

ENHANCING VALUE-ADDED SERVICES TO MOVE CLOSER TO CUSTOMERS

In the year ended March 2002, Suzuken enacted many comprehensive measures to reinforce its marketing strategies. In each case, the aim is to raise our value by better serving our customers. Many elements must be coordinated to conduct sales in a manner that truly satisfies customers. Above all, though, is giving sales people sufficient time to perform their duties. Three actions were taken to accomplish this goal: relieving sales people of delivery duties; increasing online orders and simplifying payment procedures.

By March 2002, 55 of our branch offices had started eliminating the requirement of our sales force to make deliveries, 29 more than in the previous year. Kishiwada, a suburb of Osaka, illustrates the benefits. Freed from delivering products, sales people can now spend two to three times longer providing personal service to each customer. In addition to learning about customers' needs, our sales people have the opportunity to offer consulting services that target specific issues to meet each customer's needs. We plan to eliminate all sales force deliveries by March 2005.

The second action was the introduction of an online ordering system. Online orders increased to 31% of all orders processed during the past fiscal year. This is projected to double to 60% in the near

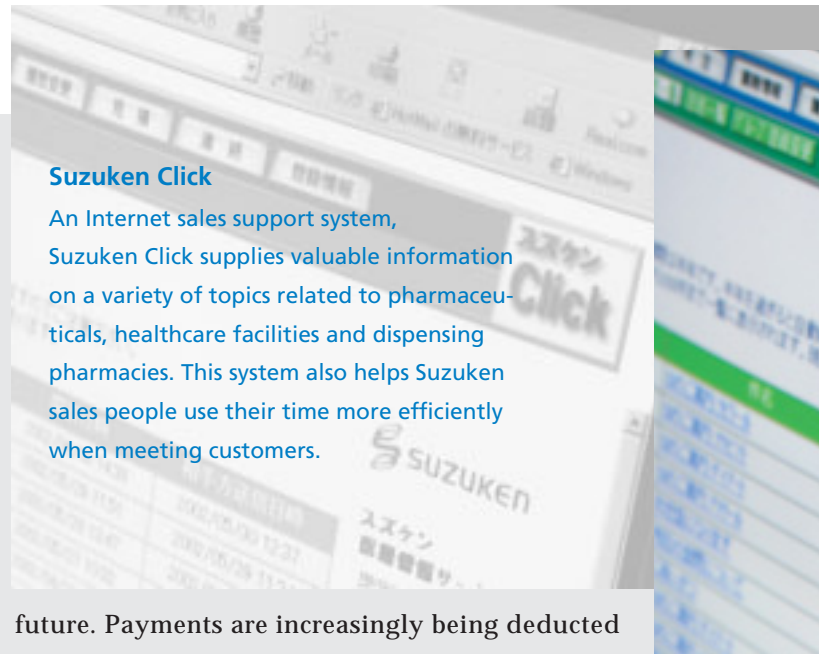
Suzuken Click

An Internet sales support system, Suzuken Click supplies valuable information on a variety of topics related to pharmaceuticals, healthcare facilities and dispensing pharmacies. This system also helps Suzuken sales people use their time more efficiently when meeting customers.

future. Payments are increasingly being deducted directly from customer accounts rather than collected in person. About 17,000 customers now use this system, a figure that we are seeking to raise to 25,000 as quickly as possible.

To tap into the convenience and capabilities of the Internet, we developed a sales support system called 'Suzuken Click.' The full-scale introduction of this service began in November 2001, targeting clinics and dispensing pharmacies. Unprecedented in Japan's pharmaceutical wholesaling industry, this technology produces a virtual platform for sales activities. By linking actual sales activities with this cyber-platform, sales people can become much more productive. Within the next four years, we plan to utilize Suzuken Click with at least 20,000 customers having Internet access.

