

# Interview With the President and Chief Executive Officer

## Establishing a Corporate Foundation Capable of Maintaining Stable Growth

In this interview, President Ota speaks about Suzuken's new medium-term business plan and describes his strategies for meeting the goals of the plan.

**Q1** Can you describe the basic stance and policies of Suzuken's new medium-term business plan?

*The goal of the new plan is to secure a competitive edge and establish a corporate foundation capable of maintaining stable growth, by ensuring that our strategic direction and numerical targets are shared and embraced throughout the Suzuken Group. To this end, we will focus on three key areas.*



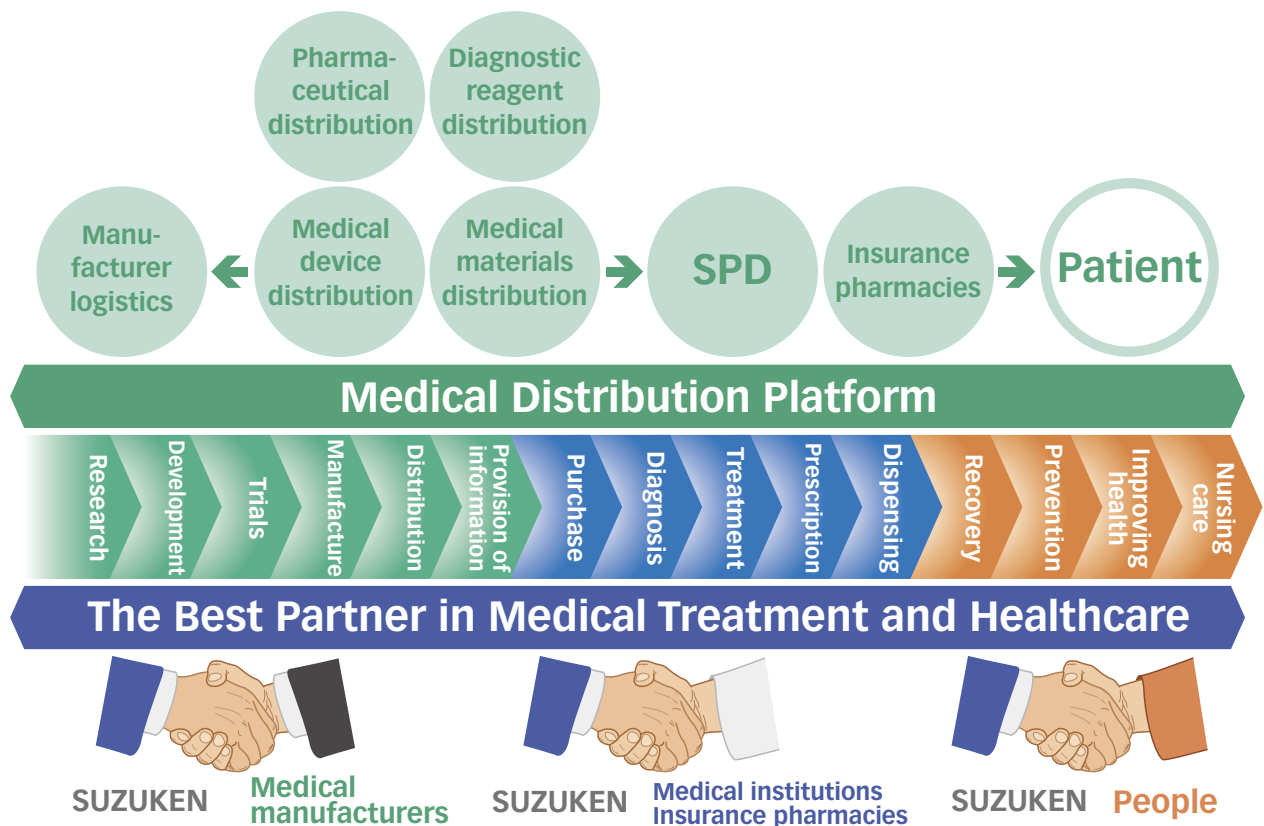
*First, we will seek to achieve further progress in the distribution business by building a new business model. Second, we will advance our capabilities in businesses centering on patients, by taking full control of distribution, right up to receipt of products by patients, and by raising their satisfaction levels. Third, we will further entrench our presence in the medical treatment and healthcare sectors, by reinforcing our capabilities in diversified businesses and building a strong Suzuken brand. Our basic policies are to maximize customer satisfaction and generate Groupwide synergies. At the same time, we will reassess our business practices and organizational struc-*

