

The Many Forms of Suzuken Value

Suzuken is a source of value in the form of outstanding products and services that contribute to people's health in many ways. Our activities extend from clinical trials, pharmaceutical manufacturing and distribution and sales, to support for the management of hospitals and pharmacies and the health of patients.

Value for Pharmaceutical Manufacturers

Supplying value through clinical trials

Support for QT Interval Prolongation Tests

Electrocardiographic QT interval prolongation is one undesirable side effect of some drugs. In some cases, this can cause a potentially fatal arrhythmia. Consequently, the International Conference on Harmonization (ICH) is considering the establishment of regulatory standards for the evaluation of QT interval prolongation. In May 2005, the ICH agreed on its final proposal for clinical testing guidelines. Rules are to be announced in Japan during the current fiscal year.

We have already established the Clinical Trial Support Center, providing a specialized unit to assist pharmaceutical manufacturers in measuring electrocardiographic QT interval prolongation to evaluate cardiovascular safety. Under the guidelines, this measurement will require an extremely high degree of precision. We have completed development of a QT measuring system that meets this demand. We are now contacting pharmaceutical manufacturers to prepare for the full-scale start of this business once regulatory testing requirements are imposed. In this manner, we will support pharmaceutical manufacturers by providing reliable data and other assistance that helps them obtain approval for new drugs sooner.





Supply of Testing Coordinators

Suzuken Group company Sanki Clinical Link Co., Ltd. operates a business that provides clinical research coordinators (CRCs) to perform tests and a site management organization (SMO) business. During the year ended March 2005, which marked a year and a half of the company's operations since its founding, progress was made in increasing the number of affiliated testing institutions and testing contracts as well as in recruiting and training CRCs. The company achieved its goals by raising ties with testing institutions to 30 and testing contracts to 102 by the end of March 2005. Demand for testing support services is expected to continue to grow. Sanki Clinical Link is responding by recruiting and training coordinators to support growth in relationships with institutions and testing contracts while preserving the high quality of its services.

Supporting Research and Surveys with More Detailed Physical Activity Measuring Tool

In June 2005, Suzuken began selling the Kenz Lifecorder® EX 4-sec., a physical activity measuring tool for research institutions that delivers even higher precision than the Kenz Lifecorder® EX*. The new unit reduces from two minutes to just four seconds the interval at which physical activity is recorded for as long as 35 days. Detailed analysis of daily physical activity is possible. For instance, data cover the number and pitch of steps every minute. The separate Lifecorder EX 4-sec. communication software facilitates the easy processing of data and makes the new Lifecorder suitable for many types of research. Major applications include studies to determine the correlation between physical activity and lifestyle-related diseases; measure the effect that exercise has on the effectiveness of drugs; and determine improvements in the ability to exercise in association with new drug development.



Kenz Lifecorder® EX 4-sec.

* See page 31.

Commencement of Business for Joint Distribution Operations with Pharmaceutical Manufacturers

Traditionally, Japanese pharmaceutical wholesalers have operated in the section of the supply chain between wholesaling and medical institutions. Now, a more comprehensive approach is required due to the urgent need among manufacturers to achieve the highest possible efficiency in logistics. To meet this need, we established CollaboCreate Co., Ltd. in March 2005 with the aim of creating a new logistics model to optimize the entire supply chain. CollaboCreate assists in planning, managing, consulting and providing technology for joint logistics operations with pharmaceutical manufacturers. The same month, we established CollaboWorks Co., Ltd. to perform packing, transportation, and warehousing for manufacturers.



CollaboWorks distribution center

Value as a Pharmaceutical Manufacturer

Delivering value for patients by developing new drugs

Miglitol Nearing Final Approval

Sanwa Kagaku Kenkyusho Co., Ltd. (SKK) is concentrating R&D activities in the field of diabetes. SKK submitted a new drug application (NDA) in December 2003 for *Miglitol*, an agent for treating postprandial hyperglycemia. In March 2004, the first interview was conducted with the Pharmaceuticals and Medical Devices Agency, an independent government-backed organization. Paper compliance review and on-site review were completed in March 2005. The next stage is expert discussions, review and discussion at the Pharmaceutical Affairs Section and other investigations. We expect that this process will make it possible to start selling *Miglitol* in early 2006. By significantly holding down the rapid increase in blood glucose following a meal, this drug is expected to limit the occurrence of myocardial infarction and other artery injuries caused by diabetes. We believe that joint sales activities will be essential to expanding this market once *Miglitol* goes on sale. To accomplish this, a joint marketing contract has been signed with Sumitomo Pharmaceuticals Co., Ltd., a company that will merge with Dainippon Pharmaceutical Co., Ltd. in October 2005 to form Dainippon Sumitomo Pharma Co., Ltd.