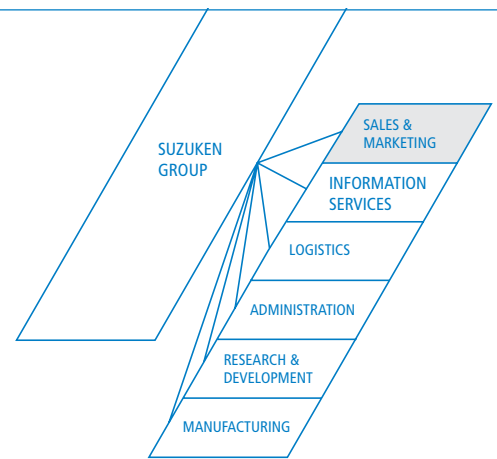
Suzuken Click uses the Internet to supply useful





information on a variety of topics. Customers can view brief audio and visual presentations regarding new and featured products. Healthcare institutions can access data from other healthcare institutions on evaluations of pharmaceuticals, to assist in the proper use of pharmaceuticals. Information on interactions between current medications and newly introduced products can be accessed as well, along with many other resources.

Adding more convenience is a link between Suzuken Click and Suzuken Medical Information Service, making data on products and drug identification readily available. Customers can obtain the latest information on a particular product or subject at any time, eliminating the need to phone the sales person or wait for the next sales call. Sales people can check information viewed by customers to make



their next sales call more pertinent to each customer's requirements.

Sales activities normally carried out during a sales call are now able to be delivered via the Internet. Therefore, customers now expect our sales people to offer a higher level of service and skills during sales calls. That means our sales force must gain the skills needed to offer customers value, during visits, that exceeds what is currently available through Suzuken Click. One form of value is suggesting products that precisely match the needs of each customer's operations. Other forms include management assistance to attract more patients and proposals for data management systems to cut costs. In every case, our proposals must reflect the unique needs of each customer. Suzuken Click therefore allows our sales people to spend their time on the primary mission of any sales team: satisfying customers by identifying and solving their problems.

Visits to our customers remain the heart of Suzuken's sales activities. Suzuken Click and other new systems will play a supplementary role in building even stronger bonds with customers. Through the use of technology and other innovations, our goal is to enable each sales person to serve 100 customers, while dramatically raising productivity.

Multimedia Information Dissemination

Healthcare facilities have a multitude of needs: gaining more knowledge to upgrade healthcare services; improving services for patients; reducing operating costs; and many others. To meet these demands, we established the Suzuken Medical Information Service in October 2000. This new service was made possible through collaboration with Medical Professional, the healthcare portal site of Sony Communication Network Corp. Our service encompasses a broad range of subjects that are

extremely valuable to healthcare facilities.

Content includes information on healthcare systems necessary for the management of medical institutions, the latest medical news for doctors and pharmacists, and the identification and use of pharmaceuticals.

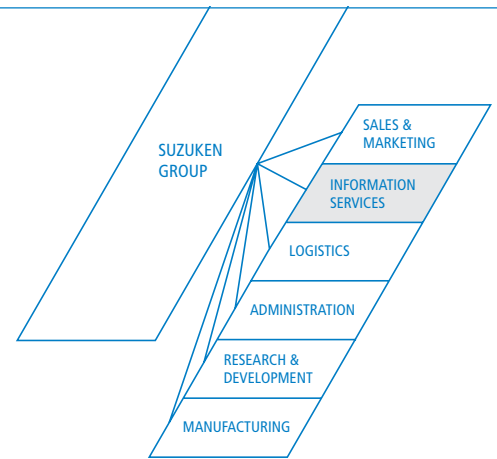
Another facet of our multimedia capabilities includes promotions for medical products, conducted on behalf of pharmaceutical manufacturers. Suzuken and group company Life Medicom Co., Ltd., a producer of advertisements and publications, are jointly creating promotional programs, which are broadcast on the



The Suzuken Medical Channel

Suzuken and its subsidiary Life Medicom produce promotional programs for pharmaceutical manufacturers and broadcast these programs via satellite on the Suzuken Medical Channel. Pharmaceutical manufacturers give this service high marks as an extremely effective promotional tool.