*ture based on our founding spirit of making a contribution to society, while pursuing innovation across the board.*

*Having long experience in sales, I am aware of the paramount importance of earning the trust of customers and increasing their satisfaction levels. To succeed here, we must keep abreast of exactly what our customers' needs are and address those needs fully. I firmly believe that winning the trust of customers also helps make employees more aware of their work performance and more motivated, in addition to helping enhance the corporate value of the Suzuken Group.*

**Q2** One of the visions of the plan is to establish a medical distribution platform. Can you describe the purpose of such a platform, and the strengths that will underpin it?

*Our objective is to make a contribution to the huge medical treatment domain by handling all aspects of the distribution function. A look at the entire flow of a medical distribution platform reveals a long list of processes, from R&D on pharmaceuticals and medical equipment to manufacturing, logistics, drug dispensing, treatment, recovery, rehabilitation, and nursing care. In addition to distributing pharmaceuticals, the Suzuken Group is advancing its operations in such areas as distribution on behalf of pharmaceutical manufacturers and providing supply, processing, and distribution (SPD) systems to help enhance operating efficiency of hospitals, and insurance pharmacy business. In this context, establishing a medical distribution platform will enable us to provide one-stop services related to medical treatment*



while generating Groupwide synergies. By also deploying shared infrastructures, we can reduce distribution costs. In these ways, we plan to create new medical distribution frameworks that will benefit the industry and society as a whole.

To realize our vision, we will raise our presence in each region and enhance the

total appeal of the Suzuken corporate group, while at the same time actively forming alliances to broaden our business scope. In doing so, we will pursue alliances with companies that fit with our business philosophy and can contribute to raising the corporate value of both partners.

**Q3** Please describe your medium-term vision of “becoming the best partner for medical treatment and healthcare” and outline Suzuken’s strengths in this area.

Our aim is to become the “best partner” for our customers by contributing to their operations through expansion of our business scope. In addition to its wholesale customers, represented by medical institutions and insurance pharmacies, the Suzuken Group’s customer base also includes medical-related manu-

facturers, patients, and people seeking better health. By becoming the “best partner” of these customers, we can contribute to medical treatment and health while harnessing Groupwide synergies. This will enable us to build a corporate foundation that contributes to medical treatment and health in our role as a “health creation” company.

To achieve progress in the aforementioned areas, we will swiftly get new businesses up and running while rebuilding our business portfolio.

**Q4** What are your numerical targets and how will you reach those targets?

*In the fiscal year ending March 2011, we are targeting net sales of ¥2 trillion and ROE of 10% or higher on a consolidated basis. To achieve these targets, we will pursue sales growth in our core pharmaceutical distribution business in excess of market growth, while expanding diversified businesses and actively seeking alliances and M&A opportunities. To attain our ROE target, we will establish a new earnings model to generate fee-based income and increase our share of the market for Seibule, a strong-selling diabetes treatment for postprandial hyperglycemia, in order to boost profits. At the same time, we will optimize distribution costs and develop a flexible capital strategy.*