Progress Continues in the Development of *Fidarestat*

Fidarestat is an aldose reductase inhibitor used for the treatment of diabetic neuropathy, which is a major complication of diabetes. While many people around the world suffer from diabetic neuropathy, there are very few drugs to treat this condition. High hopes are therefore held for *Fidarestat*. In Japan in February 2005, we had a clinical trial consultation for protocol and clinical data package. At present, we are putting together a new domestic development strategy and program based on the initiation of therapeutic exploratory Phase II clinical trials. In the U.S., based on meetings with regulatory authorities in Europe and the U.S., we are considering performing Phase III clinical trials through the European and U.S. subsidiaries of a major Japanese pharmaceutical company. In addition, SKK plans to begin clinical trials as soon as possible.

Licensing Business

SKK is concentrating R&D activities on the field of diabetes. At this time, there are two promising drugs in its pipeline: a treatment for macular edema and a treatment for dyslipidemia.

With regard to macular edema, a sight-threatening retinal condition, SKK has signed an exclusive licensing contract with Allergan, Inc. of the U.S. to develop and sell *POSURDEX*[®] in Japan. Macular edema caused by diabetes and retinal vein occlusion can be a direct cause of the loss of central vision. When the condition becomes chronic, the damage is irreversible, making it virtually impossible to restore vision. Because of this, diagnosis and treatment in the early stages of the disease is essential. *POSURDEX*[®] is an extended release implant that delivers a steroid directly to the back of the eye. It is attracting much attention because there is no macular edema treatment with adequate safety and efficacy. SKK hopes to begin sale of this agent as quickly as possible, giving us a drug for the ophthalmic special market to treat diabetes-related problems.



FUKUSHIMA PRODUCTION PARK

For the treatment of dyslipidemia, a blood lipid disorder, SKK has signed a licensing agreement with Quark Biotech Inc., a development-stage biopharmaceutical company based in the U.S. This agreement gives SKK exclusive development, manufacturing and marketing rights in Japan and East Asia for a compound for the treatment of this disease. This compound has a mechanism unlike that of conventional anti-hyperlipidemic drugs. In pilot clinical trials outside Japan, the compound has been found to suppress triglyceride levels and has insulin-sensitizing properties. Hopes are high that these properties will lead to an effective metabolic syndrome therapy.



One Step Dry Coating:
OSDRC®

A Revolutionary Dry-Coated Tablet Technology

One method for making tablets by powder compression molding is to place a core tablet within a larger tablet. Equipment utilizing this technology was created in collaboration with a machine tool manufacturer. SKK has developed a revolutionary technology that permits a one-step production process for the manufacture of these dry-coated tablets, which typically require a two-step process. Patents are pending in Japan and overseas. Another advantage of this technology is prevention of the incidence of tablets with defective or absent cores. Moreover, this method makes it possible to place drugs that are difficult to form in the central tablet. Overall, the result is a revolutionary change in how tablets are manufactured.

The Rising Demand for Contracted Manufacturing

SKK has two plants in Japan that meet global standards for quality assurance and low-cost operations. That means the company can produce the drugs of other companies as well as its own products. The two factories have a combined annual output capacity of 2.3 billion tablets. The facilities have technology covering all types of solid tablets. Expertise covers all types of production methods, including sugar-coated, film-coated and other tablets, and granule preparations by various granulation methods. Due to amendments to the Pharmaceutical Affairs Law that became effective in April 2005, pharmaceutical companies are allowed to outsource all manufacturing activities. With growth expected in the outsourcing of pharmaceutical manufacturing, SKK is moving quickly to increase its contracted manufacturing business.



Kumamoto Factory

Growth in Joint Sales Promotions

Joint sales promotion activities are another aspect of operations at SKK. This company is currently working with major Japanese pharmaceutical manufacturers in the marketing of two anti-hypertensive drugs and one drug for chronic renal failure. Synergies exist with its other operations. Through the joint promotion of products for lifestyle diseases, this company is increasing the number of calls on physicians for its own drugs, which mostly target diabetes-related disorders.

