

Interview with the President and Chief Executive Officer

Key Words: Innovation and Speed

In April 2007, the Suzuken Group appointed Hiroshi Ota as its new president and chief executive officer. In conjunction, the Group established three business objectives as forward-looking growth scenarios. Here, Hiroshi Ota discusses how he plans to demonstrate leadership as the new president and chief executive officer and how he intends to pursue the three business objectives.

Q1 Suzuken changed its leadership for the first time in 24 years — since the appointment of Yoshiki Bessho (now serving as chairman) to the position of president in 1983. Please give us your thoughts on “Innovation” and “Speed”, the watch-words for the change of leadership.

The Suzuken Group faces a greatly changed business environment. Moreover, with competitors searching for new business models, the growth styles of individual companies are shifting. Achieving further growth in our “health creation” domain under these conditions requires that we pursue innovation with all due speed in step with the evolution of the market. I see my role in this as preserving the sound corporate culture that we have established thus far, promoting the participation of all managers and staff, and creating an organization that is capable of forcefully pursuing innovation, all with the goal of enhancing the Group’s overall competitiveness.

Q2 Please outline the business results for the fiscal year ended March 31, 2007 and the business targets going forward.

In the fiscal year ended March 31, 2007, sales increased for the eighth straight year and set a new record high. Furthermore, operating income and net income continued their advance from the previous fiscal year.

The Suzuken Group has set the following management targets for the fiscal year ending March 31, 2011, and it will continue to work toward their achievement. Regarding our target of achieving a share of 25% or more in the Japanese ethical pharmaceutical market, we have changed this to the goal of becoming market leader based on projections that a 25% market share would be insufficient to claim the No. 1 ranking in the domestic market.

	2007	Target 2011
Sales:	¥ 1,454,842 million (up 4.8% year on year)	¥ 2 trillion
Operating income:	¥ 18,411 million (up 9.6% year on year)	
Net income:	¥ 17,702 million (up 3.0% year on year)	
Operating cash flow per share:	¥ 737.73	¥ 300
Return on equity (ROE):	7%	
Cash dividends per share:	¥ 42	
Share of Japanese ethical pharmaceutical market:	19.9%	No. 1

Q3 Please comment on expansion for the Suzuken Group going forward.



Having now achieved its aim of nationwide coverage, the Suzuken Group has set its sights on accomplishing the three business objectives shown below. Simultaneously, the Group will proactively seek alliances with companies that share the same philosophy, not only in the pharmaceutical distribution industry, but also in the diagnostic agent and medical equipment/materials businesses. In its drive to become No. 1 in the Japanese pharmaceutical distribution market, the Suzuken Group is pursuing the following strategies for distribution, marketing, and information.

Suzuken Group's Business Objectives:

- 1 Group synergies
- 2 No. 1 in pharmaceutical distribution
- 3 Enhanced health creation

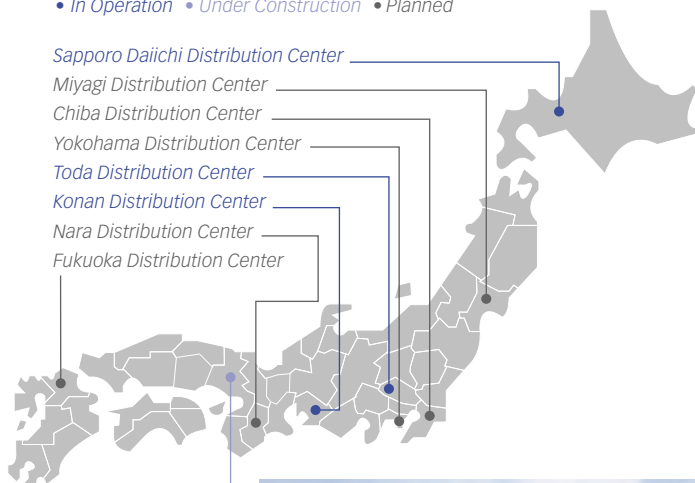
The Suzuken Group made Shoyaku Co., Ltd., which operates in the Kyushu area, a wholly owned subsidiary in October 2006. This action gave the Group operating bases in all 47 of Japan's prefectures, and made it the first pharmaceutical distributor in Japan with a national network.

The Group's distribution activities are underpinned by a continual orientation toward the needs of customers. The Hanshin Distribution Center is scheduled to begin operations in the second half of the fiscal year ending March 31, 2008. This will further enhance the Group's logistics base in the Kansai region (encompassing Osaka, Hyogo, Kyoto, Nara, Shiga, and Wakayama prefectures).

Including the three bases now in operation, the Suzuken Group plans to operate a total of nine distribution centers nationwide in the future. When these centers come online, out-of-stock rates could be reduced by as much as half, as we build a better system for supplying customers with the right products, at the right time, and at the right place, thereby significantly increasing customer convenience. Another anticipated benefit is a further reduction in inventories. Additionally, we are working to construct a low-cost distribution base through greater standardization in inventory management in our distribution centers.

Suzuken distribution centers:

• In Operation • Under Construction • Planned



Hanshin Distribution Center

As part of its corporate social responsibility, the Suzuken Group introduced a distribution system in May 2005 that makes it possible to trace products. After receiving products from pharmaceutical manufacturers, their lot numbers and expiration dates are monitored with bar codes to ensure product safety and efficacy, while making their distribution channels clear to customers. By building distribution centers and instituting the new distribution system we will strive to fulfill our mission of safe, efficient product delivery and become No.1 in medical logistics.



