



One Team Report **2024**

Suzuken Group Integrated Report

C O N T E N T S

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Contributing to the health of all people as a health creation enterprise

Since its founding, the Suzuken Group has developed businesses based on its mission of being helpful for society. As we approach our 100th anniversary, we aim to transition to a health creation enterprise that contributes to the health of all people.

Value Creation and Strategy

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Everything we do is for a sustainable society—Pursuing ambidextrous management based on digital means

As part of our medium-term management plan, we are simultaneously reforming existing businesses and preparing new growth businesses. Centered on our three drivers of growth—digital healthcare, smart logistics, and community healthcare and nursing care support—we are focusing on human resource development and on investing in collaboration and the use of digital means. We will maintain our social infrastructure role of pharmaceutical distribution and aim for the realization and growth of a sustainable society.

Business Portfolio

- 41 Pharmaceutical Distribution Business
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Changing our segmentation to implement our medium-term management plan

Beginning in fiscal 2023, we changed some of our segments. We added a medical equipment and materials manufacturing business to our former pharmaceutical manufacturing business and made it the “healthcare product development business,” and we added a nursing care business and a medical and nursing care support business to the former pharmacy business and made it the “community healthcare and nursing care support business.”

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Strengthening our governance system and compliance as a social infrastructure business

To fulfill our social infrastructure mission and create new value through our businesses, the trust of our stakeholders is indispensable. Based on the belief that compliance comes first, we are strengthening our corporate governance framework and compliance.

Financial and Corporate Information

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We post basic information about the Suzuken Group, including financial data and shares.

Editorial Policy

About

“One Team Report 2024”

In 2016, the Suzuken Group began to issue a One Team Report that integrates the content previously included in our Annual Report and CSR Report and presents both financial and non-financial information. It is our hope that through this report, a wide range of stakeholders including shareholders, investors, and others will gain a deeper understanding of the Group.

The performance and financial data in this report are based on the annual securities report.

Forward-Looking Statements

Regarding the Suzuken Group’s future, “One Team Report” contains statements based on assumptions, expectations, and plans that the Group’s management believed appropriate at the time the report was prepared. However, such statements, being predicated on presuppositions, involve risks and uncertainties.

Please understand, therefore, that the Company’s actual performance may vary from such statements due to social, economic, and company conditions.

At a Glance

Founding



1932

Since our founding as a pharmaceutical wholesaler, we have delivered pharmaceutical products throughout Japan for over 90 years and expanded our businesses to respond to the needs of society.

Businesses



We operate in 4 segments

Beginning in fiscal 2023, we changed our business segments, and we currently conduct business activities in: pharmaceutical distribution business, healthcare product development business, community healthcare and nursing care support business, and healthcare related services business.

Sales



2,386.4 billion yen

In fiscal 2023, revenue and profit increased year-on-year, as we recorded our highest sales figures ever.

Number of Group companies



57

The Suzuken Group consists of Suzuken Co., Ltd., 45 Group companies, and 11 affiliated companies. In addition to this, we are partnering and collaborating with a wide range of external companies.

Pharmaceutical distribution business

Number of trading partners

Approx.

200,000 or more



Items handled

Approx.

64,000 items



We have built a proprietary healthcare distribution platform and realized a stable supply of pharmaceuticals through high quality distribution. Notably, we have the industry-leading track record in the exclusive distribution of specialty drugs.

Number of business locations

206 nationwide



Number of distribution centers

15



We have a sales and distribution network covering all of Japan, and we are constructing a sustainable pharmaceutical distribution system as social infrastructure.

Number of Group employees



13,086

With diverse human resources involved in the fields of medicine and health working together as One Team, we are taking on the challenge to create new value.

The very heart of our founding

For Society and for People

Corporate Philosophies of the Suzuken Group

Mission

Reason for existence and duty

Our work in the field of health creation looks to draw together the integrated wisdom of the entire Suzuken Group and continue contributing to fulfilling lives filled with smiles for all people.

Vision

Ideal vision of the future

As a “health creator,” the Suzuken Group is committed to the challenge of creating new value across the diverse fields of healthcare as we aim to be the best partner in support of everyone achieving their “Smile.”

Value

Code of conduct

SMILE

We are a company built on
Sincerity
With **M**orality
And a unique **I**dentity
While **L**earning from our customers
As we continue our **E**volution

Message from the Suzuken Group

Design Your Smile

健康創造の
スズケングループ

With “Smile” expressing key ideas of its corporate philosophies, the Suzuken Group is committed to creating healthy, prosperous lives for all people.

Business domain

Health creation

Creating healthy and prosperous lives for all people—
The Suzuken Group has defined its business domain as “health creation” and is comprehensively developing medical and health-related businesses.



The Group's customers include not only medical institutions, pharmacies, and pharmaceutical manufacturers, but also those working in medical and nursing care, patients, and even local residents and local communities.

The relationships of trust that we have built thus far with our customers are a traditional asset. We contribute to solving social issues and reducing social costs.



Yoshiki Bessho

Supreme Advisor
Suzuken Co., Ltd.



Hiromi Miyata

Director and Chairman
Suzuken Co., Ltd.

Purpose

Continuing to create

new value that supports the health of all people

The Suzuken Group's mission is to be helpful for society by creating value in the field of health creation. We have been creating new products and services to meet society's needs, carrying on our founder's vision for more than 90 years since our founding.

1932—



Phase 1

Founding a pharmaceutical distribution business based on the vision “For Society and for People”

Founder Kenzo Suzuki established the Suzuki Kenzo Shoten (Store) as a pharmaceutical wholesaler. He later diversified his endeavors by beginning a pharmaceutical manufacturing business and a medical equipment manufacturing business. The company name was then changed to Suzuken Co., Ltd.



Kenzo Suzuki
Founder

For society and for people

Since the Suzuken Group's founding, our mission has been to create new value and to be helpful for society. With that in mind, we have developed a variety of businesses in the business field of health creation. The spirit of “For Society and for People”—our founding ethos—is the true source of our growth. By leveraging the relationships we have built over time with our customers, we will continue contributing to healthy, fulfilling lives for everyone.



Phase 2

Setting “health creation” as our business domain and expanding our business

Listed on the first sections of the Tokyo and Nagoya Stock Exchanges, Suzuken formulated the Group's corporate philosophies and achieved nationwide reach, later expanding overseas. We became the first pharmaceutical wholesaler to provide a contract distribution business for manufacturers as well as comprehensive support business in the field of rare diseases. We then expanded our efforts even further by entering the pharmacy and nursing care industries. Sales surpassed 2 trillion yen.



19

Management approach firmly rooted in the Suzuken Group

Learning from our customers

The Suzuken Group considers all parties, including patients, who have any kind of involvement with the Group as “customers.” We learn directly from our customers, we learn from their feedback on our proposals, and we discover new insights that emerge from this process. We are committed to consciously repeating that cycle, because being a company that our partners trust and choose is what we cherish most.



Yoshiki Bessho
Supreme Advisor

Phase 3

Creating new businesses to facilitate the transition to a “health creation enterprise”

We are accelerating collaborations with diverse companies and evolving our healthcare distribution platform via digital means, while also advancing the construction of a digital platform. We aim to become an unrivaled presence by producing unprecedented products and services and new value.



2020—



83—



The company is a place for self-realization

Given that people spend so many hours of their lives working, there is nothing more fulfilling than taking pride and finding purpose in one's work and achieving self-realization through it. We encourage our employees to be proactive in improving their skills and to take responsibility for building their future. And we believe it is the company's responsibility to develop human resources with that spirit and create opportunities for our employees to achieve self-realization.

Management by all

We aim to create a management style where each and every employee can exercise their individuality and capabilities to the fullest, and where everyone's proactive contributions are valued. This involves developing individuals who cooperate effectively in important situations and can be entrusted with tasks. It is also crucial to identify such individuals and to take personal accountability if those you entrust fall short. By fostering this mindset, we strive to build an environment where all employees are appreciated for their efforts.

The best partner

Connecting people, goods, and information to support patients' health

The Suzuken Group aims to become an entity that connects a variety of manufacturers with medical and nursing care providers, as well as patients and their families. We will create new value by focusing on the three drivers of growth: "digital healthcare," "smart logistics," and "community healthcare and nursing care support."

Digital healthcare

We have developed COLLABO Portal, a comprehensive healthcare DX platform, as a place to connect manufacturers, medical and nursing care providers, and patients and their families. Through this platform, we are advancing the expansion of our digital business.

Number of registrations on the COLLABO Portal

(as of March 31, 2024)

160
thousand IDs

We issue one ID to each medical and nursing care provider. Through our steady promotional efforts, we have acquired 160,000 IDs within the first year since the service launched.

Number of registrations on the social platform that connects healthcare and nursing care providers

(as of March 31, 2024)

250
thousand IDs

We are offering Medical Care Station (MCS), a communication tool that enables smooth sharing of patient information across medical institutions and nursing care facilities.

Smart logistics

By leveraging digital technologies to achieve greater efficiency, optimization, and automation of pharmaceutical distribution, we strive to improve profitability and contribute to solving social issues.

Number of facilities with Cubixx installed

(as of March 31, 2024)

457
facilities

The Cubixx traceability solution which enables 24/7 monitoring of pharmaceutical management conditions in real-time, has been adopted by medical institutions and pharmacies around the country.

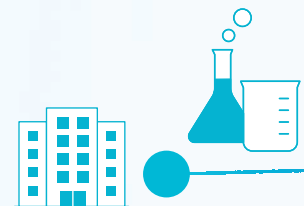
Results in reducing pharmaceutical waste

(FY2023)

Approx. 4.28
billion yen

Utilizing the Cubixx solution makes it possible to resell unused inventory and prevent excess inventory, contributing to the reduction of pharmaceutical waste as well as the environmental burden.

Smart logistics

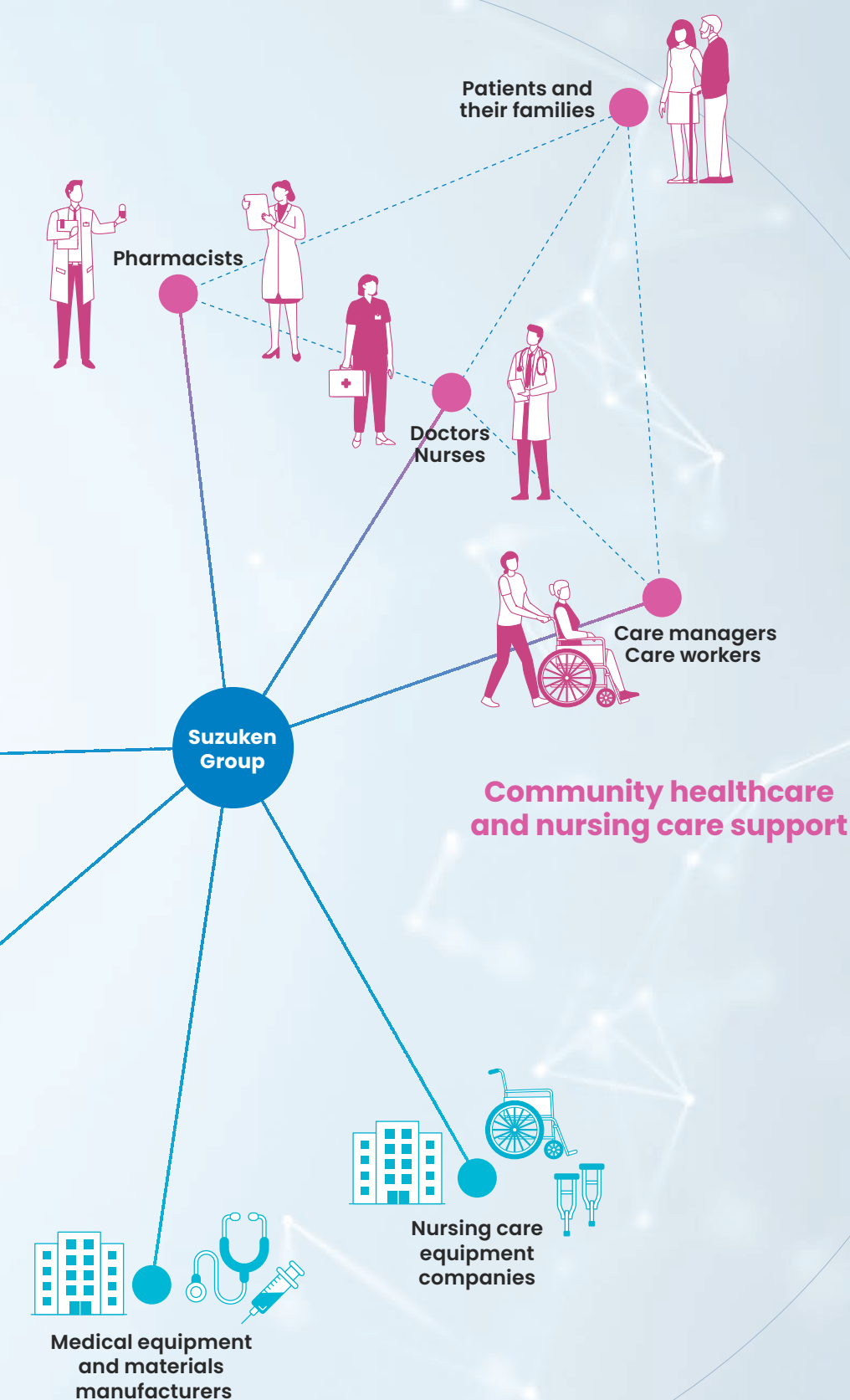


Pharmaceutical companies



Health-tech companies

Digital healthcare



Community healthcare and nursing care support

We are endeavoring to build new businesses based on a demand chain concept, collaborating with our partners to provide new products and services that meet the varying medical and nursing care needs of different communities.

Number of pharmacies
(as of March 31, 2024)

559 stores

We are strengthening the functions that enable family pharmacists and pharmacies to meet patient needs, while also developing services that support operational improvement in local community pharmacies.

Number of nursing care facilities
(as of March 31, 2024)

185 sites

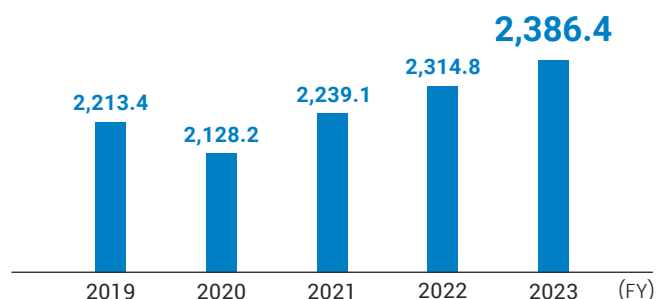
Together with our pharmacy businesses and partner companies, we strive to create services that meet the needs of nursing care service users and their families, thereby improving their quality of life (QOL) and reducing the burden of care.

Financial & Non-financial Highligh

Beginning from the fiscal 2022, changes were made to the indication method for "Commission for supplying sales data" and other items. The figures for the fiscal 2022 are retroactively adjusted to reflect the indication method change in "Commission for supplying sales data" and other items.

Sales

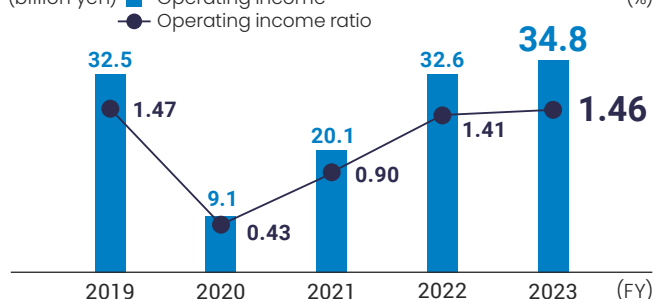
(billion yen)



Sales were affected by a review of transactions with specific manufacturers, but the growth of the ethical drug market, along with the increase in sales of new drugs including specialty drugs and therapeutic drugs for COVID-19, resulted in increased revenue. As for operating income, the effects of increased revenue along with factors such as continued efforts to secure proper profit led to increased profit.