Value as a Pharmaceutical Wholesaler

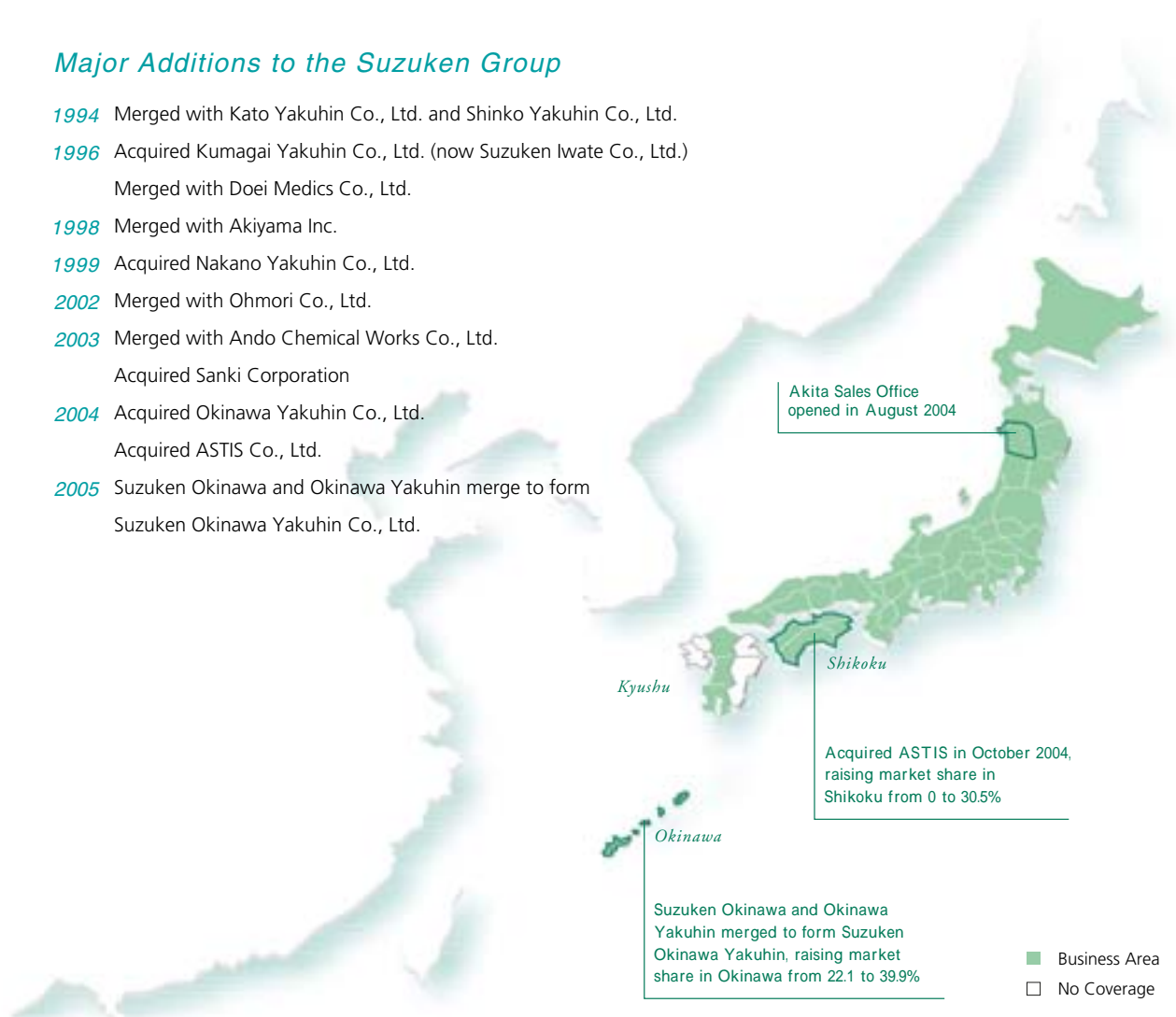
Channeling resources to our core business

Strengthening Operations with Nationwide Coverage

In our core pharmaceutical wholesaling business, which accounts for 98% of consolidated sales, our goal is to achieve nationwide coverage by 2010 along with a market share of at least 25%. In August 2004, we completed our network in Japan's Tohoku region in northern Honshu by opening an office in Akita Prefecture. The following October, ASTIS, a pharmaceutical wholesaler covering Shikoku, became a wholly owned subsidiary. Of Japan's 47 prefectures, we have yet to establish a presence in only four, all in Kyushu. We are considering more mergers or acquisitions in order to complete our goal of nationwide coverage in the near future. In addition, Okinawa Yakuhin, which became a subsidiary in 2003, merged with Suzuken Okinawa in January 2005 to raise operating efficiency.