In 2007, the Suzuken Group formulated a Business Continuity Plan. This plan is a business strategy to recommence operations in a short period of time and to protect the Company from a reduction in customers and market share in the event of a major disaster or accident. As part of its Business Continuity Plan, the Suzuken Group is upgrading its disaster response systems to enable it to quickly provide necessary drugs in the event of a disaster. In April 2007, the Group installed an auxiliary system in Sapporo to ensure the continuation of business operations even if the main system, located in Suzuken's head office, becomes inoperable due to disaster. As a company that plays a vital role in the nation's healthcare, we are continually working to bolster our Business Continuity Plan to fulfill this obligation.

In marketing, to raise the level of service to customers such as medical institutions and pharmacies, the Suzuken Group has significantly increased the time invested in sales by its sales representatives. By analyzing and verifying business processes at each office, we aim to find more time for sales representatives to spend on customer consultations and on activities that increase their product knowledge, with the ultimate goal of providing customers with information and services faster and at a level that exceeds expectations.

As pharmacies continue to separate from medical institutions, the previous system of evaluation whereby pharmaceutical manufacturers paid distributors an allowance linked to sales is now shifting to a system whereby manufacturers pay distributors a "performance fee" when the distributor's marketing activities or provision of information to medical institutions—the issuers of prescriptions—leads to drugs being subscribed. Reflecting its drive to enhance both the quantity and quality of information provided, in fiscal 2007 the Suzuken Group received performance fees from pharmaceutical companies totaling ¥ 4 billion, a three-fold increase from the previous fiscal year. With the construction of this business model, the Suzuken Group is able to provide better-quality information to healthcare professionals, and thereby contribute greatly to the decision-making process for medical practitioners in selecting drugs.

The key to the establishment of this kind of business model is information. In 2006, we constructed a system for providing information accumulated through marketing activities to pharmaceutical company medical representatives via the Internet. This system has strengthened cooperation with the medical representatives of pharmaceutical companies, while enabling appropriate implementation without missing an opportunity to provide information to customers or help them resolve problems. This system has also contributed to the expansion of performance fees.

Q4

Please explain what the Suzuken Group's idea of "health creation" entails.

The Suzuken Group's business domain is "health creation". Taking a broad view of the medicine and healthcare domain, a variety of processes are apparent. For example, before newly developed pharmaceuticals are prescribed to patients, there is the process of discovering a chemical compound with pharmaceutical potential, developing and manufacturing a new drug and distributing it.



Meanwhile, individual health management is also subject to a process: that of disease prevention, health restoration, maintenance and improvement. And hospitals, clinics and pharmacies have their own processes of medical practice centering on disease diagnosis and treatment in addition to drug prescription and dispensing. The Suzuken Group is taking steps to bolster its core pharmaceutical distribution operation, while establishing new businesses within the various processes in the medicine and healthcare domain. In this way the Group will create new value from Group synergies, helping people to lead healthier, more rewarding lives.

Q5

Please list some specific ways in which Group synergies are being generated.

The Suzuken Group is the only Japanese pharmaceutical distributor with a nationwide network, and it has accumulated a wealth of specialized knowledge and expertise. This know-how has derived from the manufacture of pharmaceuticals and medical equipment as well as from the pharmaceutical distribution business, and is also the result of establishing strong relationships with medical professionals and pharmaceutical companies. We leverage these assets to generate Group synergies in our "health creation" domain. For a discussion of the operations in which these synergies are being manifested, please refer to pages 8 to 14 of this annual report.

Q6

Please provide details on the announced establishment of a joint venture in China.

In May 2007, Suzuken concluded an agreement with Shanghai-based Shanghai Pharmaceutical Co., Ltd. for the creation of a joint venture to engage in the wholesaling of ethical pharmaceuticals. The Chinese pharmaceutical market is expanding on the back of a rising population and dramatic growth in its economy, and this is being accompanied by demand for medical treatment that is increasingly diverse and sophisticated in terms of both quality and service type. Meanwhile, having made the globalization of its operations one of its main management issues, Suzuken exports medical equipment to 50 nations around the world. Other key endeavors in our overseas business include a business and capital tie-up with a pharmaceutical distribution firm in Taiwan.



With the conclusion of this joint venture agreement, Suzuken acquires a 50% stake in Shanghai Huzhong Pharmaceutical Co., Ltd., owned by Shanghai Pharmaceutical Co., Ltd. The joint venture is scheduled to be renamed Shanghai Suzuken Huzhong Pharmaceutical Co., Ltd. in December 2007. By leveraging the Suzuken Group's expertise in the pharmaceutical distribution business in Japan and working with Shanghai Pharmaceutical, we aim to contribute to enhanced medical treatment in China.

Q7

Please comment on the Company's stance with regard to shareholder returns.

The Company's fundamental policy is to maintain stable dividends. With that as a starting point, we aim to incrementally raise dividends in line with ongoing earnings expansion, targeting a consolidated payout ratio of 30%. Meanwhile, against a backdrop of harsh business conditions, we are aiming to stay competitive and achieve stable growth by focusing allocation of internal reserves to expand our operations and reinforce our business base. For the fiscal year ended March 31, 2007, we declared a full-year dividend of ¥42 per share. Of this, the year-end dividend amounted to ¥22, which was ¥2 higher than in the previous fiscal year due to an additional ¥2 commemorating the integration of Shoyaku Co., Ltd. The projected dividend for the fiscal year ending March 31, 2008, is ¥50 per share.

As a "healthcare creator", the Suzuken Group aims to contribute to society in a range of medicine and healthcare-related fields, centering on its core pharmaceutical distribution business. The Group is also reinforcing efforts to grow in step with its shareholders and other stakeholders by increasing its corporate value through stable earnings expansion.

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Hiroshi Ota

President and Chief Executive Officer