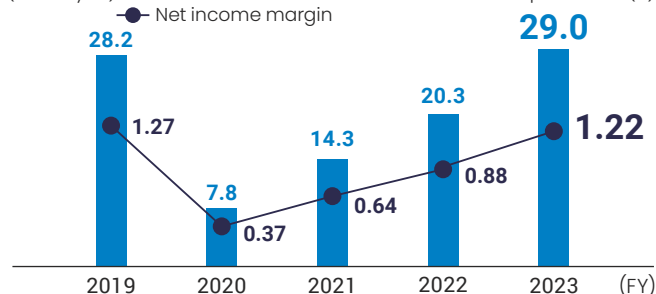
Operating income / Operating income ratio

(billion yen) ■ Operating income ● Operating income ratio (%)



Net income attributable to owners of the parent / Net income margin

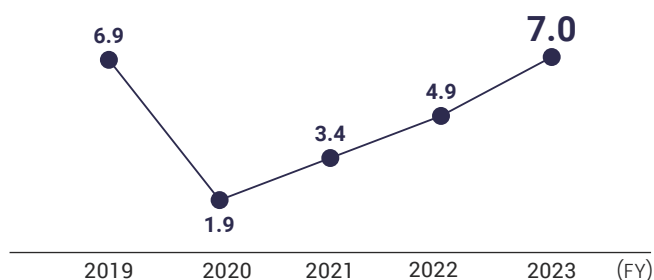
(billion yen) ■ Net income attributable to owners of the parent (%) ● Net income margin



In terms of net income attributable to owners of the parent, we reduced our cross-shareholdings (investment securities) in eight stocks and posted a profit of 6.8 billion yen from the sales of these investment securities as an extraordinary profit, contributing to an increase in overall profit. ROE improved greatly from 4.9% in the previous fiscal year to 7.0%.

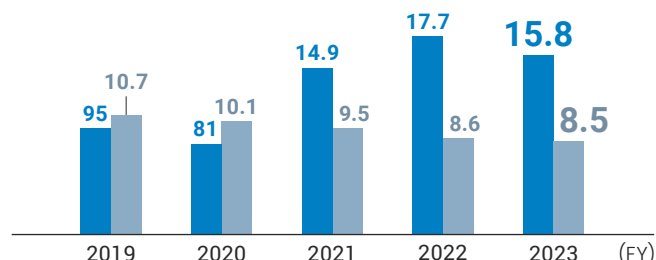
Return on equity (ROE)

(%)



Capital expenditures / Depreciation and amortization

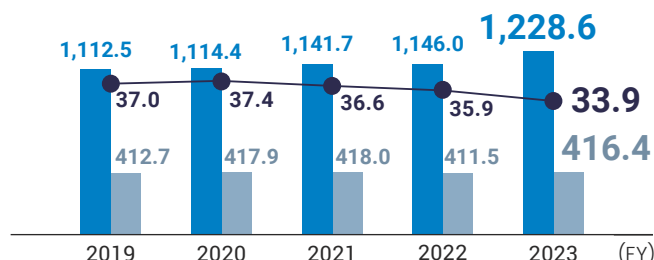
(billion yen) ■ Capital expenditures ■ Depreciation and amortization



Total capital expenditures came to 15.8 billion yen. Primarily in the pharmaceutical distribution business, we invested 9.5 billion yen in distribution center construction and facilities expansion and 4.6 billion yen in IT. In addition, we invested 400 million yen in manufacturing facilities in the healthcare product development business and 1 billion yen in the community healthcare and nursing care support business for expanding facilities and opening new stores.

Total assets / Net assets / Equity ratio

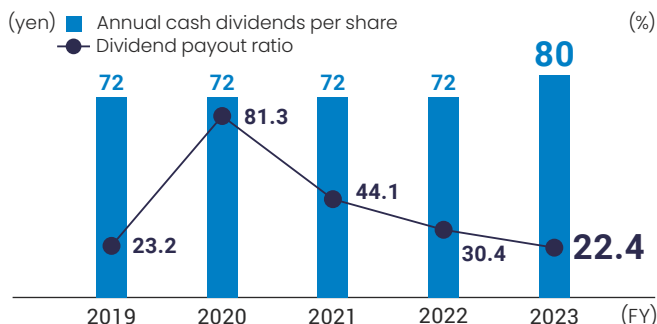
(billion yen) ■ Total assets ■ Net assets ● Equity ratio (%)



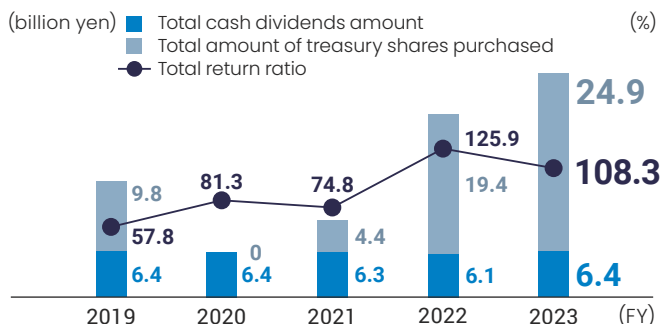
Net assets increased by 4.9 billion yen compared to the end of the previous fiscal year. Although shareholders' equity fell by 2.1 billion yen compared to the same period due to dividend payments and treasury share purchases, this decline was offset by recording net income attributable to owners of the parent and an increase in accumulated other comprehensive income, which rose by 7.2 billion yen.

ts (Consolidated)

Annual cash dividends per share / Dividend payout ratio

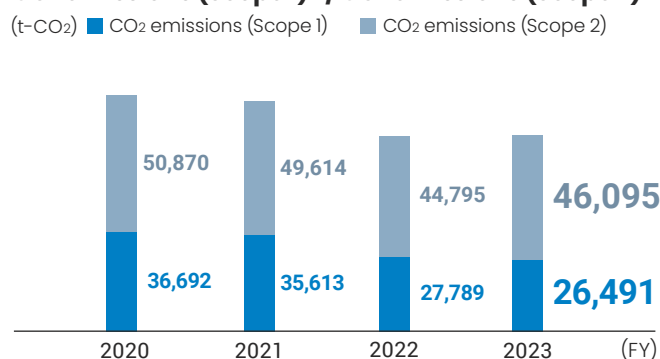


Total cash dividends amount / Total amount of treasury shares purchased / Total return ratio



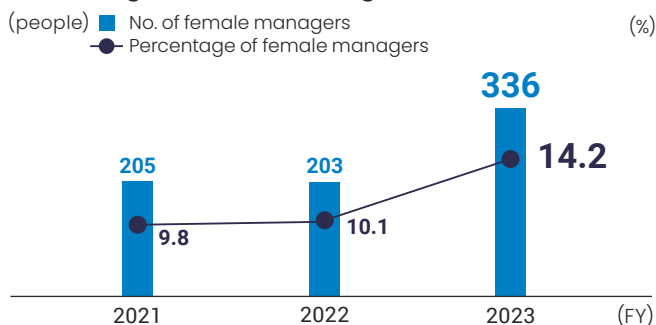
As a result of the total cash dividends amounting to 6.4 billion yen and the treasury shares purchased amounting to 24.9 billion yen, the total return ratio came to 108.3%. However, of the treasury shares that we purchased, we have retired all but 100,000 shares anticipated for allotment to restricted share-based compensation (RS) and similar purposes. On the basis of continuing steady dividend payouts, we will implement shareholder return at an average total payout ratio of at least 100% for the three-year period up to fiscal 2025, the final year of the medium-term management plan.

CO₂ emissions (Scope 1)* / CO₂ emissions (Scope 2)*



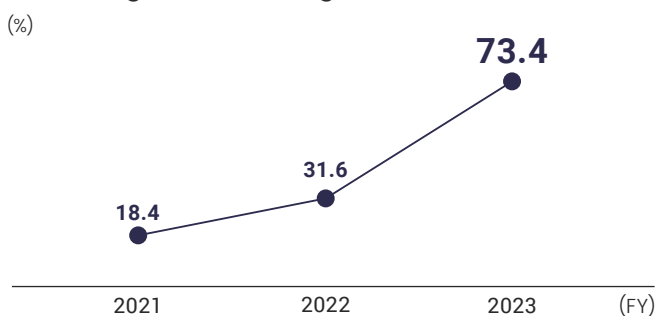
Our Scope 1 and Scope 2 CO₂ emissions amounted to 72,586 tons, a reduction of 17.1% compared to fiscal 2020. With an eye toward a 40% reduction by fiscal 2030 compared to fiscal 2020, we are introducing electric vehicles to our sales fleet, effectively using renewable energy such as solar panels, switching to LED lights, and replacing air conditioning and pharmaceutical refrigerators with energy-saving equipment. Furthermore, we are promoting increased efficiency by using integrated data management systems.

Number of female managers* / Percentage of female managers*



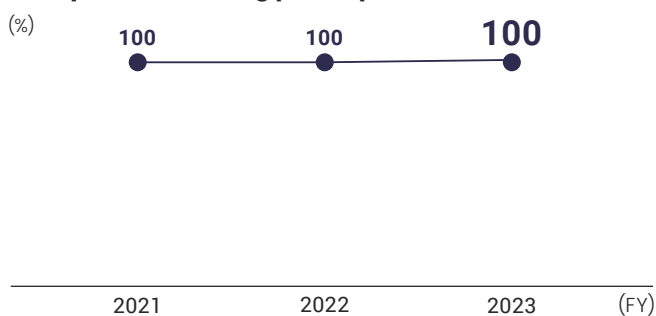
The number of female managers increased by 133, bringing the percentage of female managers to 14.2%. To reach our goal of having women account for 20% or more of managers across the Group by fiscal 2030, we are proactively hiring female employees, assigning them to elective training and new projects, and otherwise striving to create workplace environments where they can exercise their capabilities to the fullest.

Percentage of men taking childcare leave*



The percentage of men taking childcare leave has reached 73.4%. Aiming to achieve a 100% childcare leave rate for all eligible men throughout the Group by fiscal 2025, we explain our childcare leave system and notification methods to employees expecting children as well as fostering understanding among their superiors. Through these and other efforts, we strive to facilitate a workplace environment and culture that makes it easy for employees to take childcare leave.

Compliance training participation rate



The participation rate for our annual compliance training for all employees across the Group was 100%. In order to improve stakeholders' trust in us and ensure the continued and sound development of the Group, we plan to strengthen our Group governance system, and to continue initiatives aimed at fostering awareness of compliance as a top priority.

*Companies included: Suzuken, Sanki, ASTIS, Shoyaku, Suzuken Okinawa Yakuhin, Nakano Yakuhin, Suzuken Iwate, S.D.Logi, Sanwa Kagaku Kenkyusho, Unismile, Chuounyu, Sanki Wellbe, S-Care Mate, Kenzmedico, S-mile

Message from the President



Pursuing sustainable growth through ambidextrous management

The Suzuken Group is engaging in ambidextrous management, which entails simultaneously reforming existing businesses and creating new ones, in our pursuit of realizing the transition to a health creation enterprise by our 100th anniversary in 2032. I would like to take this opportunity to share my assessment of the Group's current status, how I view the issues we face, and how I envision our future.

Shigeru Asano

President and Chief Executive Officer
Suzuken Co., Ltd.

Our social infrastructure responsibility—following the Noto Peninsula earthquake**Our social mission to ensure a stable supply of pharmaceuticals**

I would like to extend my deepest condolences to the families of those who lost their lives in the Noto Peninsula earthquake that occurred on January 1, 2024, and offer my heartfelt sympathies to those affected by the disaster. The Suzuken Group also experienced material damage, but we were able to begin recovery efforts on January 2 and managed to restore our pharmaceutical supply system by January 4. Seeing our Group employees working even at night and on their days off during this emergency reaffirmed that our social mission of delivering pharmaceuticals to our customers wherever a tragedy strikes is entrenched in the Group's DNA.

The pharmaceutical distribution function we bear responsibility for is truly a form of social infrastructure. Although the extremely challenging business environment persists, we will forge ahead with reforms of our core existing business, the pharmaceutical distribution business, in order to continue growing while maintaining this social infrastructure. At the same time, we will utilize digital technologies to improve profitability and create new business opportunities. In these new businesses, we will leverage the relationships of trust that we have cultivated with our customers thus far, which we consider a traditional asset and strength, as we produce new products and services together with our partner companies. And we will strive to become a health creation enterprise that meets the needs of community healthcare and nursing care providers and contributes to health creation throughout all stages of a patient's life.

Striving to be a sustainable pharmaceutical wholesaler**Increasing profitability in an ever more challenging business environment, while helping to solve social issues**

Amid escalating social security costs, we are also facing decreasing drug prices and rising procurement costs, making it increasingly difficult each year for our pharmaceutical distribution business to secure a profit. Moreover, in fiscal 2024, work-style reforms were introduced in the logistics and shipping industry. Under these circumstances, the Group is actively investing in labor-saving and automation through the use of digital means as a way to enhance operational efficiency and optimize inventory management and shipping.

At the Greater Tokyo Distribution Center, which began operations in April 2024, we have

achieved an extreme degree of labor-saving by introducing cutting-edge robotic technologies and AI, as well as a function that automates the entire process—from picking the necessary drugs to shipping. In addition to an automated wholesale distribution function, the center also features areas dedicated to pharmaceutical manufacturing and manufacturer distribution. This setup allows us to minimize product movement, thereby shortening delivery lead times, transportation costs, and CO₂ emissions, contributing to reduction of overall social costs. In the future, we are planning to roll out multifunctional distribution centers like this in the Chubu and Kansai regions as well, and we are currently exploring locations and such in the hopes of making concrete plans during the current medium-term management plan.

Moreover, more than 50,000 customers have now adopted the apps we developed for medical institutions and pharmacies. These include the



Investments aimed at improving quality and efficiency are indispensable to ensuring a stable supply of drugs



Delivery Schedule Notification Service and Delivery Schedule Notification app, which allows them to verify things like the delivery date of the drugs they've ordered or the stock of replacement drugs online, and the Order Proposal app, which provides ordering support based on demand forecasting. These apps are a mechanism for improving our customers' operational efficiency and reducing non-moving inventory, as well as helping to improve the operational efficiency of the Group. By promoting digital utilization and strengthening our back-office functions, we have enabled our MS, who are our sales representatives in the pharmaceutical wholesale division, to focus on their primary role of expanding and strengthening their connections with customers.

In addition to capital investment, we are creating new value through partnerships. With Japan suffering a "drug loss" problem caused by a backlog of unapproved drugs in the country, we signed partnership agreements in May 2024 with our established collaborators, EPS Holdings and Bushu Pharmaceuticals. This

Message from the President

partnership facilitates one-stop support for all the work required to enter the Japanese market, from development to application for approval of manufacturing and marketing, manufacturing, sales and marketing, and distribution in Japan. We are striving to bring still unapproved drugs into the Japanese market quickly in order to deliver new drugs to the patients who are waiting for them.

From the perspective of reducing expensive drug waste, optimizing market inventory, and ensuring efficient distribution, 457 facilities have adopted Cubixx, a specialty drug traceability solution we rolled out in 2017. This solution achieved a reduction in pharmaceutical loss of approximately 4.28 billion yen in fiscal 2023.

Creating new products and services and expanding business domains

We will leverage our traditional assets and become an unrivaled presence through the use of digital means

While advancing the reform of our pharmaceutical distribution business, we are also taking on the challenge of realizing a health creation enterprise. The key point of these new businesses is to position the Suzuken Group as a bridge connecting pharmaceutical companies, health-tech companies, medical equipment and materials manufacturers, and similar entities with medical and nursing care providers. What we are focusing on toward that end is the promotion and utilization of our comprehensive healthcare DX platform, the COLLABO Portal.

In March 2023, we set a target of 150,000 registered IDs within three years. However, by March 2024, we had approximately 160,000 IDs registered, achieving our initial target in just one year. Not only our MS but also the Group

companies' MRs and heads of delivery all worked together as one united Group, thoroughly understanding the value the COLLABO Portal provides and actively promoting it. I believe this achievement is a testament to our employees' efforts and the relationships we have built with our customers thus far.

Those registered on the COLLABO Portal include medical and nursing care providers from places like hospitals and pharmacies, as well as customers such as care workers and home health nurses, to whom we had not provided our services as a wholesaler before since they rarely handle pharmaceuticals. We assign IDs not at the facility level but rather to individual medical and nursing care providers, who are closer to patients, which allows us to grasp the patients' true needs. Moving forward, we will push to acquire more IDs, and based on the patient needs we learn through these medical and nursing care providers, we will strive to generate profit by collaborating with pharmaceutical companies, as well as a wide variety of manufacturers and partner companies, to produce genuinely useful new products and services.