Suzuken Medical channel via our satellite broadcasting service for viewing by our sales people. These programs are widely regarded among pharmaceutical manufacturers as a highly effective medium for promoting their products.

Together with Suzuken Click, we will use the Internet, satellites and other platforms to help both healthcare providers and pharmaceutical manufacturers improve health care and healthcare facility management as one of Japan's premier multimedia sources of information.

Early Post-Marketing Phase Vigilance (EPPV)

Since October 2001, the Japanese government has mandated that pharmaceutical manufacturers conduct surveys of new products during the first six months. Ensuring their proper use and checking for side effects are the main purposes of this mandate. The public as well is becoming increasingly aware of the need for protection against potentially harmful adverse drug reactions of pharmaceutical products. Previously, sales people concentrated mainly on explaining the health and economic benefits of a particular product. In

response to heightened concerns, Suzuken is rapidly developing a system for the collection, processing, analysis and provision of information about product safety to ensure proper use of pharmaceuticals. We will use this system to aggressively seek contracts from manufacturers to conduct such post-market surveillance services. Our presence in almost every region of Japan, except for prefectures in Shikoku, gives us an extensive base for gathering information required for this surveillance service. And as an autonomous wholesaler with no ties to any particular manufacturer, we can supply information that is unbiased and accurate. We plan to leverage these resources to expand the number of surveillance contracts as well as the types of pharmaceuticals covered.

Together with this surveillance service, we will be drawing upon the expertise of the entire Suzuken organization to develop value-added information for provision alongside data on the safety and effectiveness of pharmaceuticals. Our goals are to both assist healthcare facilities in the proper use of pharmaceuticals and pharmaceutical manufacturers in sales promotion activities.

The Kenko Sozo-Kan Registered i-mode Site

In January 2002, Suzuken's Kenko Sozo-Kan ("health creation hall") site for i-mode compatible mobile phones became operational. Offering information that helps consumers lead a healthy life, this site marks the first time that a pharmaceutical wholesaler has established an i-mode site that provides text-based information on cell phones registered with NTT DoCoMo, Inc. This service has been available through an L-mode site, an Internet service via telephones registered with NTT Corporation, since August 2001.

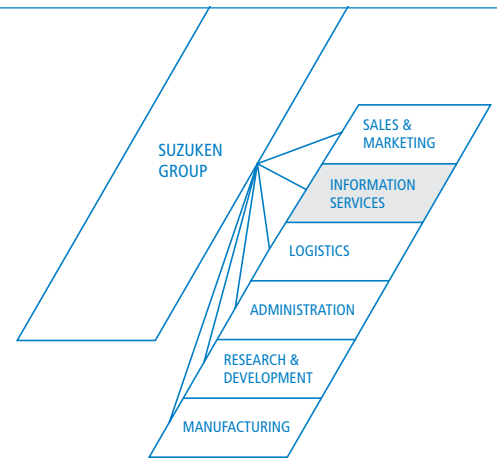
Just as with the L-mode site, Kenko Sozo-Kan provides our e-Calorie service, offering advice on proper diet and exercise, and the Hospital Search service for locating healthcare facilities closest to users. Other services have been added. One such service allows users to ascertain their risk of developing a lifestyle-related disease by answering a few simple questions. Another calculates a standard value for the amount of calories an individual burns per day. The i-mode e-Calorie service uses an animated character to illustrate changes in a user's health, allowing individuals to improve their eating

habits while enjoying a game-like experience. We are now preparing to register Kenko Sozo-Kan with other mobile communications carriers as well.

While adding more types of information to the Kenko Sozo-Kan menu, we plan to add more capabilities to this service. One planned offering is a system that will permit patients to make appointments at hospitals and clinics over the Internet. Through these initiatives, we hope to make this site beneficial to both the public and healthcare facilities that procure supplies from us.

