

ACTIVE in Pharmaceutical Manufacturing and New Business for Pharmaceutical Companies

Business development focused in diabetic fields

Our subsidiary Sanwa Kagaku Kenkyusho Co., Ltd. (SKK) is active in four main business domains: pharmaceuticals; diagnostic reagents, including portable blood glucose monitoring devices; manufacturing of health foods; and contracted manufacturing of pharmaceuticals. SKK's strategic focus is on diabetes due to its significant growth potential (including at-risk pre-onset patients, the population of diabetics in Japan is approximately 16.2 million). SKK is developing a range of products and services targeting diabetes patients.

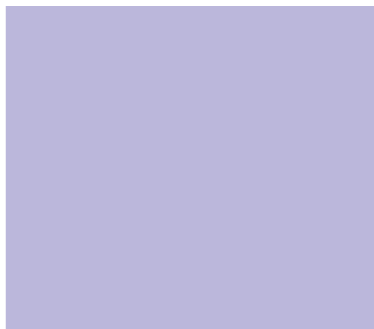
In terms of pharmaceuticals, SKK is currently focused on the launches of Miglitol, a postprandial agent for treating hyperglycemia, and Fidarestat, a therapeutic agent for diabetic neuropathy. SKK filed a new drug application (NDA) for Miglitol in December 2003 and the marketing launch is scheduled for the first half of 2005. SKK and its license partner have completed the additional Phase II study for Fidarestat overseas and are now discussing the analysis and protocol for the Phase III study. In Japan, SKK is preparing a clinical data package for Fidarestat based on the results obtained overseas and plans to initiate clinical studies before the end of March 2005.

The Glutest series of self glucose monitoring devices holds approximately a 50% share of the blood glucose monitoring device market in Japan. In the health food sector, SKK markets PineFibre, a powder containing dietary fiber that helps to prevent blood glucose levels from rising after meals, and Duetea, a canned green tea beverage containing a similar dietary fiber. Both products have been approved as authorized health foods for disease prevention by the Ministry of Health, Labor and Welfare (MHLW).

Contracted manufacturing using innovative technology and equipment

SKK operates two manufacturing plants in Japan that are highly cost-competitive and meet global quality assurance standards. Besides manufacturing original pharmaceuticals, SKK provides contracted manufacturing services to other pharmaceutical companies. SKK's plants are equipped with the latest production technology for solid formulations and sugar-coating processes.

Through a joint research project with a machinery manufacturer, SKK is developing a revolutionary one-step production process for the manufacture of dry-coated tablets, which typically require a two-step process. This new technology eliminates the process of producing the core tablet separately, enabling production of the entire tablet using a single machine, resulting in potentially considerable savings in terms of production equipment. In addition, this new technology prevents the incidence of tablets with defective or absent cores, enabling the manufacture of thin-film dry-coated tablets. This advance has attracted attention as a possible means of replacing capsule formulations, which have been a health concern in conjunction with the Bovine Spongiform Encephalopathy (BSE) issue.



Contracted marketing operations for pharmaceutical companies

Suzuken currently supplies products and services to over 130,000 medical institutions and pharmacies. This broad-based network gives Suzuken the opportunity to provide a range of marketing services for pharmaceutical manufacturers.

One example is the Doctor Call Program. Under this program, Suzuken regularly promotes specified drugs to medical institutions based on agreements with pharmaceutical companies to encourage increased adoption and prescribing of these medicines. Suzuken also supplies companies with information on the number of patients using a certain drug and prescribing information collected from each institution through its marketing activities. This service gives pharmaceutical companies access to high-quality customer information, which has been collected through Suzuken's nationwide network, that is essential to their marketing activities.

Another program involves promotions offered through Suzuken Click, a service that supplies the customers of medical institutions and pharmacies with web-based reference information on medicines. Based on agreements with pharmaceutical companies, Suzuken uses this Internet-based tool to provide customers with information on pharmaceuticals and conduct marketing activities for pharmaceutical manufacturers.