By simultaneously expanding these business domains and pursuing the aforementioned reforms of the pharmaceutical distribution business, I would like us to become an unrivaled presence that contributes to community medical and nursing care. The Suzuken Group is not only engaged in the pharmaceutical wholesale and distribution business but also operates a wide variety of businesses in the health creation field, including pharmaceutical manufacturing, pharmacies, and nursing care. By leveraging our relationships of trust with customers, which we consider a traditional asset and strength, and combining the functions of each of our businesses with those of our partner companies, digital technologies, and the like, I believe we can create a new world for healthcare.

“

Striving to be an unrivaled presence that uses digital means to connect manufacturers and medical and nursing care providers with products and information

”

Developing human resources in pursuit of growth

It's all about developing people. Fostering and empowering employees who learn and cope with change on their own

What is essential for the Suzuken Group to become an unrivaled presence is developing people. I want our employees to inherit the management philosophies that have served as the foundation of our senior colleagues' business activities, as well as to actively enhance their skill sets in order to cope with a changing society and continue growing, thereby making our Group a treasure trove of human resources where diverse, uniquely skilled individuals converge.

For example, we are currently focusing on developing DX human resources. We are

“

Identifying employees who want to challenge themselves with something new, and converting that into a driving force for corporate growth

”

developing “DX ambassadors” who not only have digital knowledge but also serve as on-site leaders who can propose the Group’s digital strategies to medical and nursing care providers in their own words. As part of our reskilling efforts, we have many employees throughout the entire Group who are actively working to obtain certifications such as Information Security Management and DX Certification Exams. Those taking on these challenges include not only young employees but also many of those in their 50s, which I find promising. If the Suzuken Group can manage to become the leader in digital talent among all healthcare-related companies, I believe our business possibilities will expand exponentially.

Additionally, the Group has a culture of providing opportunities to employees who raise their hands and express a desire to take on new challenges. When selecting talent, we not only rely on recommendations from supervisors but also utilize Chienowa, our Group proposal platform. This platform allows employees to propose operational improvements, new businesses, and the like, which helps us to identify those who are genuinely motivated to improve the company.

I myself, having become president of a Group company at the age of 38, am eagerly selecting motivated employees for exceptional promotions throughout the Group, with no regard to their age, gender, or career background. I believe it is my mission to create an environment where employees can challenge themselves.

Fiscal 2024 Policy: “Go Beyond”

Overcome issues as a Group to become a health creation enterprise

In addition to solving the social issues that I’ve mentioned thus far, it is our Group’s purpose to continue creating new value that contributes to reducing social costs and environmental burdens. This constitutes the foundation for building the business strategies in our medium-term management plan that began in



fiscal 2023, and we have defined this as one of our critical themes (material issues) that we intend to work on. Being a company trusted by society is a major prerequisite for fulfilling our social infrastructure role. With the belief that compliance comes first, we will continue striving to strengthen our corporate governance structure and enhance compliance awareness.

There will be numerous issues arising in fiscal 2024, primarily in the pharmaceutical distribution business. To overcome them, we will advance as a Group with the spirit of “Go Beyond.” We will create a large number of teams that transcend the boundaries of individual businesses within the Group, and as a collective, we will strive to become an enterprise that acts as One Team.

We will utilize digital means to establish sustainable pharmaceutical distribution and solve social issues under the concept of B2B2C, delivering products to patients via medical and nursing care providers. By doing this, in order to realize a health creation enterprise that will contribute to community healthcare, we will finally enter the phase in which the seeds we have sown so far begin to sprout, and a wide variety of initiatives will take shape. As the Suzuken Group undergoes major changes, there is much to look forward to.

浅野 茂

Shigeru Asano
President and Chief Executive Officer
Suzuken Co., Ltd.

Value Creation Process

As we aim to transition to a health creation enterprise, this shows our vision for the value creation that the Suzuken Group aims to achieve by fiscal 2025.

Business environment

Emergency situations

- Earthquakes, floods, and other natural disasters
- Pandemics

Escalating social security costs

- Efforts to control national healthcare and pharmaceutical expenditures
- Eliminating unused medicines and reducing pharmaceutical waste
- Promotion of generic drug usage
- Efforts to strengthen precautions and recurrence preventions of diseases

Growth of the specialty drug market

- Increase in high-price pharmaceuticals, biopharmaceuticals, cell and gene therapy (CGT) products, and other products including orphan drugs
- Strict temperature, inventory, and security management

Advancement of a comprehensive community care system

- Community healthcare and nursing care partnerships
- Provision of medical care in local communities and remote areas

Advancement of DX and digitalization of the healthcare field

- Leveraging of digital technology
- Advancement of online medical exams and online medication guidance
- Advancement of personalized medicine
- Data linkage, usage, and application
- Increase in treatment apps

Drug loss and drug lag

- Increase in drugs unapproved in Japan

Circulation of counterfeit pharmaceuticals

- Inclusion of counterfeit products
- Improper business transactions

Capital to invest

External capital (Local communities)

- Community cooperation agreements with local governments
- Energy resources for business activities

External capital (Customers)

- Relationships with our customers

Internal capital

- Advanced pharmaceutical distribution system
- Distribution network covering all of Japan
- All-in-one manufacturer support capability
- Diverse Group human resources
- Pharmacy and nursing care business supporting community-based healthcare

External capital (Partner companies)

- Partnerships with healthtech companies and other industries
- Various digital products through collaborations

External capital

- New partners needed for future business endeavors

Value chain strengths, strategies, and materiality

Materiality

- Environmental protection initiatives
- Minimizing social costs in the medical and healthcare fields
- Safe, secure, and reliable pharmaceutical distribution
- Contribution to improved access to medical and nursing care services and patient QOL

Development & manufacturing

In-licensing development for new drugs, contract manufacturing, in-licensing planning support

Logistics

Investigational new drug distribution, manufacturer distribution, orphan drug distribution support

Digital platform

Healthcare Platform

Healthcare distribution platform



Pharmaceutical companies

Marketing

Medical-related studies

Sales

Pharmaceutical sales support

Medium-Term Management Plan

Reform of existing businesses

Establishing sustainable social

Initiative 1 Healthcare distribution reform

Initiative 2 Restructuring of Asian (Chinese and South Korean) b

Value to society

- Group human resource development
- Realization of diverse and flexible work styles
- Contributions to local communities
- Group governance
- Compliance
- Risk management

The Suzuken Group's commitment to the SDGs



Distribution

High-quality distribution infrastructure, nationwide network

Marketing & consulting

Management support services and various digital products according to needs

Procurement & storage

Inventory management support (Cubixx, operational support systems), ordering support, rentals of nursing care items

Medical exams & treatment

Diagnosis support, support to improve work efficiency

Presymptomatic disease

Prevention and health maintenance support

Diagnosis

Early diagnosis support

Protect the health of local residents

Reduce social waste through supply and demand adjustment functions

Become a new health creation enterprise

Foster human resources capable of creating future value



Pharmaceutical wholesalers



Medical institutions, pharmacies, nursing facilities



Patients and their families

Supply & demand adjustment

Optimization of distribution inventory

Provision of information

Sales promotion, support for activities to promote proper use of drugs

Finance

Credit and debt management

Dispensing

Medication guidance, online support

Nursing care services

Diverse services according to needs

Community partnerships

Support for building community partnership systems, in-home medical and nursing care support

Treatment

Drug discovery, distribution & dispensing support

Prognosis

Nursing care and terminal stage support

Providing value to diverse customers in the value chain

Infrastructure

business

Preparation for new growth businesses

Creating a new healthcare ecosystem in Japan

Initiative 3 Smart logistics

Initiative 5 Community healthcare and nursing care support

Initiative 4 Digital healthcare

Initiative 6 Healthcare product development

Material Issues

Identifying critical ESG themes (material issues) and KPIs

The Suzuken Group sees its purpose as continually creating new value that will contribute to solving social issues and reducing social costs. We have positioned critical ESG themes (material issues) as the foundation underpinning the creation of new value.

By reviewing the entire value chain, we considered which social problems to address and, in light of changes in the business climate and social trends, analyzed them from the perspectives of “expanding business opportunities” and “strengthening our management platform.” After compiling a comprehensive list of such issues, we ranked them in order of priority and classified the high-priority social issues under ESG themes. Finally, considering opportunities and risks, we identified our material issues.

Even after identifying these themes, we regularly review them, referring to international standards such as GRI, the evaluation criteria of ESG rating agencies, and stakeholders’ views, among other factors. The review process consists of discussions in the Sustainability Committee, in which the senior general managers of the control division and the senior general managers of each business unit’s corporate headquarters participate. Decisions are then made following reports to, and deliberations by, the Board of Directors.

Process for identifying materiality

STEP 1

Identify social issues

Identify relevant social issues based on SASB, GRI, SDGs, and other international indices, along with survey items investigated by ESG rating agencies

STEP 2

Prioritize social issues

Rank social issues in order of priority based on the integrated value we provide to society through our Group’s collective businesses and functions

STEP 3

Identify materiality

Identify material issues based on discussions in the Sustainability Committee, as well as reports to and deliberations by the Board of Directors

Our material issues are linked to the main points of our strategy to form the foundation for the business strategies in our medium-term management plan. We therefore reviewed the items in fiscal 2023 and set KPIs and numerical targets to address them. In terms of the medium-term management plan and material issues, we monitor progress from both financial and non-financial angles, enabling us to accelerate the rollout of sustainability activities for the entire Group and to make them a driving force for business activities.

In order to continue creating new value and growing sustainably, we will also pursue other initiatives in response to social changes.

Approaches and main initiatives regarding critical ESG themes (material issues)

	Critical ESG themes (material issues)
E Environment	• Environmental protection initiatives We will comply with environmental laws and strive to minimize environmental burden.
	• Minimizing social costs in the medical and healthcare fields We will utilize digital technology to reduce social costs through our business activities.
	• Safe, secure, and reliable pharmaceutical distribution We will fulfill our mission as a company providing social infrastructure and strive to improve quality and expand our functions.
	• Contribution to improving access to medical and nursing care services and enhancing patient QOL We will assume the role of connecting the Group with medical and nursing care professionals and the community, and we will work to create patient-centered services.
S Social	• Group human resource development We will focus on human resource development across the entire Group and work to strengthen our corporate competitiveness.
	• Realization of diverse, flexible work styles We will strive to create work environments in which each and every one of the Group’s employees can ensure their safety and health and exercise their capabilities to the fullest.
	• Contribution to local communities We will strive to solve issues in local communities through business activities that fit regional characteristics.
G Governance	• Group governance • Compliance • Risk management We will endeavor to increase stakeholder trust and achieve continued and sound development through fair and transparent business activities.

Material issues) and SDGs

The main initiatives in the Suzuken Group	Core KPIs and achievements	Relevant SDGs	Relevant key initiatives of new medium-term management plan
- Reducing CO₂ emissions - Proper management and recycling of waste - Promotion of recycling and reuse	CO₂ emissions (Scope 1+2) 40% reduction by FY2030 compared to FY2020 FY2023 results: 72,586 t-CO₂ (17.1% reduction from FY2020) Reduction of pharmaceutical waste Reduction at medical institutions through installation of Cubixx FY2023 results: Approx. 4.28 billion yen	 	Initiative 1 Healthcare distribution reform Initiative 3 Smart logistics Initiative 4 Digital healthcare
- Reduction of pharmaceutical waste - Visualization and optimization of distribution inventory - Elimination of unused medicines - Curtailment of transport and delivery costs - Reduction of burden on healthcare professionals and patients and their families	Number of locations with ISO 9001:2015 quality management system certification FY2023 results: 10 centers, 3 departments Number of internally certified GDP specialists positioned nationwide FY2023 results: 130 Number of next-generation leaders 100 or more FY2023: Implemented special development program Number of DX human resources Information Security Management certified personnel 1,000 or more by FY2025 FY2023 results: 694 Those scoring 600 or higher on the DX certification exam 800 or more by FY2025 FY2023 results: 430 Percentage of female managers 20% or more by FY2030 FY2023 results: 14.2% Percentage of male employees taking childcare leave Aiming for 100% by FY2025 FY2023 results: 73.4%	      	Initiative 1 Healthcare distribution reform Initiative 2 Restructuring of Asian (Chinese and South Korean) businesses Initiative 3 Smart logistics Initiative 4 Digital healthcare Initiative 5 Community healthcare and nursing care support Initiative 6 Healthcare product development
- Quality management using total traceability system - Quality control that meets global standards (GDP, GMP) - Strengthening of healthcare distribution platform - Automation and labor-saving at distribution centers	- Patient support services utilizing digital technology - Initiatives to eliminate drug loss - Patient-centered product development - Response to unmet medical needs		Initiative 4 Digital healthcare Initiative 5 Community healthcare and nursing care support Initiative 6 Healthcare product development
- Strengthening of human resource development system - Development of next-generation leaders - Development of DX human resources	- Strengthening of human resource development system - Development of next-generation leaders - Development of DX human resources		Mechanism for strategy implementation Developing human resource
- Promotion of diversity - Hiring of diverse human resources - Promotion of health management - Creation of a comfortable workplace environment - Strengthening of Group communication - Promotion of Group proposal platform	- Strengthening of human resource development system - Development of next-generation leaders - Development of DX human resources		Mechanism for strategy implementation Developing human resource Cooperating as "One Team"
- Initiatives for comprehensive community care system - Cooperation agreements with local governments - Initiatives to maintain and promote the health of local residents - Social contribution activities*	- Initiatives for comprehensive community care system - Cooperation agreements with local governments - Initiatives to maintain and promote the health of local residents - Social contribution activities*		Initiative 5 Community healthcare and nursing care support
- Strengthening of Group governance and compliance systems - Fostering awareness of compliance as a top concern - Strengthening of risk management systems - BCP initiative - Maintaining and strengthening quality and safety management systems - Promoting appropriate sales information provision activities	Compliance training participation rate 100% required each year FY2023 results: 100% Number of internal whistleblowing reports FY2023 results: 115		Mechanism for strategy implementation Cooperating as "One Team" Strengthening business management

*Please refer to the sustainability page of Suzuken's website for more information. (<https://www.suzuken.co.jp/en/csr/>)

Long-Term Plan and Medium-Term Management Plan

For you

Toward the realization of a health creation enterprise

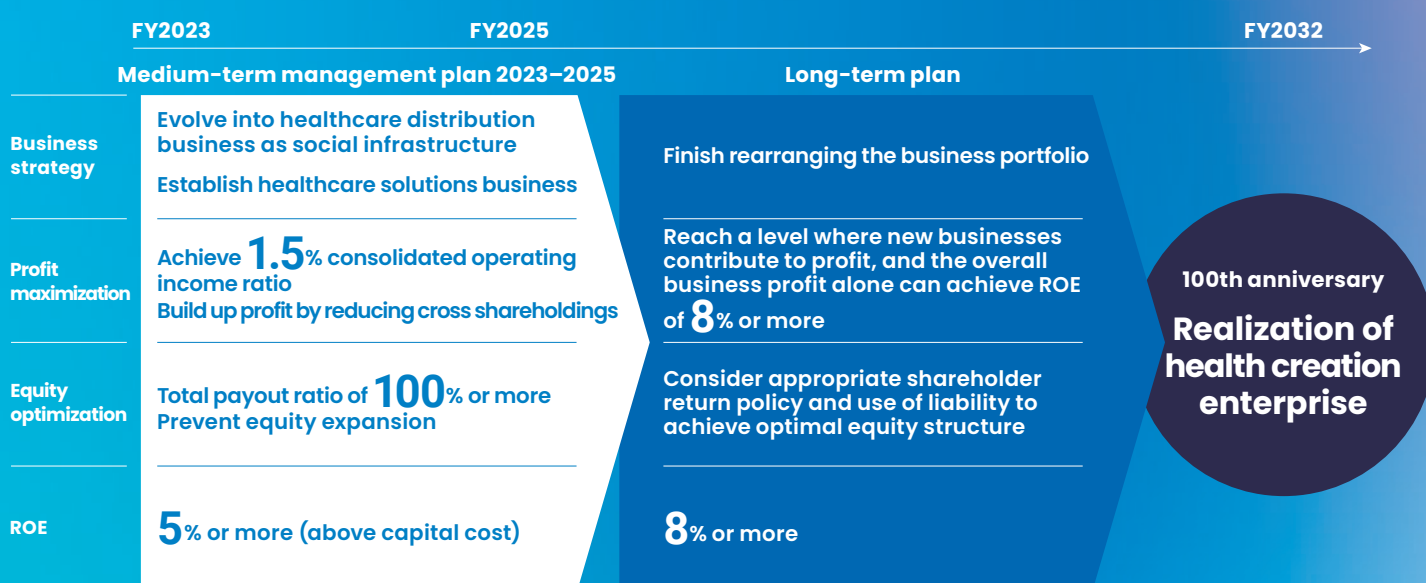
As the Suzuken Group approaches its 100th anniversary in 2032, we are transitioning from an enterprise centered around the pharmaceutical distribution business to a health creation enterprise providing services that contribute to the entire healthcare life cycle, from patients' health maintenance to exams, treatment, and prognosis.