Using IT to Raise Productivity

Suzuken began using two new internal IT systems in April 2001: one for communications and another for the electronic processing of internal documents. To make information readily available to all employees, the communications platform has a bulletin board, e-mail system and forum. On the bulletin board are messages from the president, business-related communications, corporate rules and regulations, and industry publications. The forum includes two types of virtual rooms in addition to other features. The first is a sales conference room set up by each-regional sales division. The second is a sales activity



room for exchanging information from all over the country. Here, Suzuken sales personnel serving hospitals and clinics can exchange information, learn about disease outbreaks and gain access to other useful sales-related information that will assist their daily activities. Overall, the communications system offers two valuable benefits: sharing information within the Suzuken Group and better serving customers through faster responses and the provision of higher quality information.

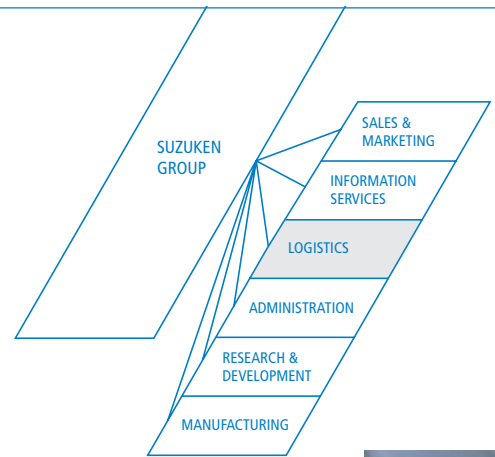
The electronic document processing system is used for expenses, work/absence reports, procurement and employee housing. The new expense system does

away with the previous system of reimbursing employees using cash kept at each office. Now payments are made directly to each employee's bank account, eliminating the need to maintain cash. Together, the two new systems raise efficiency by making many more tasks paperless. Two significant benefits are lower telephone bills and copying expenses.

Kenko Sozo Kan, a Health Support Service for the Public

This Web site disseminates information on leading healthy lifestyles, using the i-mode service, the world's largest Internet access service for cellular phones. The e-Calorie section provides advice on diet and exercise. The Hospital Search section helps locate a suitable hospital. The Health Check section is an easy tool for checking risk levels associated with one's current lifestyle. These and many other menus address a broad assortment of topics.





In the fiscal year ended March 31, 2002, 29 more Suzuken offices adopted a new delivery system under which customers receive merchandise on a regular schedule. Customer response to this service has been very positive. The requirement for our sales force to make deliveries is being eliminated. Sales people now have more time to formulate proposals for improving inventory management, such as bulk ordering to prevent stock-outs, timely replacement of slow-moving inventories with fast-moving items and encouraging the installment of ordering systems. In retrospect, separating sales and delivery functions has been good news for our sales people as well as our customers.

To improve the quality and efficiency of logistics, we offered an employment option in logistics in April 2002. We expect that approximately 400 employees will submit applications for this program. In the future, all Suzuken Group logistics services are to be transferred to a subsidiary, creating a single organization for all of our logistics specialists.

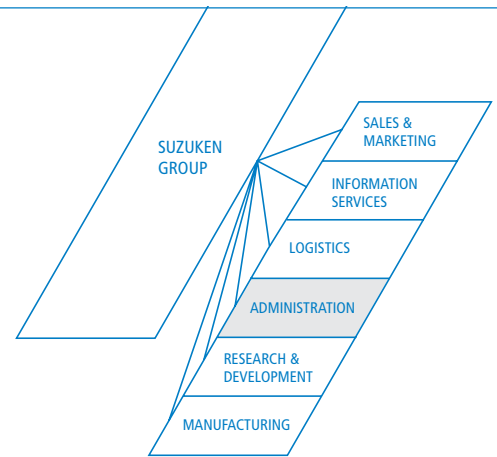
In April 2002, our current logistics subsidiary, Aichi

A Reliable, Low-Cost Distribution System

Suzuken's network of distribution centers serve to reduce expenses and enhance reliability. These centers are also instrumental to achieving the strategic goals of separating sales and delivery functions, enabling each sales person to serve 100 customers, and conducting sales activities with more agility.



