

Corporate Social Responsibility

Corporate Governance

The Suzuken Group recognizes the importance of enhancing corporate governance, and its basic policy is to raise the level of trust stakeholders place in the Group by strengthening its management systems, enhancing its compliance framework and raising levels of disclosure and accountability. In doing so, the Group intends to work toward its ongoing healthy development as a corporation.

Strengthening Management Systems

At Suzuken, the Board of Directors is responsible for management oversight and decision-making, and executive officers are responsible for business execution.

Suzuken has terminated its retirement benefits program for executives based on length of service and replaced it with a program of remuneration linked to business performance and contribution. The number of directors has also been reduced. In addition, beginning in June 2005, the term of office for directors has been shortened from two years to one year in an effort to strengthen the accountability of directors in the performance of their duties.

With regard to the management of subsidiaries, Suzuken performs oversight and auditing to ensure executives and employees of subsidiaries are performing their duties appropriately. This is accomplished by deploying Suzuken directors or corporate auditors to subsidiaries and ensuring decisions are reported to Suzuken and approved in accordance with Affiliate Management Regulations. Regular audits of Group companies are also conducted by Suzuken's corporate auditors, Auditing Office and accounting auditors. In addition, Suzuken develops, and provides guidance related to appropriate systems of internal control based on the nature of each subsidiary.

Enhancing the Compliance Framework

Suzuken established a Risk Management Committee under its Board of Directors in order to further consolidate the company's compliance framework from a corporate social responsibility point of view. The committee comprehensively manages risk across the organization. It meets once a month to discuss risk management for Suzuken and its subsidiaries.

In addition, the Risk Management Section was established to provide administrative support to the committee in order to ensure the effectiveness of risk management initiatives. In conjunction with this, a corporate ethics hotline was set up as an internal reporting system to enhance the framework for faithfully complying with laws and regulations at Suzuken and its subsidiaries.

Led by the Information Security Office, Suzuken is also developing and strengthening an organized system of information management for the purpose of strictly protecting information, which is a key management resource, minimizing information-related risk, legally complying with the Personal Information Protection Law, and raising awareness of the importance of information among employees.

Raising Levels of Disclosure and Accountability

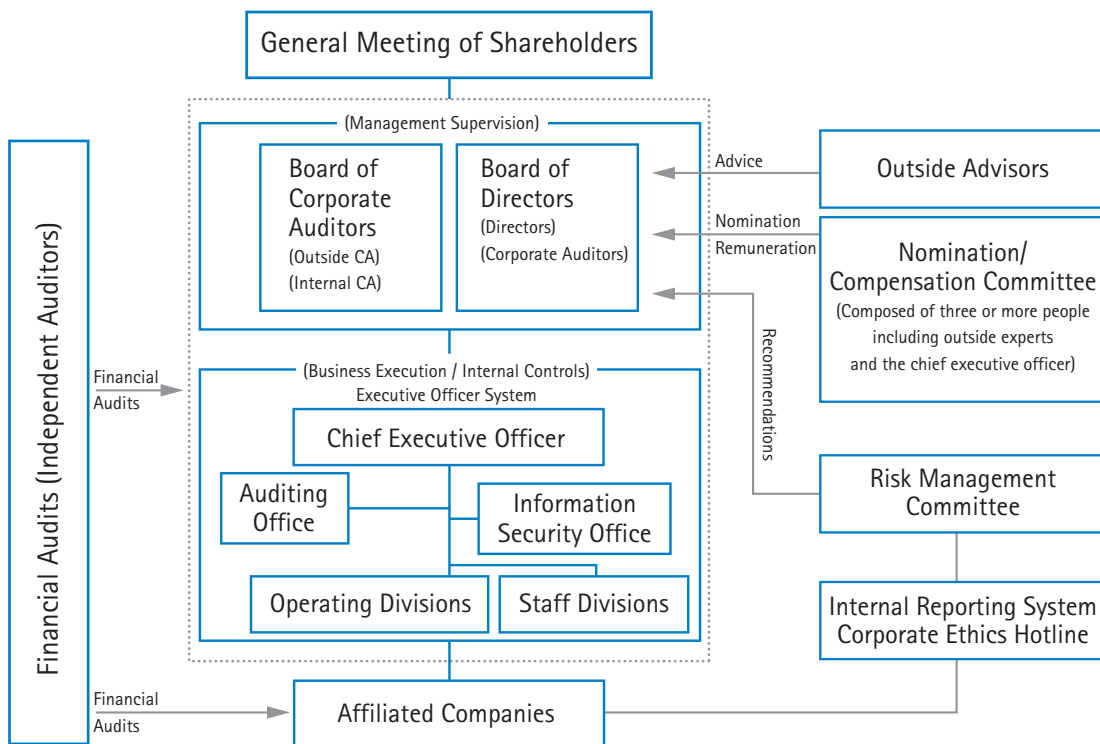
In addition to expediting results announcements and working to enhance the information provided to investors through its business reports, English-language annual reports and website, Suzuken is dedicated to increasing transparency through the proactive, voluntary and timely disclosure of information, going beyond disclosing only what is required by law.