In our medium-term management plan that ends in fiscal 2025, we are adopting a two-pronged approach under the concept of "focus on functions" to reform existing businesses and prepare for new growth opportunities, thereby

building the foundation for our transition to a health creation enterprise. For our existing businesses, we are improving profitability by strengthening our social infrastructure function and increasing productivity. Meanwhile, we are actively investing in new businesses and creating businesses with a view to rearranging our business portfolio.

In the medium to long term, we aim for an ROE of 8% or more by maximizing profit through business reforms and optimizing our capital structure, including shareholder return measures.

Panorama view of the plan



Indicators of the medium-term management plan

	FY2022	FY2023	Targets
ROE	4.9%	7.0%	5% or more each fiscal year Levels above capital cost
Operating income ratio	1.4%	1.5%	1.5% or more in FY2025 Pharmaceutical distribution business: 1.0% or more
Investment	Approx. 30.0 billion yen	Approx. 32.5 billion yen	3-year cumulative total of 100 billion yen or more
Total payout ratio	125.9%	108.3%	3-year average of 100% or more
Cross-shareholdings	14.8%	15.0%	Net asset ratio of 10% or less in FY2024

ur next heartbeat

Progress on the medium-term management plan “For your next heartbeat”

We made the slogan of our current medium-term management plan, which started in fiscal 2023, “For your next heartbeat—Creating a movement toward tomorrow,” reflecting our desire to be an entity that continually delivers new solutions and hope to the healthcare industry. Through the provision of innovative ideas and solutions and promotion of the active engagement of our human resources, we want to break through societal stagnation and to help open up prospects for a brighter future.

The numerical targets in the medium-term management plan were set by backcasting based on the long-term plan aimed at realizing a health creation enterprise. The plan overall has five indicators, and we have set targets for each of the key initiatives to help monitor progress. In the plan’s first year, fiscal 2023, our ROE rose to 7%, and consolidated operating income ratio also reached 1.50% (1.32% in the pharmaceutical distribution segment), indicating steady progress toward our targets.

In fiscal 2024, we anticipate an ROE of 7.2%, a consolidated operating income ratio of 1.2% (1.05% in the pharmaceutical distribution segment), and investments totalling 22 billion yen. For shareholder return, we foresee a 20 yen dividend increase, resulting in a total payout ratio of 100% or more, and we expect cross shareholdings to decrease to 10.0% or less of the consolidated net asset amount.

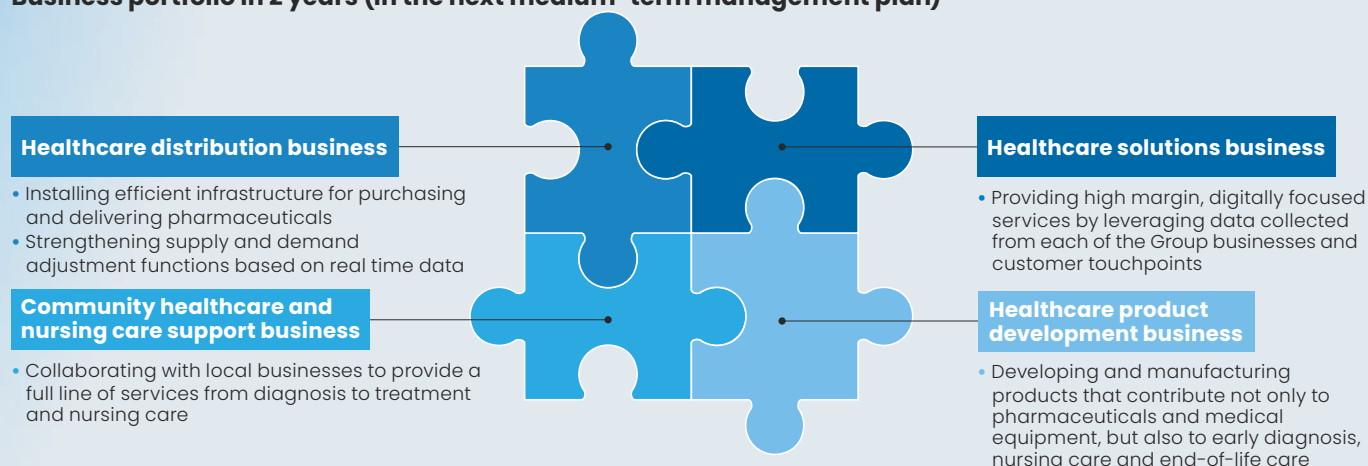
Strengthening the business portfolio to achieve an operating income ratio of 1.5% or more

From a profitability perspective, in the medium-term management plan, for fiscal 2025, we are targeting a consolidated operating income ratio of 1.5% or more and an operating income rate of 1.0% or more for the pharmaceutical distribution segment. These goals were set for the purpose of maintaining and further strengthening the pharmaceutical distribution function, and in addition to complying with the Guidelines for the Improvement of Commercial Transaction Practices,* we need to improve profit and work efficiency through the use of digital means. To improve profitability, we are working on reforming employees’ mindsets, conducting value-based price negotiations with our customers such as medical institutions and pharmacies, and providing services that contribute to solving their problems. And to reach our targets, it will be crucial not only to generate profit in our core competency of specialty drug distribution, and in our existing businesses other than the pharmaceutical distribution business—such as the healthcare product development business and the community healthcare and nursing care support business—but also to focus on how we can increase profit from our digital-related business, a new business area we are concentrating on.

The current medium-term plan also sets forth the goal of changing business segments. While we have already changed some segments starting in fiscal 2023, we aim to further modify these segments in fiscal 2026. Our goal is to approach the next medium-term management plan with a new business portfolio. To achieve this, we aim to make new businesses profitable.

* Guidelines for the Improvement of Commercial Transaction Practices: Guidelines with which parties involved in distribution must comply to improve the distribution of ethical drugs

Business portfolio in 2 years (in the next medium-term management plan)



Long-Term Plan and Medium-Term Management Plan

For yo

Creating new services with three drivers of growth

We are promoting a strategy based on the three drivers of growth, aimed at strengthening existing businesses through the traditional supply chain concept and creating new businesses through a demand chain concept.

1 Smart logistics

In our healthcare distribution platform, which is driven by pharmaceutical companies, we are advancing the efficiency, optimization, and automation of pharmaceutical distribution through digital utilization. We are building a foundation to realize waste-free pharmaceutical distribution by monitoring inventory conditions all the way from upstream to downstream using our industry-first manufacturer distribution function, the Cubixx solution we have been rolling out since 2017, and the Greater Tokyo Distribution Center, which started operations in April 2024.

With a rising trend in the distribution of expensive specialty drugs, we are seeking to optimize distribution inventory, adjust supply and demand to reduce waste, and otherwise contribute to reducing the social costs incurred.

2 Digital healthcare

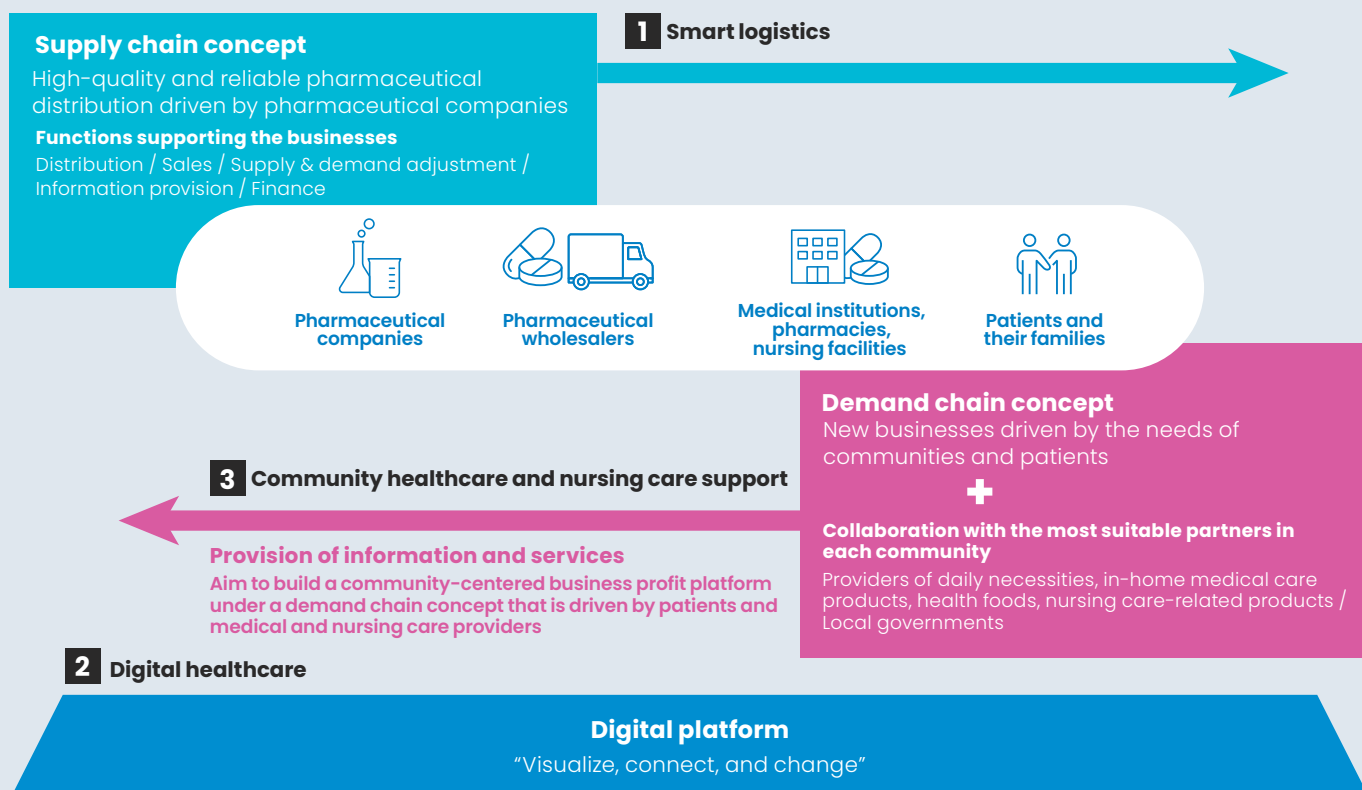
We are aiming to achieve profitability by using digital means, focusing primarily on the rollout of our comprehensive DX healthcare platform COLLABO Portal. Our concept revolves around utilizing a portal provided by the Suzuken Group that acts as a platform to connect manufacturers, medical and nursing care providers, and patients and their family members, in order to create new services.

We also anticipate that the information collected through the COLLABO Portal will be utilized in measures for smart logistics and community healthcare and nursing care support. The series of initiatives to visualize, connect, and change information through the COLLABO Portal can be considered the foundation for our transition to a health creation enterprise. Alongside enhancing digital utilization, we are also focusing on strengthening our digital human resources.

3 Community healthcare and nursing care support

It is important for products and services in the health creation field to be genuinely useful for patients, who are their ultimate beneficiaries. The Suzuken Group can grasp the needs of patients and their families by linking with pharmacy businesses, nursing care businesses, and partner businesses

Three drivers of growth



ur next heartbeat

who have touchpoints with patients, and through the doctors, pharmacists, and nursing care providers and the like who use the COLLABO Portal.

We plan to produce and deploy a variety of products and services that contribute to meeting patients' needs and solving medical and nursing care problems in each community.

Using traditional assets to create new businesses

Leveraging the traditional assets we have cultivated since our company's founding by deploying businesses, with our pharmaceutical distribution business at the core, will also play a crucial role in creating new businesses. For example, our industry-first manufacturer distribution and industry-leading specialty drug distribution track records, along with our accumulated know-how and human resources, will form the foundation that will support the realization of our smart logistics initiative.

Our relationships with customers have contributed greatly to the widespread adoption of the COLLABO Portal. By expanding our points of contact that combine both physical and digital interactions, we have responded to our customers' requests and needs, thereby earning their trust, which we believe has boosted ID registration. Since fiscal 2018, we have also accelerated various types of partnerships in order to create services that leverage digital means. Through partnerships with health-tech companies, the COLLABO Portal is already equipped with numerous digital health services. As participating companies continue to increase in the future, we will be able to provide more optimal functions and solutions to customers and to local medical and nursing care providers, pharmaceutical companies, and others, which we believe will also lead to acquiring more users.

The Suzuken Group operates its own pharmacies and nursing care service centers, giving us first-hand knowledge of the field, which we believe uniquely enables us to produce more useful services. Comprehensive community care systems, which have been considered important in recent years, also require linkages that bring together local medical and nursing care providers as well as patients and their families and local governments. Utilizing the COLLABO Portal ID platform facilitates those linkages.

We will focus on rolling out new profitable businesses by further integrating the functions of our existing businesses and partner businesses we have expanded thus far, as well as on developing the human resources that are indispensable for the transition to a health creation enterprise.

Promote "reform of existing businesses" and "preparation for new growth" based on the six key initiatives

As far as measures involving businesses, we are advocating a total of six key initiatives in the current medium-term management plan, including two for existing businesses with regard to establishing sustainable social infrastructure and four for new businesses with regard to creating a new healthcare ecosystem in Japan.

Also, we have outlined "developing human resources," "cooperating as One Team," and "strengthening business management" as mechanisms for strategy implementation that are necessary to reach our targets and realize the transition to a health creation enterprise. With regard to developing human resources, we are focusing particularly on the development of DX human resources and next-generation leaders.

Key initiatives of the medium-term management plan

Reform of existing businesses

Establishing sustainable social infrastructure

- Initiative 1** Healthcare distribution reform
- Initiative 2** Restructuring of Asian (Chinese and South Korean) businesses

Preparation for new growth businesses

Creating a new healthcare ecosystem in Japan

- Initiative 3** Smart logistics
- Initiative 4** Digital healthcare
- Initiative 5** Community healthcare and nursing care support
- Initiative 6** Healthcare product development

Mechanisms for realizing strategies

- Developing human resources
- Cooperating as "One Team"
- Strengthening business management

In preparation for realizing our health creation enterprise, we are combining assets and expertise that we have cultivated up till now and embarking on new challenges. While holding fast to our long-term perspective for 2032, we will unite as a Group to implement these strategies as we aim to achieve the targets of our medium-term management plan.

