



Yoshiki Bessho
Chairman and Executive Officer

Hiroshi Ota
President and Chief Executive Officer

To Our Stakeholders

Steady Progress Under New Top Management Structure

The fiscal year ended March 31, 2008—the first year under Suzuken’s new top management structure—was a period of steady progress, with record-high figures for net sales, operating income, and net income.

Since instituting the new top management structure in April 2007, we have been united in our efforts to steer a course toward growth for the Suzuken Group. Central to these endeavors is the commitment of the new president and chief executive officer, Hiroshi Ota, to building a strong brand image for Suzuken by creating a

company that employees can be proud to work in, and that enables them to contribute more to society. With a long track record of involvement in the front line of sales, Mr. Ota recognizes the importance of sales offices in maintaining direct contact with major clients as the key to maximizing customer satisfaction. Despite his busy schedule, he makes time to visit our employees at the front-line sales offices where they work, strengthening his lines of communication with individuals and raising their awareness of important matters.

Record-High Revenue and Earnings

Consolidated net sales for the year amounted to ¥1,586,596 million, up 9.1% from the previous fiscal year. Operating income increased 26.3%, to ¥23,251 million, and net income rose 20.5%, to ¥21,327 million.

In the year under review, the Japanese economy remained weak, its recovery stalled by depressed stock prices and languishing worker incomes, as well as sluggish personal consumption due to rising commodity prices. Against this background, we estimate that the domestic pharmaceuticals market grew around 3% for the year, boosted by the aging population and the benefits of new drugs.

Sales in the pharmaceutical distribution segment increased 8.7%, to ¥1,541,982 million, buoyed by the inclusion of Shoyaku Co., Ltd., which became a wholly owned subsidiary in October 2006. Accordingly, we achieved growth in excess of the market. Operating income in this business climbed 16.8%, to ¥19,240 million.

Large wholesalers are becoming more and more dominant in the pharmaceutical wholesale sector, where reorganization is transcending industry-specific lines. Consequently, the competitive advantages of each company are becoming more apparent. With the guidance

of the Ministry of Health, Labour and Welfare (MHLW), moreover, the entire industry is working to correct unsuitable practices related to the distribution of ethical pharmaceuticals, such as unpriced transactions.

Facing these challenges, the Suzuken Group focused on improving distribution practices while rigorously pursuing price negotiations based on economic rationality, and swiftly adjusting its sales prices accordingly. As the first pharmaceutical wholesaler in Japan to achieve nationwide coverage, we stepped up joint purchasing and distribution and otherwise continued to harness Groupwide synergies. Moreover, in November 2007 we made Jingu Yakuhin Co., Ltd., which mainly wholesales diagnostic drugs, into a wholly owned subsidiary. We will continue to build up our operations in diagnostic reagents, taking advantage of this acquisition.

With respect to sales, Suzuken’s guiding principle is that “Every Employee is a Salesperson.” Based on this principle, we strove to increase customer satisfaction by proposing solutions tailored to their specific needs, while resolutely adopting the perspectives of our clients. In addition to traditional wholesale

functions, we have a system for assuring the swift delivery of information on the activities of medical wholesaling sales representatives (MS) to pharmaceutical companies' medical representatives (MR), enabling a two-way exchange of information. Deploying this system, we sought to secure and strengthen our "performance fee" business model, in which information plays a key role.

In April 2008, the MHLW started introducing measures for promoting the use of generic drugs. In response, Suzuken has been upgrading its portfolio of "recommended generics," which are selected according to Group criteria, to better meet customer needs.

Our small-intestine capsule endoscope, launched in May 2007, was approved for insurance coverage in October 2007. Encouraged by this progress, we further broadened the market for this product by strengthening our sales infrastructure.

On the logistics side, we continued working to swiftly realize our center-based logistics concept. Here, we reinforced our capabilities in such areas as on-time delivery, product availability, and shipment traceability. In October 2007, we commenced operations at two facilities: the Hanshin Distribution Center, covering the Kansai District centered on Osaka and Hyogo prefectures; and the Kakegawa Product

Center, covering Shizuoka Prefecture. Our logistics concept calls for the establishment of nine distribution centers nationwide, complemented by a network of eight product centers. With the opening of the Hanshin and Kakegawa facilities, we are making good progress, with four distribution centers and six product centers now in operation.

Suzuken is also advancing its ethical pharmaceutical wholesale business overseas. During the year, we established Shanghai Suzuken Huzhong Pharmaceutical Co., Ltd., in a joint partnership with Shanghai Pharmaceutical Co., Ltd. The new company began operations in May 2008.

Sales in the pharmaceutical manufacturing segment rose 7.3% year on year, to ¥54,926 million. The segment benefited from healthy sales of *Seibule*, an agent for postprandial hyperglycemia launched in January 2006. Owing largely to increased sales of *Seibule*, segment operating income jumped 48.8%, to ¥3,098 million.

Sales in the other healthcare related services segment surged 40.0%, to ¥41,074 million, thanks mainly to a solid performance by our business in providing logistics support for pharmaceutical manufacturers. The segment posted operating income of ¥559 million, compared with a ¥39 million operating loss in the previous fiscal year.

New Three-Year Business Plan

Suzuken is engaged in the "health creation" business domain. In our role as a "health creation" company, we are working to maximize corporate value, guided by our long-term vision of "becoming an indispensable part of the medical treatment and health industries." Seeking to build a foundation for realizing this vision, we formulated a new medium-term business plan, covering the three-year period from April 2008 to March 2011.