An investor relations section has been established on the company's website and press releases and other information are disclosed in both Japanese and English.

Suzuken's policy with respect to its Ordinary General Meeting of Shareholders is rooted in thoroughgoing accountability. The company views the meeting as the optimal opportunity to present and explain its management policies and initiatives in detail, which it does by giving visual presentations on a large screen and through other means. Suzuken works in this regard to encourage deeper levels of trust and understanding among shareholders.

Corporate Bodies

Suzuken uses a system of corporate auditors. Systems for business execution, management oversight and internal controls are shown below:



*The committees are not committees as legally defined.

1. Directors and the Board of Directors

Suzuken's Board of Directors is comprised of eight directors as of the end of the fiscal year under review. The board meets twice a month, in principle, to facilitate rapid and effective decision-making. The validity and legality of decisions made are ensured through an effective management system consisting of supervision and oversight by outside advisors and corporate auditors.

2. Corporate Auditors and the Board of Corporate Auditors

Suzuken's Board of Corporate Auditors was made up of two standing statutory auditors and two statutory auditors as of the end of the fiscal year under review. The board meets once a month, in principle, with extraordinary meetings held as necessary. It receives reports from corporate auditors on the results of audits performed and deliberates on matters as required.

By a resolution of the Ordinary General Meeting of Shareholders held on June 29, 2006, one certified public accountant has been invited to serve as a new outside auditor in order to improve the transparency and reliability of management.

3. Auditing Office

The Auditing Office is under the direct jurisdiction of the president and chief executive officer, and its 14 members are responsible for conducting internal audits. Internal audits are based on Internal Auditing Rules and involve auditing whether Suzuken's business offices and affiliates are in full compliance with the law and whether risk controls and other internal controls are functioning.

4. Nomination/Compensation Committee

The transparency and objectivity of appointments and remuneration for directors and executive officers are ensured through the establishment of the Nomination/Compensation Committee, which includes outside experts. The Nomination/Compensation Committee is not a committee as legally defined.

5. Risk Management Committee

Suzuken established the Risk Management Committee to further consolidate its compliance framework from the corporate social responsibility point of view. It is directly under the Board of Directors and is responsible for comprehensively managing risk across the organization. The committee meets once a month to discuss risk management issues pertaining to Suzuken and its subsidiaries.

In addition, a corporate ethics hotline, which serves as an internal reporting system, has been set up as a way of enhancing the system for corporate ethics as well as the system for ensuring faithful compliance to the law at Suzuken and its subsidiaries.

Enhancements to Internal Control System

With respect to corporate governance and greater fulfillment of corporate social responsibilities, the Suzuken Group recognizes the ultimate importance of establishing and continuing to develop a high-quality, effective, completely sound system of internal controls through ongoing assessment and improvement, as well as the importance of actually putting the system into practice through ensuring full awareness of the Group's policies on compliance and risk management. The Group's basic policy on internal controls follows below.

1. System to ensure directors and employees are in compliance with the law and the Articles of Incorporation in the performance of their duties

SOFT 21, which consists of management principles and conduct guidelines for Suzuken and Group companies, and the Corporate Ethical Guidelines are established as important codes of conduct. An ethical orientation is fostered among directors, executive officers and employees and full compliance with the law is ensured by an internal communication system, training sessions and other means.