Long-Term Plan and Medium-Term Management Plan

For yo

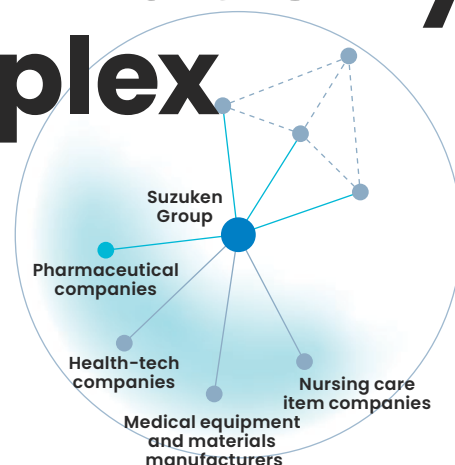
The Suzuken Group's vision		Main measures
Reform of Existing Businesses Establishing sustainable social infrastructure	Initiative 1 Healthcare distribution reform Establishing the “Hold-fast sales function” as the foundational element of healthcare distribution within social infrastructure, as well as the “New sales function” that provides new value	• Strengthening back-office functions • Creating mechanisms to increase productivity • Building physical and digital points of contact
	Initiative 2 Restructuring of Asian (Chinese and South Korean) businesses Evolving collaborations to contribute to strengthening business foundations and developing medical industries in these countries	• Building a medical platform in China • Building a nationwide distribution network for healthcare products in South Korea
Preparation for New Growth Businesses Creating a new healthcare ecosystem in Japan	Initiative 3 Smart logistics Reducing social costs by building a healthcare distribution platform utilizing digital means	• Total traceability with the Cubixx solution • Starting operations at the Greater Tokyo Distribution Center • Creating a mechanism to visualize and optimize distribution inventory
	Initiative 4 Digital healthcare Deploy COLLABO Portal together with health-tech companies, and provide our customers with valuable services	• Promoting widespread use of the COLLABO Portal • Expanding the services offered on the platform • Establishing a profit model
	Initiative 5 Community healthcare and nursing care support Provide services based on the needs of patients in each community, and coordinate health for community residents	• Stabilizing profit for pharmacy business and nursing care business • Developing community pharmacies and nursing care support services • Rolling out care-tech businesses
	Initiative 6 Healthcare product development Develop proprietary medical and nursing care devices, etc. that leverage the Suzuken Group's functions	• First-in-class R&D to answer unmet medical needs • Proprietary product development by the Group leveraging direct touchpoints with patients

Our next heartbeat

Outcomes	Numerical targets for FY2025	Results for FY2022 & FY2023	Forecast for FY2024												
- Maintaining a stable supply of pharmaceuticals - Reducing social costs	Operating income ratio for pharmaceutical distribution business segment 1.0% or more	Operating income ratio for pharmaceutical distribution business segment (%) <table><tr><th>FY</th><th>Operating income ratio (%)</th></tr><tr><td>2022</td><td>1.21</td></tr><tr><td>2023</td><td>1.32</td></tr></table>	FY	Operating income ratio (%)	2022	1.21	2023	1.32	Operating income ratio for pharmaceutical distribution business segment 1.05%						
FY	Operating income ratio (%)														
2022	1.21														
2023	1.32														
Improving medical infrastructure quality in China and South Korea	Net sales by joint ventures To be determined in the future, with consideration given to geopolitical influences	Net sales by joint ventures (billion yen) <table><tr><th>FY</th><th>South Korea (billion yen)</th><th>China (billion yen)</th></tr><tr><td>2022</td><td>100</td><td>60</td></tr><tr><td>2023</td><td>110</td><td>71</td></tr></table>	FY	South Korea (billion yen)	China (billion yen)	2022	100	60	2023	110	71	Net sales by joint ventures TBA			
FY	South Korea (billion yen)	China (billion yen)													
2022	100	60													
2023	110	71													
- Reducing pharmaceutical waste - Reducing CO₂ emissions through efficient shipping	Net sales of specialty drugs 240 billion yen or more Net sales of external logistic 20 billion yen or more	Sales of specialty drugs and external logistics (billion yen) <table><tr><th>FY</th><th>Specialty drugs (billion yen)</th><th>External logistics (billion yen)</th></tr><tr><td>2022</td><td>180</td><td>17</td></tr><tr><td>2023</td><td>216.1</td><td>18.6</td></tr></table>	FY	Specialty drugs (billion yen)	External logistics (billion yen)	2022	180	17	2023	216.1	18.6	Net sales of specialty drugs Approx. 241.5 billion yen or more Net sales of external logistic Approx. 18.9 billion yen or more			
FY	Specialty drugs (billion yen)	External logistics (billion yen)													
2022	180	17													
2023	216.1	18.6													
- Expanding the adoption of medical and nursing care-related tools and services - Improving response to patient needs	Digital business-related revenue 10 billion yen or more	Digital business-related revenue (billion yen) <table><tr><th>FY</th><th>Digital business-related revenue (billion yen)</th></tr><tr><td>2022</td><td>6</td></tr><tr><td>2023</td><td>8.9</td></tr></table>	FY	Digital business-related revenue (billion yen)	2022	6	2023	8.9	Digital business-related revenue Approx. 9.6 billion yen						
FY	Digital business-related revenue (billion yen)														
2022	6														
2023	8.9														
- Improving patients' convenience and quality of life - Solving each community's medical and nursing care problems	Net sales of pharmacies, nursing care, and medical and nursing care support 110 billion yen or more	Net sales of pharmacies, nursing care, and medical and nursing care support (billion yen) <table><tr><th>FY</th><th>Pharmacies (billion yen)</th><th>Nursing care (billion yen)</th><th>Medical and nursing care support (billion yen)</th></tr><tr><td>2022</td><td>87</td><td>10</td><td>0.1</td></tr><tr><td>2023</td><td>87.3</td><td>10</td><td>0.1</td></tr></table>	FY	Pharmacies (billion yen)	Nursing care (billion yen)	Medical and nursing care support (billion yen)	2022	87	10	0.1	2023	87.3	10	0.1	Net sales of pharmacies Approx. 81.7 billion yen Net sales of nursing care Approx. 10.1 billion yen Net sales of medical and nursing care support Approx. 200 million yen
FY	Pharmacies (billion yen)	Nursing care (billion yen)	Medical and nursing care support (billion yen)												
2022	87	10	0.1												
2023	87.3	10	0.1												
- Expanding treatment options - Improving lifestyles	Net sales from pharmaceutical manufacturing and medical equipment manufacturing 60 billion yen or more	Net sales from pharmaceutical manufacturing and medical equipment manufacturing (billion yen) <table><tr><th>FY</th><th>Pharmaceuticals manufacturing (billion yen)</th><th>Medical equipment manufacturing (billion yen)</th></tr><tr><td>2022</td><td>44</td><td>3</td></tr><tr><td>2023</td><td>46.4</td><td>4.9</td></tr></table>	FY	Pharmaceuticals manufacturing (billion yen)	Medical equipment manufacturing (billion yen)	2022	44	3	2023	46.4	4.9	Net sales from pharmaceutical manufacturing Approx. 48.7 billion yen Net sales from medical equipment manufacturing Approx. 5.0 billion yen			
FY	Pharmaceuticals manufacturing (billion yen)	Medical equipment manufacturing (billion yen)													
2022	44	3													
2023	46.4	4.9													

Starting with the industry's distribution complex

Operations at the Greater Tokyo Distribution Center started in April 2024. This is the industry's first wholesale distribution site with an on-site manufacturing operations area, featuring the manufacturer distribution functions and know-how we have cultivated thus far. Using the center's operations as a starting point, we will build a new business model connecting goods and information, thereby making "smart logistics" a reality.



Features of the Greater Tokyo Distribution Center

Achieving **manpower reduction, high quality, and sta**

Social issue

Decreasing distribution personnel amid increasing distribution volume

In Japan's ethical drug market, the market share of specialty drugs is increasing. In addition to being expensive, these drugs require strict management of temperature, inventory, and security. Meanwhile in 2024, reforms in working conditions for truck drivers are being called for, and there is also the issue of a shortage of human resources in distribution. In the long term, the working population is forecast to decline, due to the declining birthrate, prompting the need for a mechanism that can maintain high quality pharmaceutical distribution even with a small number of workers.

At this Center, we utilize AI-based text and image recognition technologies along with robotic technologies to automate heavy labor as well as simple labor tasks such as inventory input and stocktaking. Additionally, we have also managed to save labor for on-site transport by using automatic guided vehicles. Through these measures, we have reduced the number of conventional warehouse workers to about one-third. This addresses the shortage of labor in the logistics industry, and it also enables the reallocation of manpower to tasks requiring higher quality and precision. We aim to achieve an automation rate of over 90% for all warehousing activities, and are targeting a shipping accuracy rate of seven nines (99.99999%) or more.

Direct delivery of pharmaceuticals



Automation rate for all warehousing activities

90% or higher

first integrated

Greater Tokyo Distribution Center

Location	Within Prologis Park Soka, 1352-2 Takara, Kakinoki-cho, Soka City, Saitama Prefecture
Facility area	68,831.07 m ²
Scale and structure	4 floors above ground, base-isolated and fire-resistant structure
Total floor space	151,643.60 m ² (*The Greater Tokyo Distribution Center has a total floor space on its 2nd and 3rd floors of 66,450.78 m ²)
Items available for storage	37,000 items
Investment in facilities	Total amount: 20 billion yen (estimated)
Coverage areas	Tokyo, Saitama, and parts of Chiba



ble supply



to medical institutions and pharmacies within the Center's coverage areas has become possible without going through a branch, enabling both reduced delivery lead times and enhanced distribution efficiency. At the time of warehousing, shipping, and delivering products, we utilize the specialty drug distribution technology we have cultivated so far to ensure thorough quality management in compliance with Good Distribution Practice (GDP) Guidelines. This includes 24/7 temperature monitoring, with internally certified GDP specialists operating and managing the warehousing and shipping operations as well as conducting training and inspections. The Center incorporates the latest earthquake-resistant and fire-resistant structures and is equipped with a private power generator capable of operating all facilities continuously for 72 hours, ensuring operational continuity even during emergencies.

Quality
management
in compliance
with GDP
Guidelines

GDP specialists

130



A depalletizer unloading packages



Automated guided vehicles (AGV)

Palletizers doing stacking work

Supporting overseas pharmaceutical manufacturers in entering the Japanese market

Supporting **overseas pharmaceutical companies entering the Japanese market** by featuring manufacturing and packaging areas

Social issue

Many drugs remain unapproved in Japan, resulting in limited treatment options compared to overseas

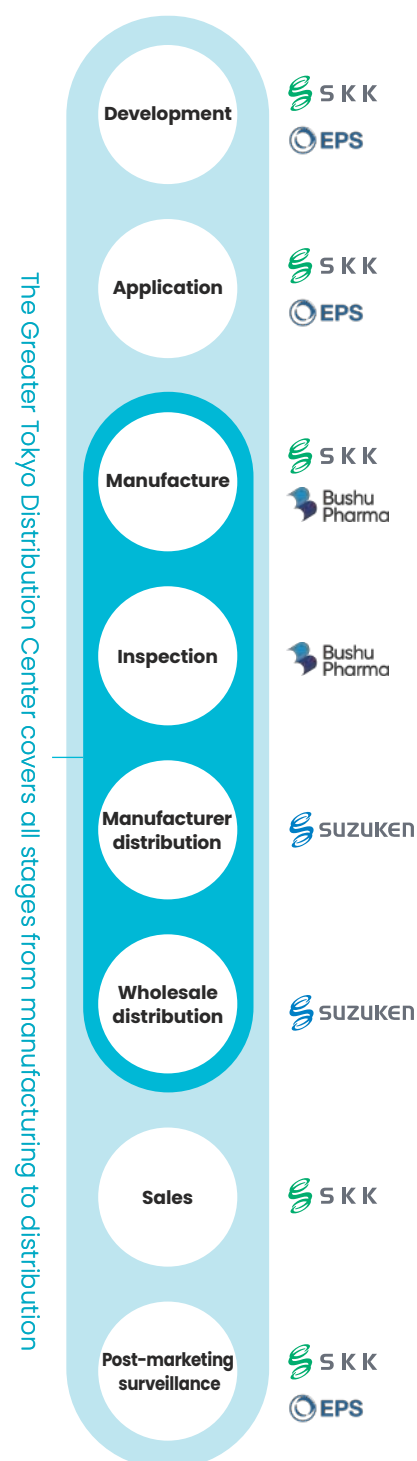
Compared to other countries, many drugs remain unapproved in Japan. In fact, according to the Office of Pharmaceutical Industry Research, about 70% of new drugs approved in Europe and the U.S. in the past five years have not been approved in Japan. Moreover, about half of the unapproved drugs in Japan have been granted orphan drug designation by either the U.S. Food and Drug Administration (FDA) or the European Medicines Agency (EMA), resulting in a situation where treatment options are more limited in Japan than overseas.

In addition to a wholesale distribution area, this Center also features an on-site contract manufacturing area and a manufacturer distribution area. Bushu Pharmaceuticals' Soka Packaging Center is located within the contract manufacturing operations area, enabling on-site contract manufacturing that focuses on the inspection, labeling, and packaging of pharmaceutical products, as well as storage services. By offering a one-stop solution from manufacturing

to wholesale distribution at a single site, we have minimized product movement, resulting in reduced lead times for deliveries, reduced transportation costs, and reduced environmental impact.

In May 2024, through our partnership with Bushu Pharmaceuticals and EPS Holdings, we established a new business model that contributes to eliminating Japan's drug loss by enabling one-stop support for overseas pharmaceutical companies entering the Japanese market. This support covers all stages, from the development of specialty drugs to application for marketing approval, manufacturing, sales and marketing, and distribution. This business model operates on a contingency fee basis, with development fees and other necessary cost for placing the drugs on the market in Japan collected after their successful market launch, thereby allowing pharmaceutical companies to enter the market while minimizing their financial risk. By dealing with Japan-specific regulations and resolving issues such as the lack of a manufacturing facility, distribution center, or distribution network in Japan, this model will increase the number of companies entering the market, thereby contributing to expanding treatment options in Japan.

Overview of J-ENTRY Consortium, a one-stop service for overseas pharmaceutical manufacturers



One-stop service

for overseas pharmaceutical manufacturers aspiring to enter the Japanese market

Functions of each company



Bushu Pharmaceuticals

Support production of drugs for clinical trials and commercial purpose, and packaging, etc.



Sanwa Kagaku Kenkyusho

Act as an agent for approval applications and sales in the Japanese market



EPS Holdings

Support clinical trials and preparation of application documents



Suzuken

Handle manufacturer distribution, wholesale distribution, and inventory management

Optimization of distribution inventory through data linkage

Visualizing distribution inventory from upstream to downstream in pharmaceutical distribution

Social issue

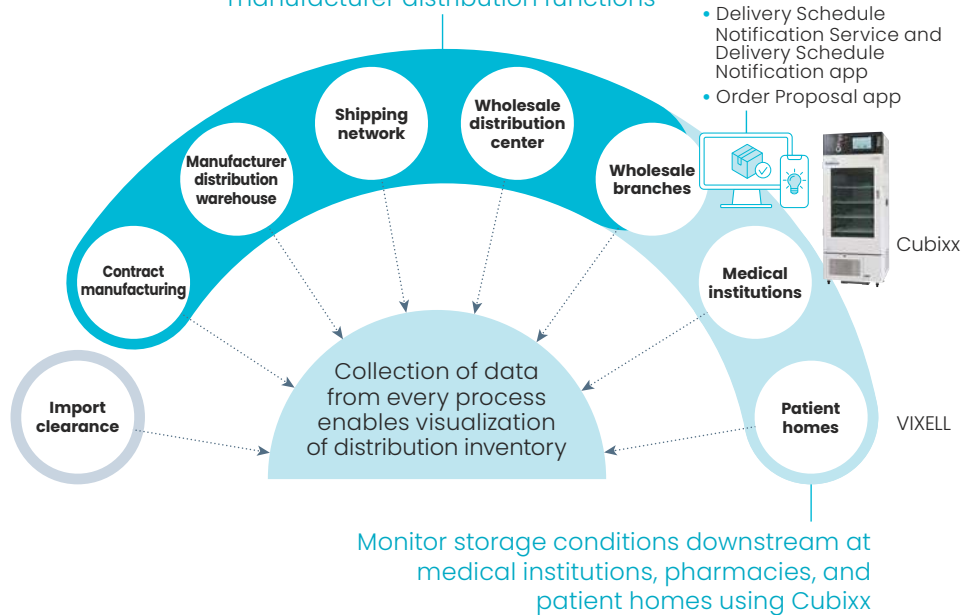
Pharmaceutical waste must be reduced to curb social security costs

In Japan's aging society, social security costs are rising year after year, and healthcare costs account for about 30% of this. Amid the demand to curb healthcare costs, pharmaceutical waste of expensive drugs due to maldistribution has become a problem, and there is an urgent need to establish a mechanism to prevent such waste.

Since 2017, the Suzuken Group has been deploying Cubixx, a traceability solution for specialty drugs, which enables 24/7 real-time monitoring of pharmaceutical management conditions at medical institutions, pharmacies, and similar facilities. Moreover, combining upstream information from wholesale distribution, contract manufacturing, and manufacturer distribution with the information in Cubixx enables the visualization of inventory conditions throughout the entire pharmaceutical distribution process from upstream to downstream. By gaining insights into distribution inventory, we aim to improve delivery efficiency, eliminate maldistribution of inventory, and reduce pharmaceutical waste.