Medical, was renamed Suzuken Logicom Co., Ltd. Subsequently, this company's responsibilities extended well beyond the delivery of merchandise. It has become a source of high-quality, low-cost services covering the full spectrum of logistics requirements.



Significant improvements were made to our accounting, purchasing and other administrative responsibilities during the past fiscal year. In April 2001, all accounting activities were centralized at the headquarters, a move that accompanied the elimination of petty cash. This action allowed us to reduce redundant personnel. For example, currently only four people are needed to process travel expenses and other miscellaneous employee expenses. Previously, this task was performed at each of Suzuken's 162 branch offices.

Payments to suppliers were also centralized at the head office from each business entity. The resulting increase in efficiency was significant. Centralization encompasses pharmaceutical wholesaling subsidiaries as well, producing efficiency gains throughout the Suzuken Group. By continuing to implement systems to boost efficiency and centralization, we plan to cut the group's administrative personnel in half during the next five years. We further envision offering our expertise in administrative tasks to our customers.

Addressing the Issue of Lifestyle-Related Diseases

The Suzuken Group is active in all aspects of “health creation.” Our goal is to focus on businesses that promote the health of people nationwide. This is why we offer such a wide variety of benefits, including products and services. We are particularly interested in lifestyle-related diseases. Our Calorie Counter Select 2 measures how rapidly calories are consumed. Our Lifecorder monitors the amount and types of exercise taken during the user’s daily activities. Another Suzuken-developed health management device is the Habit System, a comprehensive data system for diet, exercise and day-to-day activities that provides data, to be used in modifying daily activities, to improve lifestyles. All these products are widely used by public-sector organizations, health insurance associations, health maintenance centers and individuals. The Lifecorder and Habit System are unique in the world, incorporating a patented acceleration sensor. In all, we have six patented technologies that are used in our products.

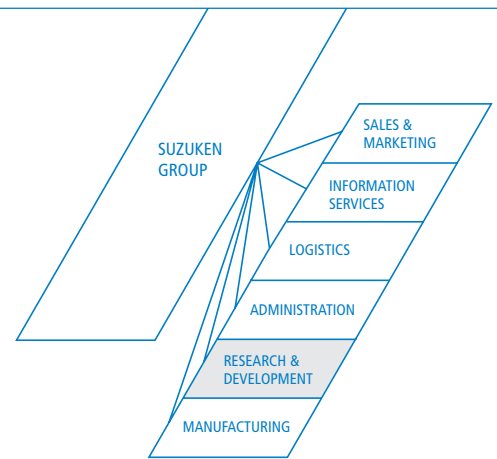
Group member Sanwa Kagaku Kenkyusho is laying the groundwork to become the “best partner for treating diabetes.” With a sharp focus on diabetes, this company is developing new pharmaceuticals, reagents

and food products to treat the disease, its complications and related conditions. The company is already Japan’s leading supplier of blood glucose monitors for individuals. Expertise is now expanding from diabetes pharmaceuticals to a variety of diabetes-related products including food items.

In November 2001, we launched Duetea, a green tea incorporating a high volume of dietary fiber (indigestible dextrin). Taken with a meal, this beverage slows the rate at which glucose is absorbed in the small intestine, restricting the increase in blood glucose. Duetea has been approved as an authorized healthful food for disease prevention by Japan’s Ministry of Health, Labour and Welfare.