Efforts are made to further develop the oversight function and relevant systems by adding outside experts, outside directors and outside auditors with diverse views and varied knowledge in order to ensure directors perform their duties fairly and legally.

The Auditing Office, which is responsible for internal auditing under the direct jurisdiction of the president, oversees the effectiveness of controls pertaining to chains of command for business execution and constantly monitors legal compliance and appropriateness.

The Risk Management Committee is under the authority of the Board of Directors and is responsible for conducting comprehensive risk management across the organization and monitoring risk on an ongoing basis. The soundness of directors, executive officers and employees of Suzuken and its Group companies in the performance of their duties is maintained with a corporate ethics hotline, which functions as an internal reporting system.

2. System for storing and managing information pertaining to directors in the performance of their duties

Information pertaining to decision-making by directors and the performance of their duties is kept and managed pursuant to the Document Management Regulations and Information Security Management Regulations. The executive officer in charge of the Administrative Headquarters provides coordination and management.

The archival period for information described in the previous paragraph is in accordance with the law and the provisions of the List of Archival Time Periods.

3. Regulations and other systems for managing the risk of loss

The Risk Management Committee comprehensively and all-inclusively manages risk pertaining to Suzuken and all its Group companies (compliance, organizational/strategy, information management, administration, etc.) in accordance with risk management policy.

Managers are appointed for each category of risk and monitoring is conducted autonomously and continuously so that risk management functions effectively. The Risk Management Section and the Information Security Office cooperate closely to promote initiatives aimed at managing and minimizing risk related to business execution.

4. System to ensure directors perform their duties efficiently

Directors are responsible for management oversight and decision-making, while executive officers are responsible for business execution. Their respective duties are carried out promptly and efficiently because authority has been clarified in the Rules for the Board of Directors and Rules for Executive Officers.

The Board of Directors formulates clear management plans and works to ensure its goals penetrate the entire organization. Executive officers in charge of each division formulate and execute specific and efficient policies for achieving the goals.

The Board of Directors oversees and confirms the status and appropriateness of business execution via reports from directors and executive officers in charge at twice monthly board meetings and extraordinary board meetings. It also formulates policies to improve the accuracy and efficiency of activities to achieve the goals.

The system is enhanced by improving company-wide administrative efficiency through the utilization of information technology, which includes the internal communication system.

5. System for ensuring the appropriateness of business activities of the corporate group comprising Suzuken and its subsidiaries

With respect to the management of Group companies, detailed reports are made to Suzuken on important management matters in accordance with Affiliate Management Regulations. Decision-making on important matters requires the approval of Suzuken.

Corporate auditors, the Auditing Office, and accounting auditors conduct regular audits of Suzuken and its Group companies, and independently and objectively assess the status of management activities. Additionally, when auditing identifies matters requiring improvement, the auditing bodies provide recommendations and consultation to the audited department or subsidiary, request as necessary that improvement reports be submitted, and otherwise work to maintain the system of internal controls.

Led by the Risk Management Committee, Suzuken closely collaborates with risk management departments at Group companies to promote the development of an effective risk management system for the entire Group.

6. Matters pertaining to employees designated to assist corporate auditors in the performance of their duties

The general manager of the Risk Management Section provides assistance as an employee designated to assist corporate auditors in the performance of their duties.

When additional employees are requested to help corporate auditors carry out their duties smoothly, directors comply with this request, in principle, and promptly provide the necessary cooperation.

7. Matters pertaining to the independence from directors of employees stated in the previous paragraph

Opinions are exchanged with the Board of Corporate Auditors on personnel matters for the general manager of the Risk Management Section, in accordance with the Rules for the Board of Corporate Auditors.

The general manager of the Risk Management Section, who helps corporate auditors perform their duties, and necessary employees appointed to help corporate auditors perform their duties, are not subject to orders or instructions from directors or their superiors in the departments they are affiliated with, within the scope of their assistance activities for corporate auditors.