Visualizing pharmaceutical distribution

Understand upstream inventory conditions with the Greater Tokyo Distribution Center, equipped with contract manufacturing and manufacturer distribution functions



Monitor storage conditions downstream at medical institutions, pharmacies, and patient homes using Cubixx

Installed Cubixx solution

457 facilities

Reduction of pharmaceutical waste

Approx.

4.28 billion yen

Comments by the executive in charge

The Greater Tokyo Distribution Center as a symbol of new value creation

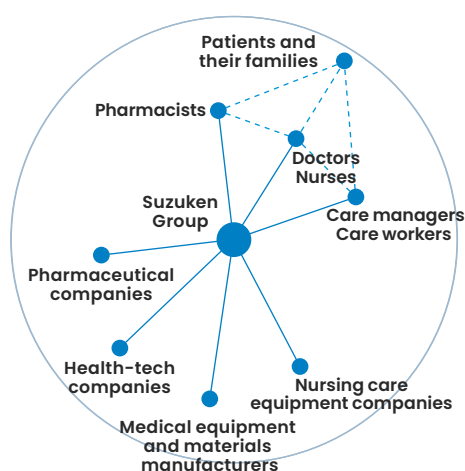
In 2005 we became the first pharmaceutical wholesaler to start providing contract-based manufacturer distribution services, and we have since built our own healthcare distribution platform that handles everything from manufacturer distribution to wholesale distribution. The Greater Tokyo Distribution Center was established by combining automation technologies with the functions that we have accumulated for more than 15 years, making it an indispensable asset for realizing smart logistics. In addition, our Group has numerous professionals who have accumulated an industry-leading track record and experience in specialty drug distribution and can play a central role in the business, which is another valuable asset. Moving forward, we will combine these assets with digital technology to visualize the location and quantity of drugs and the timing of their administration to patients, and even provide visibility into patient outcomes. We will evolve this into a platform that allows centralized management, thereby reducing social costs. Furthermore, in order to address the issue of numerous drugs that cannot be administered due to lack of approval in Japan, we will also contribute to market expansion by providing support for overseas pharmaceutical companies entering the Japanese market. As we prepare for the next stage, we aim to maintain our pharmaceutical distribution functions as part of the social infrastructure while striving to create new value through the realization of smart logistics.



Hirofumi Tanaka
Senior General Manager
of Healthcare Distribution
Business Headquarters

Comprehensive medical DX

In April 2023, we began offering services on the comprehensive healthcare DX platform, the COLLABO Portal. As of March 2024, we had more than 160,000 users on the platform, including doctors, nurses, pharmacists, and nursing care providers. With a single ID, the portal provides one-stop access to diverse services and information such as the digital health services of our partner health-tech companies, updates on regulations, seminars, and other relevant information related to healthcare and nursing care. It also offers integrated access to the Suzuken Group's sales representatives and distribution functions, and more.



Number registered on the COLLABO Portal

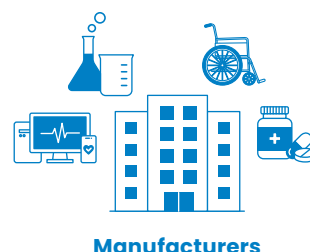
Over
160 thousand IDs

FY2025 digital-related sales target

10 billion yen or more



COLLABO



Manufacturers

Toward creating new value through the Portal

Creating a foundation for unrivaled tools connecting healthcare providers with patients and their families

Social issue

Challenges in the advancement of digital health services and data utilization

An increase is expected in services, especially digital healthcare services that facilitate providing optimal healthcare to each and every patient and that improve operational efficiency for medical and nursing care providers. However, health-tech companies lack the resources and channels to spread their services, which makes it challenging to promote their social application. Additionally, personal health records and related data are not adequately protected from an information security perspective, nor are they centrally managed, resulting in the prevention of their effective utilization in the current landscape.

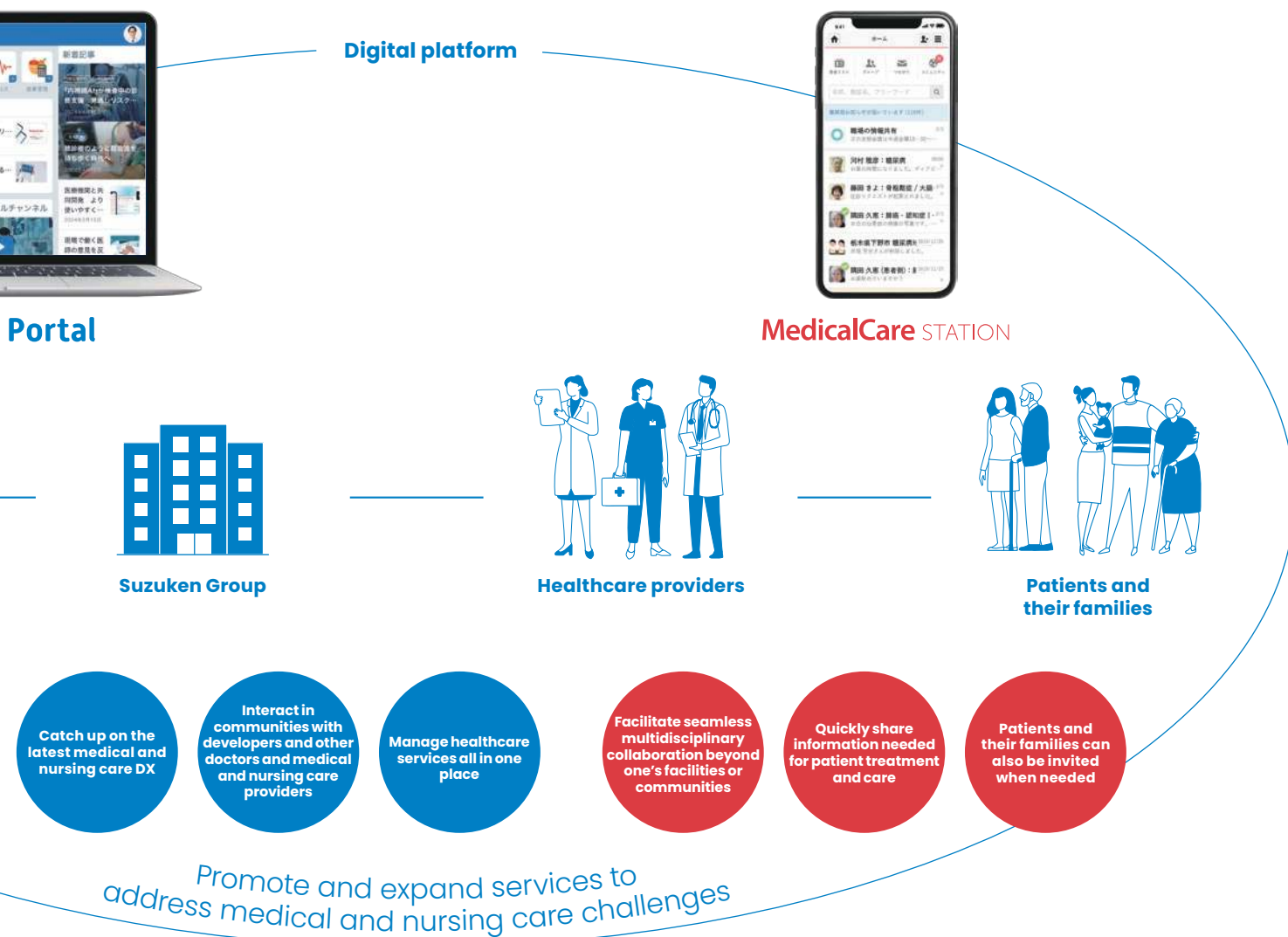
In fiscal 2024, we will continue to focus primarily on doctors to popularize the COLLABO Portal and enhance its content. We will also leverage one of the Group's solutions, Medical Care Station (MCS), a communication tool for medical and nursing care providers, and connect with its 250,000 IDs for these professionals. Through this collaboration, we aim to promote cooperation in community healthcare, as we strive to create new value for patients and their families. Moreover, we will develop and position internally certified DX ambassadors* to create mechanisms geared toward spreading services and further pursue human resource development.

Moving forward, by monetizing COLLABO Portal and accumulating, linking, and utilizing a variety of data

related to users' utilization of services, we aim to support the development of new products and the creation of services by pharmaceutical companies and other diverse manufacturers. This will also improve the operational quality and efficiency of medical and nursing care providers. Furthermore, this initiative will ultimately result in improving access to medical and nursing care services and the QOL of patients and their families.

* DX ambassadors: Positioned at sales branches around the country, they are responsible for introducing COLLABO Portal and its linked digital services to medical institutions and relevant facilities, with the aim of collecting information.

platform at the core



Comments by the executive in charge

Striving for an early expansion of digital business through the spread of COLLABO Portal

What makes COLLABO Portal different from other companies' healthcare DX services is that its services can be used during medical exams for clinical purposes. Unlike information-gathering tools or reservation systems aimed at reducing workloads during off-hours, a single sign-on for COLLABO Portal allows users to access a wide variety of services during active working hours, such as patient consultations or treatments. We aim to further expand its use, not only as a tool for the medical and nursing care providers who use it but also to solve the medical and nursing care problems of those providers' patients and their family members.

In the current medium-term management plan, we have set a target of reaching 10 billion yen or more in digital-related sales for fiscal 2025. However, since our ID acquisitions have accelerated thanks to the strength of our DX ambassadors and other DX talent, we believe that in fiscal 2024, it will be possible to achieve an earlier and broader expansion of our digital business by utilizing the ID platform.



Takeru Hiki
Senior General Manager
of Digital Platform
Business Headquarters

Breakthroughs from the patients and users

In our pharmacy and nursing care businesses, which have contact points with patients and their families, we are striving to become a community healthcare platform operator. By combining the capabilities of our partner companies and the Group, we will create new, community-based services driven by the diverse medical and nursing care needs of each community.



Social issue

Addressing the needs that vary by community

Due to the aging population and changes in demographic composition, the medical and nursing care needs differ for each community. Moreover, improvements are needed in the mechanisms whereby patients can receive necessary medical and nursing care services in familiar settings like their own homes. To meet these needs, it is necessary to provide support for increasingly diverse tasks, resolve the labor shortage among medical and nursing care providers, and provide services that contribute to reducing the workload.

Strengthening the business foundation

Enriching functions and creating new services required for community healthcare and nursing care

In our pharmacy business, we are proactively incorporating DX to reform pharmacy operations and strengthen points of contact with patients, thereby enriching the functions of family pharmacies and pharmacists. We supply all the pharmacists in our Group pharmacies with COLLABO Mobile devices, which come installed with COLLABO Portal functions. We also deploy a patient follow-up system via LINE that utilizes the services of KAKEHASHI to support pharmacy DX. Through these and other initiatives, we will realize bidirectional communication with customers using digital means, as we strive for a new vision of pharmacies that contribute to their communities.

In our nursing care business, we are working to secure human resources by preventing staff turnover and to improve their rate of operations. We have also started a proof of concept (PoC) with our partner ai6 for a monitoring service using Wi-Fi sensing technology, as we work to develop solutions that will balance increasing customer satisfaction with reducing workloads.



perspectives of

Creating a new profit model

Striving to jointly develop various solutions from the perspectives of patients and users



In our pharmacy business, in November 2023, we began a partnership with Pharmarise Holdings and started initiatives such as a patient support service for pharmacies and the construction of a new pharmaceutical distribution model. In our nursing care business, we formed a comprehensive business partnership with Chubu Electric Power in March 2023. By combining the service that Chubu Electric Power operates for identifying elderly individuals potentially experiencing frailty* based on an analysis of their electricity use, with the Suzuken Group's DX solution, which connects medical and nursing care providers, we are actively constructing a business model to support the health of community residents.

Based on patient needs identified through our Group's pharmacy and nursing care businesses, in addition to the needs of users who utilize these services, we will work together with companies and local governments in communities to jointly develop and roll out new solutions to address the diverse medical and nursing care issues in each community.

* Condition in which a decline is observed in physical function or cognitive function

Comments by the executive in charge

Striving to safeguard community health by leveraging the pharmacy and nursing care businesses' functions and management resources

The healthcare and nursing care support business headquarters has made strengthening its business foundation and creating a new profit model the core focus of its fiscal 2024 strategy. In the pharmacy business field, we will strive to achieve high profitability not by relying on expanding in size but rather by maximizing our management resources. We will leverage the Suzuken Group's strengths and differentiate ourselves from other companies by enhancing our healthcare expertise through partnerships with pharmaceutical companies and central hospitals that form the core of our community healthcare. We will also create a service that integrates the functions of the pharmaceutical distribution business and DX companies. Additionally, we will support local pharmacies and pursue a new vision for pharmacies that contributes to solving the issues they face. In the nursing care business field, we will work to resolve the management challenges of securing reliable human resources and improving facility operation rates. We will realize nursing care DX through the proactive use of ICT, to help create an ecosystem driven by the nursing care business.

We are seeking to transition from being an administrator of pharmacies and nursing care facilities to being a community healthcare platform operator, as we strive to be a presence that continues to provide hope to patients by resolving regional challenges.



Chie Takahashi

Senior General Manager of
Healthcare and Nursing
Care Support Business
Headquarters

Financial Strategy



Comments by the executive in charge

Accelerating business growth and striving to improve corporate value



Yuichi Yamamoto

Senior General Manager of Corporate Planning Headquarters

With the aim of sustainable growth and an improvement in medium- to long-term corporate value, the Suzuken Group is carrying out a financial strategy to accelerate growth. This includes such steps as formulating response policies geared at achieving management with a focus on capital costs and stock prices, as well as revising the medium-term management plan and our shareholder return policy. In order to survive and continue developing as a company even in a harsh business environment, we will utilize digital means and growth investment to realize cost reductions and improved profitability. We will also strive to improve corporate value by maximizing profit as well as optimizing capital through pro-active shareholder return policies and by promoting initiatives aimed at expanding IR activities.

Sustainable growth and an improvement in medium- to long-term corporate value

Aiming for early achievement of PBR greater than 1

The Suzuken Group is implementing a capital policy that emphasizes a balance between return and investment, with a focus on securing financial soundness as the basis for our financial strategy. To achieve sustainable growth and improve medium- to long-term corporate value, we are implementing response policies that we formulated in November 2023 aimed at realizing management with a focus on capital costs and stock prices.

The Company's stock prices were on an upward trend in fiscal 2023, but

the price-to-book ratio (PBR) at the end of the fiscal year remained below 1, at 0.87. The ROE level was a major factor influencing the PBR's failure to reach 1. Since we are curbing the increase of shareholders' equity, which is the denominator of ROE, through treasury share purchases and other forms of proactive shareholder returns, it is vitally important that we maximize profit, the numerator. In addition to improving ROE, we will increase the price earnings ratio (PER) by disclosing non-financial information and strengthening IR activities. Through the synergistic effect of these efforts, we will aim for an early achievement of PBR greater than 1.

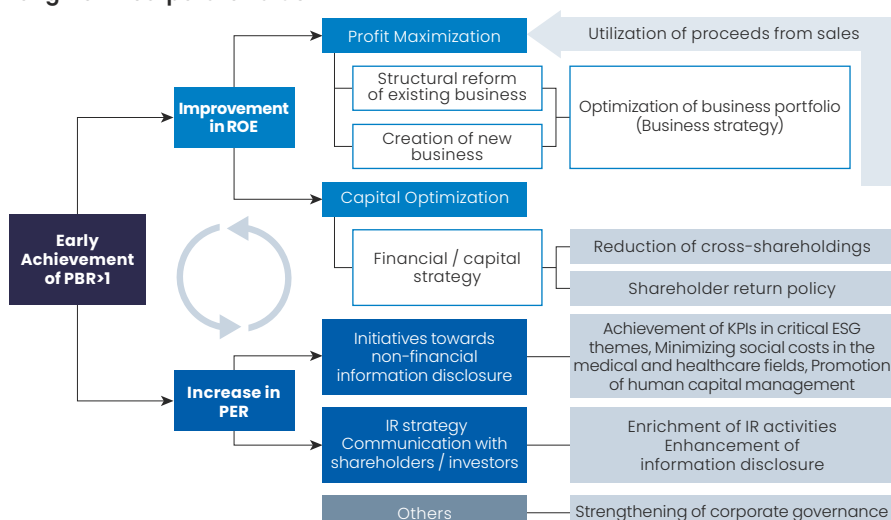
Accelerating growth by carrying out the medium-term management plan

In November 2023, alongside our second quarter results, we announced revisions to the targets in the medium-term management plan.