Major Additions to the Suzuken Group

- 1994** Merged with Kato Yakuhin Co., Ltd. and Shinko Yakuhin Co., Ltd.
- 1996** Acquired Kumagai Yakuhin Co., Ltd. (now Suzuken Iwate Co., Ltd.)
Merged with Doei Medics Co., Ltd.
- 1998** Merged with Akiyama Inc.
- 1999** Acquired Nakano Yakuhin Co., Ltd.
- 2002** Merged with Ohmori Co., Ltd.
- 2003** Merged with Ando Chemical Works Co., Ltd.
Acquired Sanki Corporation
- 2004** Acquired Okinawa Yakuhin Co., Ltd.
Acquired ASTIS Co., Ltd.
- 2005** Suzuken Okinawa and Okinawa Yakuhin merge to form
Suzuken Okinawa Yakuhin Co., Ltd.





Sales and Distribution That Meets Customers' Needs

Mobile Sales Support System Raises Productivity

Suzuken has been taking many actions to boost productivity of sales personnel. To allow these individuals to concentrate on sales, they no longer need to make deliveries. Additionally, all sales personnel carry laptops for the purpose of improving the quality of sales presentations and skills. In April 2005, we launched the Click-M.I website, which integrated two existing services: Suzuken Medical Information and Suzuken Click, which helps customers to raise operating efficiency. Together with the addition of new functions, this integration has enhanced convenience for users. As a result, sales personnel can use their time much more productively.



Building an Optimal Distribution Network

Suzuken is building a distribution system with the primary aim of enhancing services for customers. This system will hold inventories near customers while lowering distribution costs. Furthermore, by concentrating distribution operations on fewer locations, we can procure goods faster and reduce total inventories. In the Nagoya area, our Konan Distribution Center is already operating. To serve the Tokyo area, we will begin operations at the Toda Distribution Center in October 2005. For the Osaka area, we have acquired a site in Kobe for a regional distribution center. When completed, we will have a solid distribution infrastructure in Japan's three major metropolitan areas of Tokyo, Osaka and Nagoya.



Toda Distribution Center

A Warehouse Distribution System That Backs Up Quality Management

In May 2005, Suzuken began using a warehouse distribution system that improves the ability to supply customers with products that are safe and worry-free. The primary feature is a highly accurate tracing system for lot numbers and expiration dates for all pharmaceuticals delivered to customers. This preserves the safety and efficacy of pharmaceuticals delivered to customers while making distribution channels easily visible to customers. No other pharmaceutical wholesaler in Japan offers this service. With our system, we can manage product quality with greater accuracy, raise warehouse operating efficiency, and standardize tasks such as bar coding to prevent mistaken shipments. This system is to be extended to all Suzuken branch offices by September 2006.



Value as a Partner for the Provision of Healthcare Services

Click-M.I Aids Customers in Raising Efficiency

In April 2005, we began operation of the Click-M.I website, which extends support for the operations of medical institutions and pharmacy customers. Click-M.I combines the functions of two former websites: Suzuken Medical Information (SMI) service, which supplied data on drugs to physicians; and Suzuken Click, which helped medical institutions and pharmacies to select drugs and raise operating efficiency. Click-M.I offers enhanced functions such as package insert information searches and the provision of pharmaceutical information. In addition, there are various new fee-based services. Among them are a drug interaction search, a generic drug search and management information for healthcare professionals. With these expanded services, Suzuken can help customers operate their businesses in even more ways.