8. System for reporting by directors and employees to corporate auditors and other systems pertaining to reporting to corporate auditors

Directors, executive officers and employees successively report to corporate auditors on important matters pertaining to Suzuken and Group companies through contacts and requests to attend important internal meetings, including meetings of the Management Committee and Risk Management Committee.

The general manager of the Auditing Office makes regular reports to corporate auditors and conducts investigations when requested to do so by them.

Directors, executive officers and employees report to the Risk Management Section by directly conveying matters in violation of the law or Articles of Incorporation or by using the corporate ethics hotline, in conformance with Rules for Internal Reporting. The Risk Management Section reports the information it has received to corporate auditors, as necessary.

9. Other systems for ensuring auditing by corporate auditors is conducted effectively

Directors, executive officers and employees promptly respond to requests from corporate auditors for reports and to view important documents. Opportunities are regularly created for corporate auditors to exchange opinions with directors, accounting auditors, the Auditing Office, and other bodies. Efforts are made to improve the effectiveness of auditing by corporate auditors through requesting their attendance at important internal meetings.

Internal Auditing and Auditing by Corporate Auditors

Internal auditing at Suzuken is the responsibility of the 14-member Auditing Office, which is under the direct jurisdiction of the president and chief executive officer. In accordance with Internal Auditing Rules, audits are performed on whether Suzuken's business offices and affiliates are in full compliance with the law and whether risk controls and other internal controls are functioning.

The Auditing Office conducts onsite and document audits based on an auditing plan that is formulated each year and approved by the president. After auditing is complete, an auditing report is submitted to the president. For matters recognized by the president as requiring improvement in light of the auditing report, the Auditing Office orders improvement to the audited department using an official form for that purpose. The department is requested to report on the formulation of an improvement plan and progress on its implementation by submitting an Audit Improvement Status Report.

Auditing by corporate auditors is based on standards established by the Board of Corporate Auditors and annual policies and plans. Corporate auditors attend meetings of the Board of Directors and other important meetings, interview directors, executive officers and internal auditing departments on the performance of their respective duties, and view important approval documents. By these means, they audit the head office, major business offices and Group companies with regard to business and financial performance, systems for compliance with laws and other regulations, and whether internal control systems for risk management and other areas are constructed and put into practice appropriately. Reports are received from affiliated companies as necessary.

Regarding coordination among internal audits, the corporate auditors and the Auditing Office, Suzuken's internal auditing division, exchange opinions regarding formulation of the annual auditing plan and work to conduct audits efficiently. The Auditing Office regularly reports on the results of audits to the Board of Corporate Auditors, corporate auditors are involved in onsite audits by the Auditing Office, and efforts are made to improve effectiveness by having internal auditing activities complement one another.

With regard to coordination between corporate auditors and accounting auditors, the Board of Corporate Auditors meets with Deloitte Touche Tohmatsu, the accounting auditors, four times per year, and receives their auditing plan, interim auditing progress report, term-end auditing progress report and the final Independent Auditors' Report. Explanations are received on each report and opinions are exchanged. Corporate auditors also participate in onsite audits by the accounting auditors at Suzuken's business offices and affiliates, and efforts are made to improve auditing effectiveness by having auditing activities complement one another.

Accounting Audits

With regard to accounting audits of Suzuken, Deloitte Touche Tohmatsu has been appointed as the accounting auditors. Accurate management information is provided from a fair and impartial perspective, and conditions are in place for effective auditing to be conducted.

Two certified public accountants are conducting accounting audits. In addition, four certified public accountants assist in auditing work along with six assistant certified public accountants, and six other staff members.

Relationship With Outside Directors and Outside Auditors

No outside directors have been appointed as of the present time.

Three outside auditors have been appointed by Suzuken as of June 29, 2006. Outside auditors do not have personal, equity, business or other interests in Suzuken.

Enhancing Risk Management Systems

Led by the Risk Management Committee and the Risk Management Section, which conduct comprehensive risk management for Suzuken and the Group as a whole, efforts are being made to strengthen systems for organizationally, systematically and autonomously managing and responding to risks faced by stakeholders in Suzuken and its subsidiaries.