We are still aspiring to achieve an ROE level above our capital costs during the three-year period covered by the medium-term management plan. However, we have now disclosed a specific numerical target of 5% or higher. In addition, we are striving to achieve an ROE of 8% or higher by fiscal 2032, when we celebrate our 100th anniversary.

We also revised our reduction

Overall picture for sustainable growth and an improvement in medium- to long-term corporate value



targets for cross-shareholdings and our targets regarding shareholder returns. We are aiming to reach our targets for the reduction of cross-shareholdings by the end of fiscal 2024, one year ahead of the original schedule. For shareholder returns, we have raised the target for our total payout ratio from 80% or higher each fiscal year to a 3-year average of 100% or higher.

Improving ROE

Maximizing profit by optimizing our business portfolio

To reach our ROE target, while we can expect short-term effects from the profit gained through reducing cross-shareholdings, these effects are temporary. With an eye on fiscal 2032, we will carry out the structural reforms of existing businesses and create new businesses, thereby optimizing our business portfolio and maximizing profit.

For our existing businesses, we will utilize a variety of digital tools to rebuild an effective and efficient sales and distribution system, thereby stabilizing and improving profitability. The profits generated from these existing businesses will be invested in alliances with partner companies and the establishment of a DX platform. By doing so, we aim to monetize our information businesses and new businesses under a demand chain concept driven by the needs of medical and nursing care providers.

Implementing strategic investments of 100 billion yen or higher

To achieve a 1.5% or higher consolidated operating income ratio, as targeted in our medium-term management plan, it is essential to enhance our management resources. In light of our review of the two axes of necessity and profitability, we are implementing capital and business investments that facilitate business continuity and expansion. During the three-year period of the medium-term management plan, we plan to invest more than 100 billion yen in total (subject to final approval), with 80 billion yen allocated to strengthening existing businesses and over 20 billion yen allocated to creating new businesses.

In terms of investment toward existing businesses in fiscal 2023, we recorded approximately 20 billion yen in capital investment in the Greater Tokyo Distribution Center, which began operations in April 2024. We are looking into building facilities around the same size in the Chubu and Kansai regions, and we anticipate continued large-scale investments. However, we aim to control our selling, general, and administrative expenses (SGA) ratio by improving operational efficiency. As for investment toward new businesses, we invested a total of approximately 32.5 billion yen in Welby and Pharmarise Holdings in fiscal 2023. In terms of creation of new businesses, we expect to increase our investments in

health-tech companies, focusing on delivering the services and products created by manufacturers to medical and nursing care providers.

We are planning to invest about 22 billion yen in fiscal 2024.

Optimizing capital structure through balance sheet overhaul

To optimize the capital structure, we will accelerate the reduction of cross-shareholdings and manage shareholders' equity by implementing proactive measures aimed at enhancing shareholder returns, such as a consistent increase in the level of dividend payout and acquisition of treasury shares. While future considerations include the prudent utilization of debt, we will proceed with the reform of our balance sheet.

Accelerating cross-shareholdings reduction

We have advanced our reduction targets for cross-shareholdings one year earlier than initially planned in the medium-term management plan. We are now aiming to reduce our cross-shareholdings ratio to 10% or less of consolidated net assets by the end of fiscal 2024.

When it comes to selling shares, the Board of Directors examines individual cross-shareholdings to determine their appropriateness and makes decisions, giving consideration to factors such as timing. In fiscal 2023, we sold holdings in eight stocks worth

New targets in the medium-term management plan

Original Target

Item	Term	Target
ROE	FY2025	Levels above capital costs
Operating income ratio	FY2025	Consolidated: 1.5% or more * Wholesale segment: 1.0% or more
Investment	3-year cumulative total	100 billion yen or more
Shareholder return	Each fiscal year	Continuation of stable dividends Total payout ratio of 80% or more
Reduction of cross-share holdings	End of FY2025	10% or less of consolidated net assets

New Target

Term	Target
Each fiscal year	ROE 5% or more (Levels above capital costs)
FY2025	Consolidated: 1.5% or more * Wholesale segment: 1.0% or more
3-year cumulative total	100 billion yen or more
3-year average	Continuation of stable dividends Total payout ratio of 100% or more
End of FY2024	10% or less of consolidated net assets

Investment plan in the medium-term management plan (FY2023–FY2025)

Existing businesses	Construction of new distribution centers	56.0 billion yen
	Consolidation of branches	7.0 billion yen
	Repair and renovation of existing facilities, etc.	13.0 billion yen
	Other segments, etc.	4.0 billion yen
Total		80.0 billion yen
+		
New businesses	Alliances with partner companies	
	Establishment of DX platform	
	Establishment of community medical home care support	
Total		20.0 billion yen +a
Total investment amount over 3 years: 100 billion or higher		

Financial Strategy

approximately 9.2 billion yen. Since announcing the cross-shareholdings reduction policy in May 2021, we have reduced our holdings in 25 stocks, totaling around 22 billion yen.

We will continue this reduction in fiscal 2024, and our policy is to continue it in the medium to long term, even after we reach the reduction target of 10% or less.

3-year average total payout ratio of 100% or higher

To curb the increase in shareholders' equity, we have committed to the same target for our medium-term management plan covering fiscal 2023 to fiscal 2025.

In fiscal 2023, we acquired approximately 25 billion yen worth of treasury shares. Combined with dividends (totaling approximately 6.4 billion yen), this resulted in a total

payout ratio of 108.3%. By pursuing these initiatives, we will achieve our future target balance sheet.

Increase in PER

Enriching our communication with investors and our information disclosure

Along with actively conducting IR activities, we will also enrich our English-language disclosures. In fiscal 2023, in order to strengthen our approach to investors with whom we previously had no contact, we increased the frequency of our communication activities by about 30% compared to fiscal 2022. In light of the increase in dialogues with investors about the Suzuken Group's sustainability initiatives, as well as heightened social demands and interest in ESGs and

SDGs, we will also strengthen the disclosure of our non-financial information and communication about our efforts to address social issues through our businesses.

Major communication activities in fiscal 2023

- Dialogues with domestic and overseas institutional investors: 50 companies (total 89 times)
- Briefings for analysts and institutional investors: 2 times
- Briefings for individual investors: Conducted since 2007 (participation in the Nagoya Stock Exchange IR Expo)
- Briefings for overseas investors: Participated in conferences for institutional investors hosted by securities companies
- Publication of IR information on Suzuken's website (<https://www.suzuken.co.jp/en/ir/>)

Envisioned balance sheet reforms targeted for the medium to long term

Actual record of FY2022
Total assets: 1,146.1 billion yen

Liquidity on hand 109.0 billion yen	Liabilities
Cross-share holdings 60.8 billion yen	Net Assets 411.5 billion yen
Assets	

FY2025
(the final year of the current management plan)

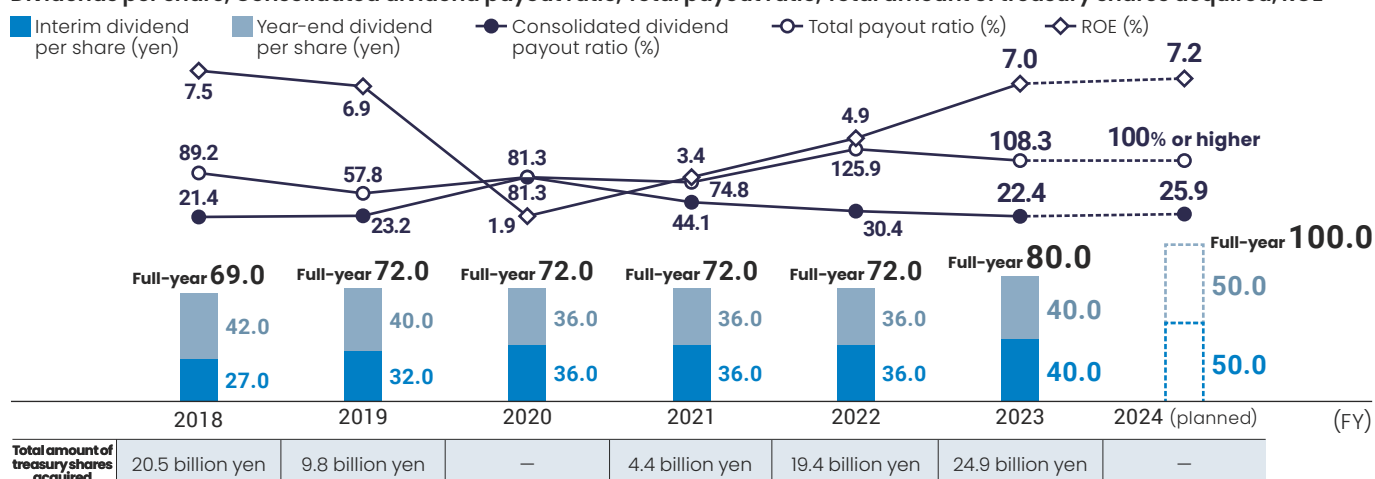
Consistently enhancing the level of dividend payout and pursuing the acquisition of treasury shares

Liquidity on hand	Liabilities
Cross-share holdings	Net Assets (Shareholder's Equity)
Assets	

Our balance sheet target figure

Liquidity on hand	Potential external debt
Cross-share holdings	Liabilities
Assets	Net Assets (Equity Capital)

Dividends per share, Consolidated dividend payout ratio, Total payout ratio, Total amount of treasury shares acquired, ROE



Note: 1. We implemented commemorative dividends of 10 yen in fiscal 2018 and 4 yen in fiscal 2019.

2. The total payout ratio shows the ratio between a) the total dividend payment amount plus the total amount of treasury shares acquired and b) net income attributable to owners of the parent. It is calculated using the following formula: a)÷b)×100.

Human Capital Strategy



human capital in ways designed to leverage each individual employee's growth and capabilities to the fullest.

Securing human resources

As people's work style needs diversify, we are enriching our options, including the possibility of regional recruitment. When it comes to securing DX human resources, a key focus of our medium-term management plan, we are conducting career hiring alongside internal development.

Reskilling

Strengthening our human resource development system

Based on a concept of human resource development that aims to develop autonomous talent who study, think, and act independently, we are providing mechanisms for learning and opportunities to take on challenges. In addition to the basic training for employees up to their fifth year with the company, we are building a wide-ranging education system to support self-actualization and further skill enhancement, primarily through on-the-job training (OJT) supplemented by off-the-job training and self-development. This system includes hierarchical training, for different levels such as management, and job-specific training along with elective training based on self-prepared reports.

Comments by the executive in charge

An organizational culture of taking on challenges and growing



Masayuki Tanaka

Senior General Manager of the Corporate Group Administrative Headquarters

We have identified "DX human resources" as crucial for our realization of a health creation enterprise. In fiscal 2023, we focused on development measures using DX reskilling, resulting in more employees obtaining DX-related certifications than our initial target. Moving forward, we will strive to foster an organizational culture of growth through challenges by providing opportunities for employees to apply their learned knowledge through internal internships and personnel exchanges with partner companies across the entire Group.

Interlocking management strategy and human resource strategy

The Suzuken Group views "people" as our greatest management resource and a key driver of growth for achieving our goal of becoming a health creation enterprise. We believe we need human resources with diverse ideas that can respond to changes, and along with our partner companies, we as a Group aim to form "One Team" encompassing diverse talent. As a human resources strategy to achieve this, we are revitalizing our human resources and enhancing our human resource portfolio. As part of these efforts, the medium-term management plan presents "promoting Group-wide human resource development" and "reskilling for DX" as platforms for our transition to a health creation enterprise. As we work to contribute to society through our business activities, we are managing

Overall image of our human resources strategy



Human Capital Strategy

Developing DX human resources

We have rolled out a rank-specific DX reskilling program that combines e-learning and certification, among other offerings, and more than 4,300 employees participated in fiscal 2023. Additionally, with the goals of enhancing our proposals for digital products to customers and our ability to meet their needs, as well as developing human resources who will become workplace instigators and leaders, we began a proprietary skills acquisition program called the DX ambassador development program. We are fostering and dispatching 50 DX ambassadors authorized through this program to sites around the country to improve the overall skills of our sales representatives.

In fiscal 2024, we are making efforts to improve DX literacy in the Group as a whole, such as expanding the DX reskilling program across the entire Group and offering new recommended certifications and curricula. We are also providing growth opportunities that leverage knowledge learned, such as proposals for work improvements and new businesses through a Group proposal system and elective trainings. Additionally, we are considering the adoption of an internal internship system.

Developing next-generation leaders

We aim to develop 100 or more next-generation leaders, namely those human resources who are not only responsible for the future of each of our businesses but who can also create and cultivate new businesses and promote collaborations with external companies. To realize that, along with implementing special development programs, the Beyond Council we established in fiscal 2023 conducts Group-wide discussions on themes such as the creation of systems and rules for excelling beyond company boundaries, as well as the formulation of equal education opportunities and human resource assessment criteria across the Group. By conducting intra-Group rotations and temporary assignments to other companies, proactively providing opportunities for both younger and female employees, and selecting individuals for exceptional promotions without regard to employment status or the Group company they belong to, we identify and develop potential leaders who can work in a variety of businesses and provide them with a platform to utilize their skills.

Promoting well-being

Promoting health and productivity management

We have instituted a Health-conscious Management Declaration and are working to promote health and productivity management in order to maintain and improve the health of our employees and their families. As an organization specializing in health management, we established a health counseling room with permanently stationed public health nurses, and we are building a system that will link with related departments, occupational health physicians, and health insurance societies.

As a result, Suzuken and the Health Insurance Societies of the Suzuken Group companies have been designated as Certified Health & Productivity Management Outstanding Organizations.

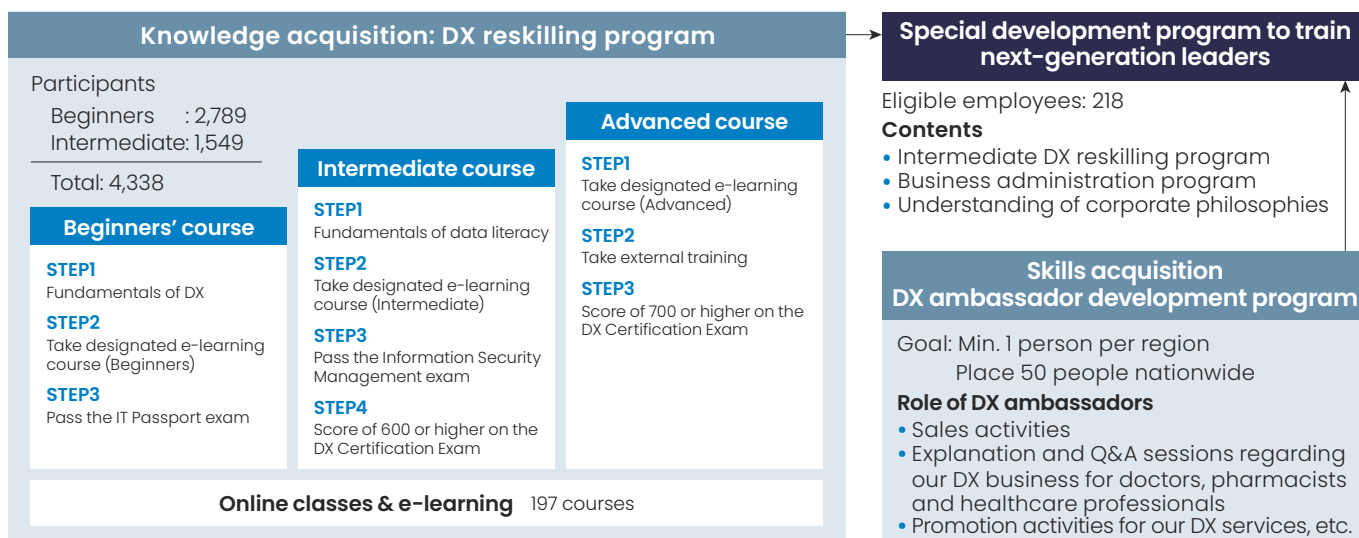


2024 Certified Health & Productivity Management Outstanding Organizations (large enterprise category)
Suzuken, Sanki, ASTIS, Shoyaku, Sanwa Kagaku Kenkyusho



2024 Certified Health & Productivity Management Outstanding Organizations (small and medium-sized enterprise category)
S.D.Logi, the Suzuken Health Insurance Society

Internal development program for developing DX human resources and next-generation leaders (FY2023)



Creating an optimal workplace environment

We are promoting flexible working styles with a focus on reducing total working hours and increasing flexibility to balance these needs while maintaining and improving customers satisfaction. We are considering introducing measures to broaden working styles, such as implementing a flexible working hour system or allowing employees to go directly to a customer site and then return home, without stopping by the office, leveraging mobile phones or other IT technology. Other plans under consideration include establishing rules and guidelines for working from home. Additionally, we are working to improve the percentage of paid leave taken.