Sanwa Kagaku Kenkyusho is also active in pharmaceutical research and development. In September





2000, Sanwa submitted a new drug application for SNK-860 (Fidarestat(INN)), a treatment for diabetic neuropathy. Subsequently, however, the company was told that more clinical tests would be required. The method for performing additional clinical tests was determined in January 2002 after discussions with Japan's Organization for Pharmaceutical Safety and Research (OSPR) and an application for clinical trial was submitted to the Ministry of Health, Labor

and Welfare in May. Overseas, Sanwa Kagaku Kenkyusho is conducting joint research with Sankyo Co., Ltd. This partnership led to an April 2002 agreement giving Sankyo exclusive sales rights for fidarestat in all areas of the world except Japan, China, South Korea and Taiwan. SK-983(Miglitol(JAN)), the hypoglycaemic agent, entered Phase III clinical testing in June 2000. Through its research and development, Sanwa Kagaku Kenkyusho is steadily enhancing its global stature as a source of pharmaceuticals for diabetes and other disorders.

SEER Light

Suzuken is supplying its Cardy 203 Holter electrocardiograph, the world's smallest and lightest, to the General Electric Group of the U.S. under an OEM agreement. Bearing the SEER Light brand, the devices are sold by GE mainly in Europe, the United States and Asia.

OEM Agreement Signed With GE to Supply Holter Electrocardiographs

Japan's second-largest supplier of Holter electrocardiographs, Suzuken is particularly skilled in the design and manufacture of extremely slim, lightweight Holter monitors. In October 2001, General Electric Company of the U.S., through GE Marquette Medical Systems Japan Co., Ltd., signed an OEM contract for our Cardy 203 Holter electrocardiograph. GE plans to sell this product in Europe, the U.S., Asia and elsewhere under the SEER Light brand. Plans call for selling more than 2,000 units annually, representing more than 250,000 cardiographic examinations each year.

Pharmaceutical Manufacturing Systems That Meet Global Standards

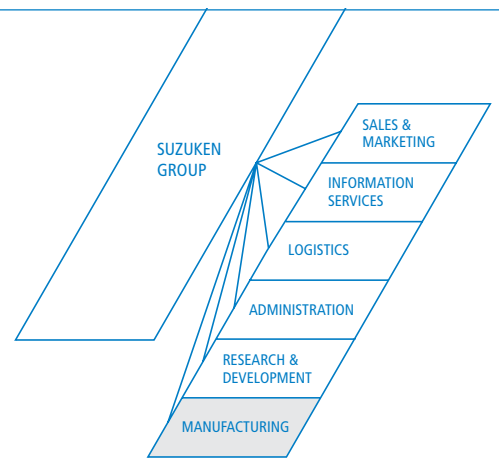
Sanwa Kagaku Kenkyusho has added a pharmaceutical manufacturing facility at its Fukushima Production Park that meets global standards for quality control and cost competitiveness. The new facility, which represents an investment of ¥4,126 million, can produce up to 1 billion tablets annually. The automated equipment at this facility conforms to GMP (Good Manufacturing Practice) standards in Europe and North America. Operations began in January 2001, producing both Suzuken and contract manufacturing products. The Fukushima Production Park has received ISO 9002 quality management system certification from an international certification agency. Capable of producing a few types of pharmaceuticals in large quantities, the sophisticated new facility manufactures products for the Suzuken Group, as well as for a prominent overseas

pharmaceutical company, by conforming to stringent worldwide standards.

During the fiscal year, Sanwa Kagaku Kenkyusho also entered into a manufacturing agreement with a major Japanese pharmaceuticals company. The company plans to cover an even broader product range to assist pharmaceuticals companies in utilizing their resources in the most productive manner possible.

The Suzuken Group is combining all its resources to provide a collection of products and services that is unique in the world. Our strengths cover many fields: sales and marketing, information, logistics, management, research and development, and manufacturing. Our goal is to play an even greater role in future advances in the health resources industry of the 21st century.





**New Global-Standard
Pharmaceutical Plant**

Sanwa Kagaku Kenkyusho has completed a second facility at its pharmaceutical manufacturing base in Fukushima. Equipped with the most sophisticated devices, the plant meets GMP standards in Europe and North America and has obtained ISO 9002 certification.