**Q5** What are your basic strategies for achieving your targets?

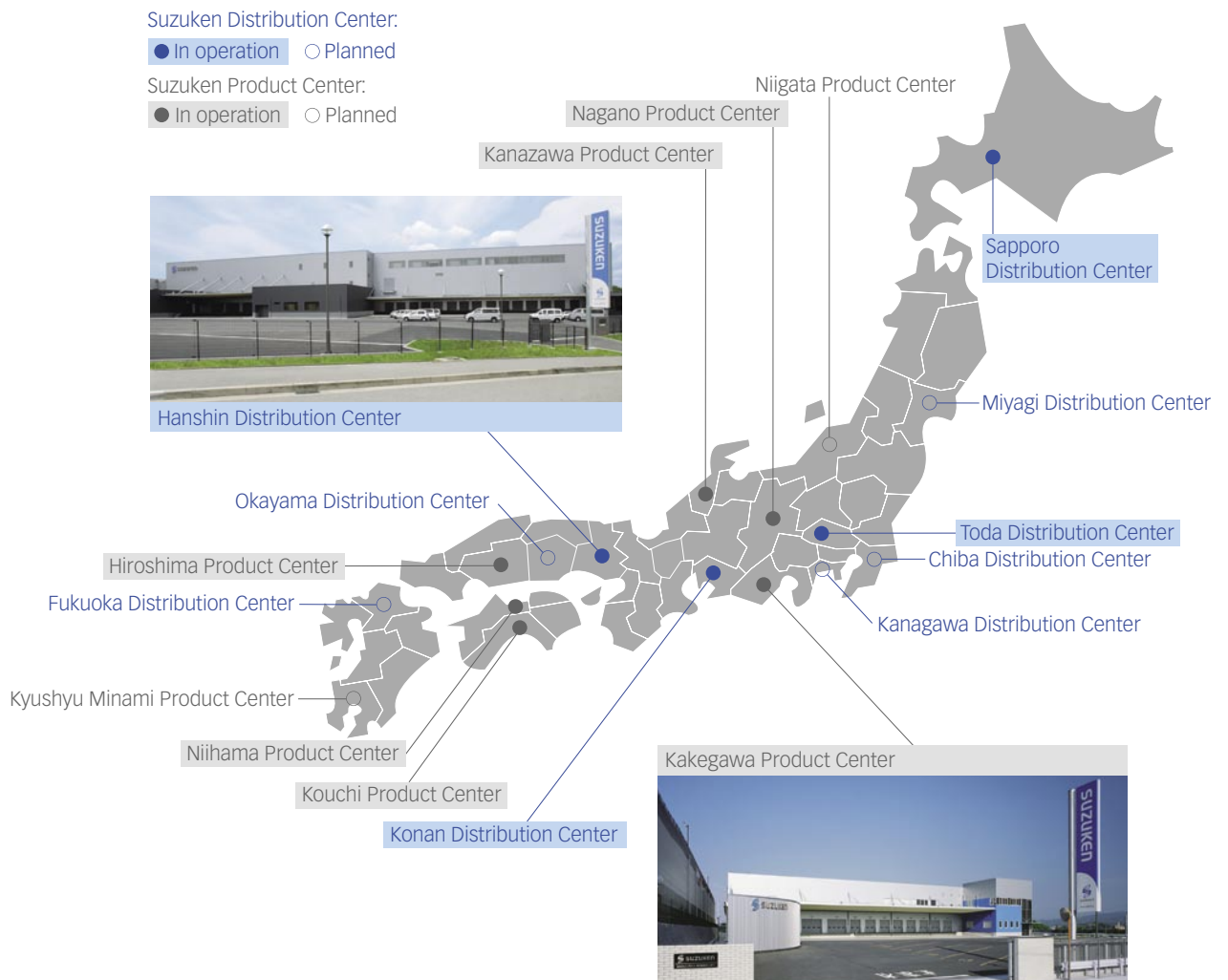
*Realizing sales growth in excess of market growth will entail maximizing customer satisfaction levels by giving them better managerial support and raising the satisfaction of patients. Meanwhile, we will generate fee-based income by establishing a new earnings model. We already provide pharmaceutical companies with information obtained through the marketing activities of our sales force. At present, we are strengthening this framework by incorporating “performance fees”*

*as a systematic component of our business model, in which information plays a key role. Our new earnings model will be established by targeting further progress in this area. In addition, we will swiftly realize our center-based logistics concept in order to establish an exceptional distribution network and thus optimize distribution costs. At the same time, we will boost profits by increasing market share for Seibule while broadening our presence in diversified businesses. Here, our aims are to build a strong Suzuken brand image in the field of diabetes treatment, driven by Seibule.*

**Q6** How do you plan to maximize customer satisfaction?

*There are two key aspects to meeting our customers’ needs: improving support for their operations and raising the satisfaction of their patients. We will actively pursue ways of addressing both aspects.*