As a specific measure for protecting information, a key management resource, and mitigating risk, in December 2004 Suzuken became the first company in the Japanese pharmaceutical industry to acquire BS7799 certification under the international certification program for information security management systems, and ISMS Conformance Assessment System certification. Led by the Information Security Office, which was established in January 2005 and is primarily responsible for information management, Suzuken is working to build a system for stringent information management.

Director and Corporate Auditor Remuneration

Remuneration paid to directors and corporate auditors in the fiscal year under review is as follows:

Type	Directors		Corporate Auditors		Total	
	Number Paid (People)	Amount Paid (¥ million)	Number Paid (People)	Amount Paid (¥ million)	Number Paid (People)	Amount Paid (¥ million)
Remuneration based on a resolution of the General Meeting of Shareholders	10	247	4	55	14	303
Bonuses via profit allocation	10	92	4	7	14	100
<i>Total</i>	-	340	-	63	-	403

Notes:

1. A description of resolutions on remuneration passed at the General Meetings of Shareholders follows.

1) Directors

The amount of remuneration decided by a resolution at the 58th Ordinary General Meeting of Shareholders held on June 29, 2004 (Article 269.1.1 of the former Commercial Code) is ¥60 million or less per month.

2) Corporate auditors

The amount of remuneration decided by a resolution at the 47th Ordinary General Meeting of Shareholders held on June 28, 1993 (Article 279.1 of the former Commercial Code) is ¥10 million or less per month.

2. As of the end of fiscal 2006, there were eight directors and four corporate auditors. The difference with numbers paid in the table is due to two directors retiring.

Internal Controls for Financial Reporting

Responding to the draft version of assessment and auditing standards for internal controls on financial reporting publicly announced by the Financial Services Agency's Business Accounting Council in July 2005, in October 2005, Suzuken established an internal organization tasked with making preparations for the construction of internal controls on financial reporting. It has also solicited outside consultants and is making progress on initiatives directed at building an internal control system that encompasses principal subsidiaries.

Personnel Development

Suzuken has held seminars since August 2002 to train personnel who will hold the reins to the company in the future. The seminars consist of providing employees with basic knowledge on management strategy, looking at case studies of prominent companies, and presenting research to senior executives, among other activities.

In September 2003, Suzuken started a program to help motivated employees learn and develop on their own. The program shouldered a portion of the costs of correspondence courses and provides financial assistance for acquiring official qualifications.

In fiscal 2004, Suzuken instituted a system of awards that recognizes employees who make noteworthy contributions to the company or society more generally. The awards are intended to motivate employees and invigorate the organization, and because the system encompasses the entire company, it serves to promote business reforms.

In fiscal 2005, Suzuken revised its wage system based on length of service and implemented a system weighted more toward performance, while raising the motivation of employees.

Going forward, the company intends to thoroughly revamp its personnel system and establish a multifaceted human resources management system. This will include management methods pivoting on individual abilities and wage and benefit packages that are in tune with the differences and characteristics of particular jobs.

Environmental Activities

Suzuken has long carried out initiatives to reduce CO₂ emissions, which include installing ice thermal storage air conditioners and using minicars and hybrid vehicles for its fleet. The company built an Environmental Management System in March 2003, which served to systematize and enhance initiatives in this area. The system ensures Suzuken makes efforts to reduce the environmental impact of its corporate activities as far as possible and provides the basis for environmental activities. In March 2004, Suzuken's head office acquired ISO 14001 certification, the international standard for environmental management systems. Looking ahead, Suzuken plans to extend its Environmental Management System to encompass branches and Group companies as well.

Community Activities

The Suzuken Memorial Foundation was established in 1981 to carry on the wishes of the founder of the Suzuken Group, Kenzo Suzuki. The foundation conducts research and provides financial assistance in medical fields, including medical sciences, pharmaceutical sciences and medical engineering. Academic lectures sponsored by the foundation are held twice a year in Japan.

Suzuken also partners with NHK Culture Centers in Nagoya, Tokyo and Osaka to hold community seminars featuring prominent speakers. In Nagoya and Osaka, junior high school, high school and university students—the future of Japan—are invited to attend the seminars free of charge. Over 8,000 people have attended the seminars as of the end of June 2006.