The medium-term goals of the plan are to "establish a medical distribution platform" and "become the best partner for medical

treatment and healthcare." The Suzuken Group's medical logistics capabilities encompass the entire spectrum, from pharmaceutical manufacturers to hospitals and health insurance pharmacies, as well as patients and people seeking better health. In addition to ethical pharmaceuticals, we are building a robust logistics system covering such items as diagnostic drugs, medical equipment, and medical materials, in our quest to "establish a medical distribution platform." Meanwhile, we are diversifying our activities within our business domain. Here, we are building an earnings

base aimed at delivering exceptional value in the fields of medicine and health, reflecting our second goal, which is to “become the best partner for medical treatment and healthcare.”

Through the aforementioned strategies, we

have two key financial targets for the year ending March 2011: consolidated net sales of ¥2 trillion and ROE of 10% or higher.

(For more details, please refer to “Interview With the President and Chief Executive Officer.”)

Medium-to-Long-Term Growth Strategies

The operating environment for Japan’s medical sector remains challenging, characterized by tightening public finances as the nation’s population ages, together with pressures caused by drastic reforms to the entire medical system. The ethical pharmaceutical market will be affected by government policies aimed at reducing healthcare expenditures, including the promotion of generic drugs. Buoyed by the aging population and the benefits of new drugs, however, the market is expected to continue growing, albeit moderately.

Facing these challenges, the Suzuken Group will reaffirm its commitment to seizing the No. 1 share of the pharmaceutical distribution market, its core business. To this end, we will strive to achieve the medium-term goals of our new business plan.

As the first company in the pharmaceutical wholesale business to obtain nationwide coverage, we will strengthen our customer-focused sales activities in order to raise our profile in each of our operating regions and further expand our share of the national market. In addition to targeting synergies throughout the Group, we will consider M&A opportunities as we strive to recapture the top market share. Meanwhile, we will build a sales and delivery system that can flexibly meet the diversified needs of customers. With the guiding principle that “Every Employee is a Salesperson” we will actively embrace the perspectives of customers while strengthening and upgrading our sales foundation. With respect to logistics, we will endeavor to improve the accuracy of quality control by providing traceability centering on lot numbers and use-by dates, while also working to swiftly realize our logistics concept.

In the pharmaceutical manufacturing business, our objective is to “establish a firm position as the best partner in diabetes treatment.” To this end, we will provide comprehensive disease management support, ranging from prevention, diagnosis and treatment to nutrition and nursing care in diabetes and peripheral fields, with the focus on three areas—pharmaceuticals, diagnostics, and nutrition. We will harness our comprehensive strengths and Groupwide synergies across five businesses—the three aforementioned areas, plus our contract manufacturing business and One-Step Dry-Coating (OSDrC®) business—to foster progress in medical treatment. We will place high priority on rebuilding our strategies and establishing a growth foundation in the core areas of diabetes and related complications, while restructuring each of our businesses and nurturing stronger human resources. A key focus will be on further expanding market share for *Seibule*, which is a core product for the pharmaceutical manufacturing business. In addition, we will reinforce our competitiveness by optimally allocating resources and pursuing strategic alliances, while reforming our earnings structure to maximize profitability and embracing new business opportunities.

In new businesses, we will appoint sales managers throughout the nation to promote capsule endoscopes, for which Suzuken is the sole agent in Japan, with the aim of expanding market share. Responding to the introduction in April 2008 of a rule mandating specified medical examinations and healthcare guidance, we will focus on providing healthcare guidance services on consignment on behalf of local governments and health insurance associations.

Through our newly established joint venture in China, meanwhile, we will deploy our expertise in pharmaceutical wholesaling to foster the progress of medicine in that nation.

Strengthening Corporate Governance

The Suzuken Group recognizes the importance of enhancing corporate governance. Our basic policy is to raise the level of trust stakeholders place in the Group by strengthening our management systems, enhancing our compliance framework, and raising levels of disclosure and accountability. In doing so, we will contribute to our ongoing

healthy development as a corporation.

In the year under review, we established and began operating various systems related to internal control in response to "Evaluation and Auditing Standards for Internal Control for Financial Reports," which came into effect in April 2008.

Dividend Increase Reflecting Sustained Performance Improvements

The Company's fundamental policy is to maintain stable dividends. Based on this policy, we aim to incrementally raise dividends in line with ongoing earnings expansion, targeting a consolidated payout ratio of 30%.

With respect to distribution of retained earnings, our core priorities are to broaden our business and strengthen our sales foundation, in order to protect our competitive edge and maintain stable growth amid the difficult conditions surrounding our industry. Following the enactment of Japan's Company Law in May 2006, the General Shareholders' Meeting, held on June 29, 2006, approved a resolution

to modify the Company's Articles of Incorporation to allow a more flexible dividend policy. The change enables the Board of Directors to make decisions on matters pertaining to distribution of retained earnings, such as interim and year-end dividend payments.

The Suzuken Group will strive to maximize corporate value over the long term in its quest to develop its health resources and advance its logistics business globally. To this end, we aspire to become an entity that earns the unparalleled trust of all stakeholders. We look forward to the ongoing understanding and support of shareholders and other investors.

July 2008

Yoshiki Bessho
Chairman and Executive Officer

Hiroshi Ota
President and Chief Executive Officer