Entering China with contacted marketing and pharmaceutical distribution services

With a population in excess of 1.2 billion and strong economic growth, China is rapidly expanding as a market for pharmaceuticals. Suzuken is pursuing various opportunities to develop business operations in China. Having created a team that includes Chinese employees, Suzuken plans to start a marketing outsourcing business to conduct sales activities in China on behalf of Japanese pharmaceutical companies with the cooperation of its Shanghai-based subsidiary, Oriental Pharmaceutical Technology and Economy Consultant Co., Ltd. Suzuken also plans to enter the pharmaceutical distribution business in China in conjunction with local wholesalers.

ACTIVE in Pursuing a Nationwide Presence

Suzuken wholesale network

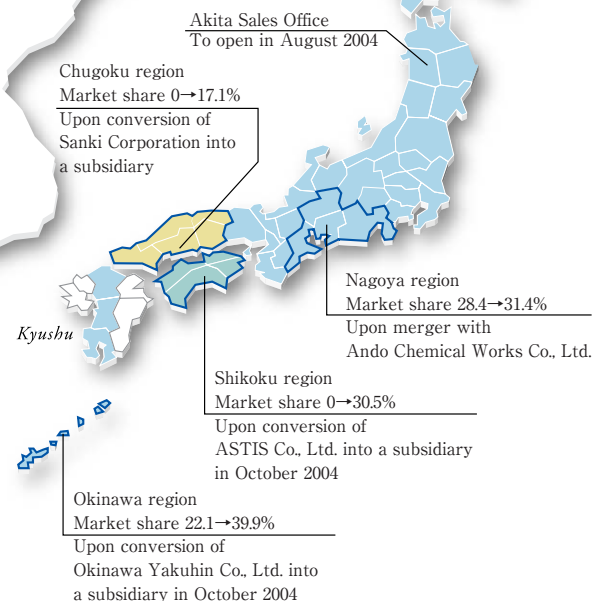
Suzuken's long-term goal is to control more than 25% of the pharmaceutical distribution market in Japan by the fiscal year ending in March 2011. Suzuken is uniquely positioned in the Japanese pharmaceutical industry as an autonomous wholesaler with no ties to any particular manufacturer. The prime focus has been on growth through mergers and conversion of companies into subsidiaries. The object is to strengthen the network by expanding coverage to new regions of Japan through a combination of M&A and strategic alliances.

In the fiscal year ended March 2004, Suzuken concluded another round of expansion. Sanki Corporation, which is based in the Chugoku region of western Japan, became a wholly owned subsidiary. At the same time, Suzuken merged with Ando Chemical Works Co., Ltd., a wholesaler based in the Nagoya region of central Japan. Suzuken also announced plans to convert ASTIS Co., Ltd., the leading pharmaceutical wholesaler in Shikoku, and Okinawa Yakuhin Co., Ltd. into wholly owned subsidiaries in October 2004. These moves will significantly boost Suzuken's market share in Shikoku and Okinawa. In the latter case, negotiations are ongoing concerning the full-scale integration of Okinawa Yakuhin Co., Ltd. with Suzuken's local subsidiary, Suzuken Okinawa Co., Ltd.

Suzuken plans to open a sales base in Akita prefecture in August 2004, increasing its coverage to 43 prefectures. Only four prefectures in Kyushu now stand between Suzuken and its goal of nationwide coverage.

