	(60,726)	1,626,651	
Operating income	¥ 6,931	¥ 6,419	¥ 1,199	¥ 132	¥ 14,681	
Assets	¥ 733,265	¥ 50,585	¥ 36,379	¥ 8,287	¥ 828,516	
Depreciation	5,153	1,195	739	(19)	7,068	
Impairment loss	380	-	-	-	380	
Capital expenditures	12,426	1,705	1,202	-	15,333	

2009

Thousands of U.S. Dollars

	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare- related Services	Elimination /Corporate	Consolidated
Sales to customers	\$ 15,968,102	\$ 201,439	\$ 578,745	-	\$ 16,748,286
Intersegment sales	158,296	434,469	25,541	\$ (618,306)	-
Total sales	16,126,398	635,908	604,286	(618,306)	16,748,286
Operating expenses	16,055,674	570,408	592,051	(619,653)	16,598,480
Operating income	\$ 70,724	\$ 65,500	\$ 12,235	\$ 1,347	\$ 149,806

Assets	\$ 7,482,296	\$ 516,174	\$ 371,214	\$ 84,561	\$ 8,454,245
Depreciation	52,581	12,194	7,541	(194)	72,122
Impairment loss	3,878	-	-	-	3,878
Capital expenditures	126,796	17,398	12,265	-	156,459

2008

Millions of Yen

	Pharmaceutical Distribution	Pharmaceutical Manufacturing	Other Healthcare- related Services	Elimination /Corporate	Consolidated
Sales to customers	¥ 1,530,397	¥ 17,423	¥ 38,776	-	¥ 1,586,596
Intersegment sales	11,585	37,503	2,298	¥ (51,386)	-
Total sales	1,541,982	54,926	41,074	(51,386)	1,586,596
Operating expenses	1,522,742	51,828	40,515	(51,740)	1,563,345
Operating income	¥ 19,240	¥ 3,098	¥ 559	¥ 354	¥ 23,251

Assets	¥ 739,285	¥ 44,915	¥ 24,567	¥ 14,086	¥ 822,853
Depreciation	4,892	1,225	478	(22)	6,573
Impairment loss	21	-	22	-	43
Capital expenditures	7,501	816	1,399	-	9,716

As discussed in Note 2 (D), effective April 1, 2008, the Company applied ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". The effect of this change was to increase operating income of Pharmaceutical Distribution by ¥1,178 million (\$12,020 thousand) and operating income of Pharmaceutical Manufacturing by ¥7 million (\$71 thousand) for the year ended March 31, 2009.

**B**

Geographical segment information for the years ended March 31, 2009 and 2008 is not disclosed as foreign consolidated subsidiaries and foreign branches were not material.

**C**

Export sales information is not disclosed as export sales of the Companies for the years ended March 31, 2009 and 2008 were less than ten percent of consolidated net sales of each year.