*In the area of operational support, we have a broad menu of capabilities. These include using SPD systems to propose optimal pharmaceutical solutions and support cost management, operational control systems for pharmaceutical chain stores, inventory control and ordering systems for enhanced efficiency, and training support for pharmacists. To raise patient satisfaction, we will upgrade the traceability function through reliable management of product lot numbers and use-by dates, in order to guarantee peace of mind and safety of patients. At the same time, we will work directly with patients and compile a generic drug manual aimed at raising the standard of our services. We will complement this menu with a customer-focused sales system and meticulous product delivery services to ensure a consistently high nationwide service standard and thus more effectively demonstrate the Suzuken Group’s strength of contributing to customers’ operations.*



**Q7** You plan to establish a new earnings model through advances in performance fees. You also plan to establish an ideal distribution network and optimize distribution costs. How will you realize these plans?

*With respect to performance fees, we will step up visits to medical institutions and insurance pharmacies. We will further raise income from performance fees by improving both the effectiveness and efficiency of our systems. To ensure that our sales force activities, which are key to generating fee income, are evaluated appropriately, we will review our assessment standards. By also strengthening interaction with pharmaceutical company medical representatives (MR), we will raise our targeting capabilities. In these ways, we will establish an earnings model that excels both quantitatively and qualitatively.*

*Creating an optimal distribution network is the central and most important part of our vision to establish a medical distribution platform. We are progressing on schedule with our plan to build a nationwide network that will encompass nine distribution centers, complemented by eight product centers. By establishing an ideal distribution network, we can make steady improvements in optimizing our distribution costs. Deployment of our distribution and product centers is already bringing improvements in the out-of-stock rate and months supply of inventory (MSI). Our target for the out-of-stock rate is in the 0.1% range nationally, and we are pursuing an MSI of 0.6 months. Through these measures, we aim to cut distribution costs as a percentage of sales by around 0.5%, with a 1% target for the future.*

Q8

In which ways will you build a strong brand image for Suzuken in the diabetes field, centering on *Seibule*?

*To date, we have mainly employed a product-by-product approach to sales. By shifting to a more integrated approach based on specific diseases, we plan to meet the needs not only of diabetes treatment facilities but also of pharmaceutical manufacturers, and thus build a strong brand image for Suzuken in the diabetes field. The Suzuken Group has a formidable arsenal that includes information capabilities, promotional skills, and original sales tools. Sanwa Kagaku Kenkyusho Co., Ltd. (SKK), a pharmaceutical manufacturing subsidiary, is building a nationwide diabetes network and strengthening ties with*



*medical institutions around Japan. In addition, we will integrate the strengths of various Group companies, including in the area of insurance guidance services, in which we provide guidance to insured people on behalf of insurance companies. This will enable us to offer a host of services covering all processes, from prevention to examination, treatment, and outcome, as well as information and various tools. Our ultimate goal is to “become an indispensable part of the medical treatment and health industries.”*

Q9

Finally, what are Suzuken’s aspirations for the future?

*As a nationwide wholesaler with close regional ties, we are developing a dual approach to operations whereby we create and offer services and businesses that reflect the specific healthcare needs of regions, while we also offer regions the same services and businesses provided across the whole of Japan.*

*In addition, we will step up efforts to generate synergies between Group companies advancing their respective businesses, including pharmaceutical distribution, pharmaceutical manufacturing, and medical equipment manufacturing. In this way, we will realize our medium-term vision of establishing a medical distribution platform covering all functions, from upstream to downstream. Meanwhile, we will seek to become the “best partner for medical treatment and health” for all customers, including pharmaceutical manufacturers, medical institutions, and insurance pharmacies, as well as patients and the general public. Backing all of these initiatives will be an ongoing effort to further enhance the efficiency of our operations.*

*Finally, our foremost priority is to benefit society in our role as a “health creator.” We will maintain our commitment to taking on new challenges, continuing to put innovation into practice in our quest to enhance the Suzuken Group’s value to society.*

July 2008

大田裕史

Hiroshi Ota

President and Chief Executive Officer