M&A history

- 1972 Conversion of Suzuken Okinawa Co., Ltd. into subsidiary
- 1994 Merger with Kato Yakuhin Co., Ltd. and Shinko Yakuhin Co., Ltd.
- 1996 Conversion of Kumagai Yakuhin Co., Ltd.
(now Suzuken Iwate Co., Ltd.) into subsidiary
Merger with Doei Medics Co., Ltd.
- 1998 Merger with Akiyama Inc.
- 1999 Conversion of Nakano Yakuhin Co., Ltd. into subsidiary
- 2002 Merger with Ohmori Co., Ltd.
- 2003 Merger with Ando Chemical Works Co., Ltd.
Conversion of Sanki Corporation into subsidiary
- 2004 Conversion of Okinawa Yakuhin Co., Ltd. into subsidiary
Conversion of ASTIS Co., Ltd. into subsidiary



Suzuken Click raises efficiency at medical institutions

Suzuken Click is an Internet-based support tool designed to increase the effectiveness of Suzuken's sales activities to medical institutions while also raising efficiency. Most clinics and pharmacies receive information on drugs from pharmaceutical companies and wholesalers. However, the reality is that sales calls can often cut into valuable time needed to see patients. Suzuken Click provides customers 24-hour access to product detailing by audio and video presentations. The system allows customers to order 180,000 products, and also provides information on drug interactions and dosage. This service contributes to higher operational efficiency, allowing customers to concentrate on treating patients. It has received many plaudits for its ease of use and convenience. Many institutions that have introduced the service use it as a tool for teaching employees about pharmaceuticals. The benefits for Suzuken include higher service quality, increased operational efficiency and reduced costs.



Mobile support tool allows efficient sales activities

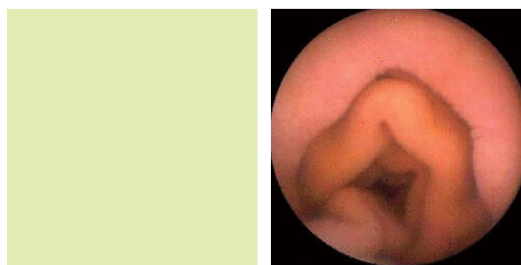
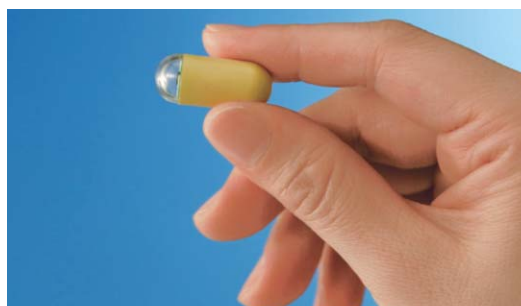
Suzuken introduced a new sales support system in May 2003. Accessible through laptop PCs, the system allows sales personnel to search for product information, access Suzuken's computer network and submit sales activity reports. A presentation function to explain the benefits of products helps salespeople be more accurate and effective in their detailing activities. This system substantially raises the efficiency of sales activities, allowing Suzuken to increase the quality of the service provided to customers.



Advanced non-invasive method for diagnosis of small intestinal disorders

With a length of 7-8 meters, the small intestine is one of the few organs in the body that cannot be easily observed with external instruments. Fiber-optic endoscopy tends to be painful for the patient and requires a high-level of technical expertise. Capsule endoscopy offers a non-invasive alternative. Disposable capsule endoscope uses a miniature camera with the size of a pill that can transmit color images as it passes through the digestive tract.

By 2002 these products were on sale in Western and Asian countries, and global sales had reached ¥4.0 billion. Various studies of the utility of capsule endoscopy have also been completed in Europe and USA. Together with general trading company Marubeni Corporation and Given Imaging Ltd., Suzuken has jointly established an import agent in Japan for capsule endoscopy. The capsules are produced by the Israel-based medical equipment manufacturer, Given Imaging. Suzuken will sell this product in Japan. Suzuken is aiming to launch the product in a couple of years.



Revolutionary non-restrictive diagnostic technique for sleep apnea syndrome

Suzuken is developing a convenient system for monitoring individual breathing patterns during sleep, providing information that can lead to an accurate diagnosis of sleep apnea syndrome (SAS). SAS is a breathing disorder characterized by persistent pauses in respiration during sleep. These bouts are repetitive and result in an overall loss of sleep quality, often resulting in a strong drowsiness during the day together with lack of energy and concentration. This in turn can lead to traffic accidents, workplace accidents and other serious problems. According to a study, it is said that there are over two million patients suffering from SAS in Japan, and the incidence of the syndrome is rising.