Support for Establishment of Interactive Websites

In May 2005, Suzuken began selling the MyClinic service for websites operated by doctors. More than merely a website production system, MyClinic facilitates two-way communication between doctors and their patients via the website by using PCs and cell phones. Advantages include the ability for patients to receive information on diseases and health-related topics, and to make appointments and check waiting times at clinics. In addition to responding to inquiries, doctors can use their websites to issue e-magazines, provide guidance on taking medication, tell patients when to come back, suggest vaccinations, and supply other information.



A Source of Specialized Data Through Sophisticated Healthcare Devices and the Holter Electrocardiograph Analysis Service

The Holter electrocardiograph, which was developed by Suzuken, offers outstanding quality and sophisticated functions. We supply this product on an OEM basis to a medical division of the General Electric group, which sells it worldwide. In addition, we offer an electrocardiograph analysis service that brings together primary care physicians and cardiologists. Data from patients are sent to electrocardiograph analysis centers in Nagoya, Tokyo and Sapporo. Through agreements with cardiologists at prominent university hospitals, this service gives any medical institution access to the analysis of specialists. Suzuken is using this technology to back up the launch of its clinical trial support business for evaluation of QT interval prolongation.*



* See page 21.

Remote Imaging Diagnostic Support Service Raises the Quality of Healthcare

Image diagnostic services in Japan are among the best in the world due to the widespread use of MRI and CT scanners. However, limitations are imposed by a shortage of radiologists. At the same time, there are rising demands for second opinions to prevent a false diagnosis. Suzuken has established a communications network linking radiologists of Doctor Net Hospital Inc., a capital and business alliance partner, with contracted medical institutions. With this service, CT and MRI images are sent over digital networks to a specialist for analysis. This service has earned an excellent reputation among medical institutions.



Capsule Endoscopy to Examine the Digestive Tract Including Small Intestine

Capsule Endoscopy makes it possible to view the small intestine, which normally cannot be easily observed, by simply having a patient swallow a capsule. These capsules were developed by Given Imaging Ltd., an Israeli manufacturer, and are already sold in 60 countries including in Europe and the United States. As of March 2005, over 170,000 examinations using these capsules have been performed, and worldwide sales have reached ¥16 billion in 2004. Sales are rising every year. In May 2002, Given Imaging, Marubeni Corporation and Suzuken established a joint company for these capsules in Japan, naming Suzuken as the exclusive distributor. In March 2004, an application for an import permit was submitted to the Pharmaceuticals and Medical Devices Agency. We expect to obtain an approval by the end of fiscal 2005. Suzuken is now establishing an internal organization for the commencement of full-scale sales of this capsule.



Monitoring Daily Habits to Promote Active Lifestyles

Suzuken began selling the Kenz Lifecorder® EX in 2003, a device that monitors daily activities to enable the provision of specific guidance on leading a healthier lifestyle. This product contains an acceleration sensor to detect and measure physical movement at ten levels. Making measurements at two-minute intervals for as long as 200 days, this product uses the data to display calorie consumption. When combined with Lifecorder communication and management software, which is sold separately, data from the Lifecorder can be used to supply objective advice on exercise. This data is also useful for a variety of studies and research projects. In response to growing interest in this technology overseas, we started selling this product in the U.S. and EU in June 2005.





Value as a Partner in Healthy Living

Advice Via the Internet for Improving Lifestyles

In January 2005, Suzuken began selling Health Diary, a system for helping people lead healthier lifestyles. Sold to healthcare professionals at municipalities, health insurance associations, medical institutions and other facilities, the system uses the Internet to provide advice to healthy people as well as individuals with a health problem. Health Diary uses numerical data from Suzuken's Kenz Lifecorder® EX and Glutest Neo compact blood glucose meter, as well as from other sources. Users can also input data via a PC or cell phone on their diets and daily activities. This information is sent to a Suzuken analysis center where it is analyzed. We then supply advice either to healthcare professionals or directly to individuals concerning their progress regarding specific targets and methods to lead healthier lifestyles.



Compact Blood Glucose Meter

Sanwa Kagaku Kenkyusho Co., Ltd. (SKK) began selling its first compact glucose meter, the Glutest Series, in 1991. Since these meters are used frequently, SKK exercised particular care to make them as easy to use as possible. Operation is simple, and only a tiny amount of blood is needed, making measuring virtually painless. With the Glutest Neo, glucose readings are output in 15 seconds, and up to 360 readings can be stored. Data searches can be performed, too. By offering outstanding ease of use and other features, the Glutest Series has a market share of almost 50%.