Conventional diagnostic systems for SAS require the attachment of electrodes, severely restricting body movements. The system being developed by the Suzuken Group simply requires the patient to lie on a special mat, which is capable of measuring the number of periods of non-respiratory activity during sleep. The device provides a continuous record of sleep activity throughout the night. A few patents have been applied for by the joint research company which has been developing the device with Suzuken. Suzuken is planning to distribute this product in Japan in a couple of years and eventually introduce it in overseas markets as well.

Expansion of diagnostic information analysis center business

Electrocardiograph equipment and analysis businesses

The Holter electrocardiograph is an ambulatory monitoring device that records cardiac changes and detects abnormalities, such as arrhythmia and angina pectoris, that can occur during daily activity and would be difficult to diagnose by a resting electrocardiograph examination with a bedside recording device. The Holter electrocardiograph recorder Kenz Cardy 203 developed by Suzuken combines superior quality and advanced functionality in a lightweight and slim design. Suzuken has been supplying this product on an OEM basis to a medical division of the General Electric group for global distribution under their brand name SEER Light.



Suzuken also has a diagnostic support service business that offers a Holter electrocardiograph analysis service with Suzuken's network of cardiologists for physicians that do not have expertise in this specialty. Suzuken has Holter electrocardiograph analysis centers in Nagoya, Tokyo and Sapporo, providing medical institutions with an analysis service for electrocardiograph data gathered by the Holter recorders.



The ICH (International Conference on Harmonization) is preparing to establish global regulatory standards for the evaluation of electrocardiographic QT interval prolongation for cardiovascular safety tests of drugs during clinical trials. Supported by its network of cardiologists, Suzuken plans to start a QT interval analysis service during the fiscal year ending in March 2006.



Remote imaging diagnostic support service

Suzuken has developed an Internet-based diagnostic support service based on remote imaging. Based on Suzuken's business and capital alliance with NetHospital, Inc., this service involves sending CT and MRI images over digital networks to one of a dedicated group of radiologists for analysis. This service helps to address the problem of the shortage of such specialists in Japan. The service also provides an effective means of sourcing this analytical capability to medical institutions which are unable to acquire

expensive CT scanners or MRI equipment. Aided by the shift to a points-based system for NHI reimbursement of regionally shared services, the service is also expected to encourage a mutually supportive network among hospitals and clinics by sharing sophisticated CT and MRI equipment located in a particular region.

The Suzuken Group is also developing a variety of devices and services based on the common themes of linking general practitioners to specialist expertise and providing closer connections between doctor and patient.

Taking a progressive attitude toward lifestyle-related diseases

Lifestyle-related diseases such as diabetes are on the increase in Japan. The Ministry of Health, Labor and Welfare has formulated policies to encourage people to adopt healthier lifestyles as part of its broader health promotion program. This plan establishes numerical goals for improvements in nine areas, including diabetes. Suzuken is undertaking integrated R&D into all aspects of lifestyle-related diseases such as diabetes, from preventive measures to treatment.

One practical product marketed by Suzuken as a tool for combating lifestyle-related diseases is the Kenz Lifecorder EX. This helps people adopt healthy habits by recording the level, length, frequency and other aspects of daily physical activity over long periods. The device is simply attached to the waist after first inputting personal data such as gender, age, height and weight. The patterns obtained provide valuable feedback for providing guidance to users on leading a healthy lifestyle. In addition, Suzuken has developed and started selling the Calorie Counter e-style, a device that allows individuals to manage their health. An acceleration sensor is used so that the status of physical exercise can be confirmed on an LCD graph on a real-time basis. These two devices are now being used widely as part of training programs by medical institutions for diabetics and by local governments in various health promotion programs.