Improving engagement

Strengthening Group communication

We are increasing opportunities for ongoing communication, such as by carrying out trainings and events jointly as a Group and meetings with the management level.

Promoting the Group proposal platform

We have been implementing the “Chienowa” Group proposal platform since April 2022. It functions as a forum not only for proposals of things such as business operation improvements and new business ideas, but also for sharing good practices and for hosting events to facilitate discussions and exchange views that lead to new policies, allowing members to feel that they are actively participating in management via the “One Team” concept.

Examples of proposals adopted for realization in fiscal 2023

- Elimination of ledgers’ automatic output function (reduction of paper)
- Utilization of new digital services to strengthen customer touchpoints
- AI apps linked with COLLABO Portal that can consolidate the views of patients and their families
- Drone delivery of ethical drugs to remote islands
- Participation in a social contribution activity to protect children from crime and accidents

Diversity & Inclusion

We strive to create work environments where all employees can exercise their

capabilities to the fullest.

We are making efforts to promote women’s careers by strengthening the hiring of female employees, offering them elective training, and assigning them to projects. As a result, three Suzuken Group companies have received the Eruboshi certification, which recognizes companies with exceptional conditions and efforts for promoting the careers of women.

With regard to support for raising the next generation, seven Group companies have received the Kurumin certification, which recognizes companies that support a balance between working and childrearing for women.

We also promote the employment of people with disabilities and maintain an employment rate (2.5%) that surpasses the rate mandated by law. In addition, in April 2023, we established a new active career system under which employees can continue working after retirement age, up until age 70.



Eruboshi (level 3) certification for S.D.Logi Co., Ltd.



Platinum Kurumin certification for S.D.Logi Co., Ltd.

Data relating to human resources

	FY 2021	FY 2022	FY 2023	Targets
Consolidated employees	14,032	13,429	13,086	—
Female employees (% of total)	54.1	54.5	53.7	—
Female managers or equivalent (% of total)	9.8	10.1	14.2	FY2030 20% or more
Female executives *Directors, executive officers	—	7	10	—
Male-female wage differential (%) *All employees	57.9	56.1	57.2	—
Percentage of men taking childcare leave	18.4	31.6	73.4	By FY2025 100%
Percentage of women among new graduates	52.4	37.8	38.2	—
Employment rate for people with disabilities (%)	2.6	2.4	2.5	—
Percentage of annual paid leave taken	52.2	60.6	58.2	—
DX reskilling program participants	—	—	4,338	—
IT passport holders	1,522	1,547	1,973	FY2025 2,100 or more
Information security management certification holders	48	50	694	FY2025 1,000 or more
Score of 600 or higher on the DX Certification Exam	—	—	430	FY2025 800 or more
Proposals through Chienowa platform	—	4,916	3,277	—

Note: Figures are actual data for each fiscal year or as of the end of each fiscal year. Percentages of female employees, female managers, and men taking childcare leave are for companies subject to sustainability indicators, while the employment rate of people with disabilities is for Suzuken, Chuounyu, Suzuken Business Associe, and Suzuken JoinUs. And all other items are Suzuken figures.

Climate Change



Basic concepts

The Suzuken Group sees protection of the global environment as one of the most important issues for the 21st century and aims to be a “best partner that contributes to the health of the earth and to healthy, fulfilling lives filled with smiles for all people.”

CO₂ emissions from our business activities are another concern. Most of these emissions are from the use of gasoline in our vehicles and electric power at our sales offices throughout the country and show the interrelatedness of business activities and the burden on the environment. The Suzuken Group not only complies with all environmental laws and regulations but also strives to minimize our environmental burden while working with local communities.

Important problems we are focusing on inside Japan include pharmaceutical waste and medicines that go unused. Minimizing social costs such as these is one of the Group’s most important management concerns.

Environmental management structure

By implementing the PDCA cycle as part of the Group’s environmental policies and taking steps to deepen the environmental consciousness of every one of our employees, as well as striving to improve our business activities, we continuously and systematically endeavor to reduce our resource and energy usage.

Toward the goal of realizing a sustainable society, our Sustainability Committee is working to reduce CO₂ emissions and other important issues relating to environmental protection, as well as reducing social costs. It also works to manage the risk that climate change poses to our business activities.

Initiatives to reduce CO₂ emissions

In terms of initiatives to prevent global warming, we are implementing “3 Green Actions,” a set of energy-saving activities aimed at reducing CO₂ emissions. We are also promoting smart logistics in pharmaceutical distribution.

3 Green Actions

Green Office

- Promoting energy-saving activities in offices
- Installing energy-saving equipment and devices such as photovoltaics, LED lights, and high-efficiency air conditioners in some offices and distribution centers

Green Sales and Green Distribution

- Switching to hybrid vehicles and fuel-efficient vehicles for our sales fleet
- Attempting to enforce eco-driving for sales and delivery vehicles

Green IT

- Replacing old IT equipment (e.g., computers and servers) with energy-saving models

Implementing smart logistics

Through our smart logistics initiative in the pharmaceutical distribution business, we are working to ensure a stable supply of pharmaceuticals while keeping CO₂ emissions low. We are also working to make deliveries more efficient by constructing an optimal delivery system based on customer needs, with a view to joint distribution and joint shipping, and reducing frequent and express deliveries by way of inventory management proposals. In addition, we are conducting efforts aimed at real-time visualization and optimization of pharmaceutical distribution inventory.

Following the TCFD recommendations

Governance

Governance relating to climate change is embedded in our governance framework for sustainability management. Our environmental policy expresses our aim “to be a best partner that contributes to the health of the earth and to healthy, fulfilling lives filled with smiles for all people.” Under this policy, we will aim to achieve a sustainable society and manage the risks of climate change factors in our business activities.

Strategy

Based on various scenarios publicized by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Administration (IEA), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), the Suzuken Group has assessed and analyzed, both qualitatively and quantitatively, the financial impact of envisioned climate change risks and opportunities on our business activities. We have envisioned two scenarios: one where the temperature rise from before the Industrial Revolution is held under 2°C, which is the long-term target of the Paris Agreement, and one with a rise of 4°C, where CO₂ reduction efforts fall short.

Risk management

Based on the sustainability promotion framework, the Sustainability Committee will discuss the impact of climate change on the Suzuken Group and report to the Board of Directors on relevant proposals under consideration.

Also, we view maintaining our social infrastructure function of “safe, secure, and reliable pharmaceutical distribution” as a critical theme in terms of risk management. In addition to total traceability and quality improvements in accordance with global standards, we are promoting countermeasures to enable uninterrupted distribution

even when incidents such as natural disasters occur, through efforts such as building a nationwide BCP network centering on Tokyo, Nagoya, and Osaka.

Indicators and targets

The Suzuken Group has endorsed the pledge to be carbon neutral by 2050, and the Group as a whole has adopted a CO₂ emissions reduction target of 40% (compared to fiscal 2020) by fiscal 2030 for Scope 1 and 2 emissions.

We also consider Scope 3 initiatives important, and by improving efficiency across the entire supply

chain, we aim to help reduce CO₂ emissions in society as a whole.

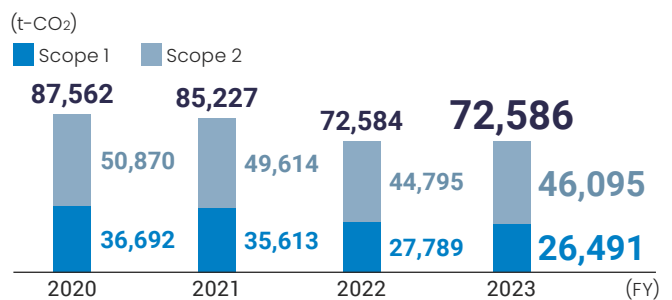
Future initiatives

- Adding electric vehicles to our sales fleet
- Installing additional solar panels to sales and distribution locations across the country
- Switching to LED lights and replacing air conditioning equipment and drug cooling boxes at sales offices
- Building an integrated control system for climate change related data

(1) Envisioned scenarios

Under 2°C	• Increase in business operation costs to cope with climate change • Rising energy costs • Emergence of new business opportunities due to rise in environmental awareness • Praise from market for companies addressing environmental burden
4°C	• Loss of business opportunities due to natural disasters becoming more frequent and intense • Increased tightening of corporate and consumption activities • Rising energy costs • Emergence of health risks for employees and the increase in response costs • Market's culling of companies that cannot address environmental burden

CO₂ emissions (Scope 1+2)



Companies included: Suzuken, Sanki, ASTIS, Shoyaku, Suzuken Okinawa Yakuhin, Suzuken Iwate, Nakano Yakuhin, S.D. Logi, Sanwa Kagaku Kenkyusho, Unismile, S-mile, S-Care Mate, Chuounyu, Sanki Wellbe, Kenzmedico

(2) Overview of risks and opportunities, impact on finances

Category			Overview	Impact on Finances	
				Under 2°C	4°C
Risks	Transition risks	Regulations	Cost increase due to carbon tax, other new taxation schemes	Small	Small
		Technology & market	Cost increase from transition to renewable energy	Medium	Small
			Cost increase from transition to low-carbon technology products	Medium	Small
			Cost increase due to rising fuel prices stemming from geopolitical risks	Small	Small
	Reputation	Loss of trust from stakeholders due to inadequacy of climate change countermeasures	Small	Small	
	Physical risks	Acute	Cost increase due to natural disasters becoming more frequent and intense	Small	Small
		Chronic	Increased health risk for employees and loss of business opportunities due to increase in contagious diseases and heat stroke	Small	Small
Increased response costs due to rise in average temperature and changes in weather patterns			Small	Small	
Opportunities		Resource optimization	Curtailment of CO2 emissions due to reform of distribution process	Small	Small
		Products & services	Opportunities to provide new services due to rise in market's environmental awareness	Small	Small
			Increased need in market for vaccines and medicines due to the increase of contagious diseases and heat strokes	Small	Medium
		Resilience	Praise earned from stakeholders for contributing to climate change response	Small	Small

Pharmaceutical Distribution Business

Major companies

SUZUKEN CO., LTD., Sanki Corporation, ASTIS Co., Ltd., Shoyaku Co., Ltd., Suzuken Okinawa Yakuhin Co., Ltd., Nakano Yakuhin Co., Ltd.,


Suzuken Group strengths
Safe, secure, and reliable pharmaceutical distribution system

- Sales and distribution network covering all of Japan
- High distribution quality compliant with global standards
- Nationwide BCP network centering on Tokyo, Nagoya, and Osaka
- Development and placement of GDP specialists

Effective and efficient distribution system

- Automation and labor-saving through the use of robot technology and AI
- Cubixx solution, a new digital-based distribution model

Solid customer relationships

- Relationships of trust with customers (a traditional asset)
- Network connecting the Group with medical institutions, pharmacies, and healthcare professionals
- Reliable net sales and market share for ethical drugs

Business locations, distribution locations, and shipping fleet of the pharmaceutical distribution business

(as of March 31, 2024)

- Business locations **206**
- Wholesale distribution centers **15**
- Shipping fleet vehicles **1,737**
- ISO 9001:2015 certified locations Miyagi Distribution Center, Osaka office

Business environment
Japan's drug pricing system

Under Japan's National Health Insurance (NHI) drug pricing system, the drug costs (drug prices) that public health insurance associations pay to medical institutions and pharmacies are set as official prices. In contrast, the prices at which pharmaceutical wholesalers supply medical institutions and pharmacies are determined by free market competition.

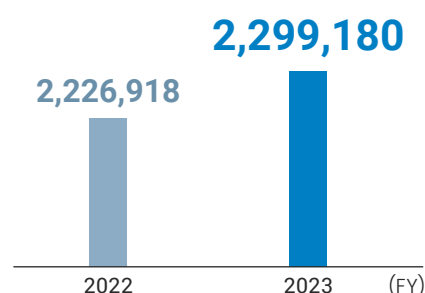
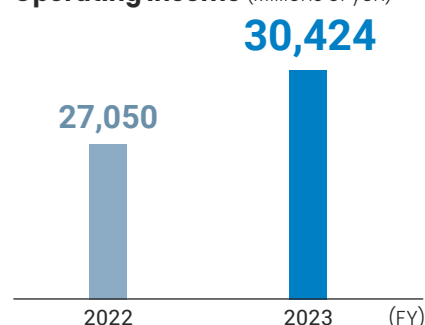
Distribution prices of ethical drugs in Japan

Role of pharmaceutical wholesalers

In Japan, 97% of ethical drugs are supplied through pharmaceutical wholesalers to medical institutions, pharmacies, and similar entities across the country. Unlike pharmaceutical wholesalers and other types of wholesalers and distribution companies overseas, pharmaceutical wholesalers in Japan have the following five functions and fulfill the social role of supporting public healthcare services.

Five functions of pharmaceutical wholesalers in Japan

Physical distribution	Basic functions of transporting things, including procurement, storage, quality control, and delivery
Sales	Medical Representative (MR)-like functions of promoting sales, managing sales, and promoting proper use
Information	Handling neutral and fair information that is not biased toward any pharmaceutical company
Finances	Management of receivables and payables including payment collection
Supply and demand adjustment	Allotting products according to overall supply and demand conditions

Net sales (Millions of yen)

Operating income (Millions of yen)


Opportunities and risks

Opportunities

- ✓ Expansion of the specialty drug market
- ✓ Expansion of generic drug use
- ✓ Spread of digital technologies in the medical and nursing care field
- ✓ Promotion of community-based healthcare collaboration and comprehensive community care systems
- ✓ Reform of medical care in Asia

Risks

- ⚠ Stagnant market growth due to controls over increases in national healthcare spending
- ⚠ Changes in pharmaceutical distribution and sales activities (response/compliance with guidelines)
- ⚠ Increased complexity of distribution inventory management
- ⚠ The 2024 problem in logistics
- ⚠ Growing competition due to market entrants from other industries
- ⚠ Natural disasters and pandemics

Main efforts

Efforts to take advantage of opportunities	Relevant material issues	Relevant key initiative of the medium-term management plan
Evolution of a digital-based healthcare distribution platform	- Safe, secure, and reliable pharmaceutical distribution - Minimizing social costs in the medical and healthcare fields	Initiative 1 Healthcare distribution reform Initiative 3 Smart logistics
Total traceability solution with the Cubixx		
Real-time visualization and optimization of pharmaceutical distribution		
Automation and labor-saving measures at the Greater Tokyo Distribution Center	Safe, secure, and reliable pharmaceutical distribution	Initiative 2 Restructuring of Asian (Chinese and South Korean) business
Ongoing rollout of pharmaceutical distribution businesses in China and South Korea		
Efforts to hedge against risks	Relevant material issues	Relevant key initiative of the medium-term management plan
Construction of new sales structure (Expansion of the COLLABO Portal)	Safe, secure, and reliable pharmaceutical distribution	Initiative 1 Healthcare distribution reform Initiative 3 Smart logistics
Expansion of customer touchpoints using digital means (Enhancement of back-office functions)		

Review of fiscal 2023

While sales were impacted by a review of transactions with certain manufacturers, we saw increased sales of new drugs such as specialty drugs and medicines for COVID-19. As a result, sales rose 3.2% year-on-year to ¥2,299,180 million, and operating income rose 12.5% year-on-year to ¥30,424 million, due to increased sales as well as our continued efforts to obtain proper profits.

The Greater Tokyo Distribution Center has commenced operations in Soka City, Saitama Prefecture. Boasting industry-first functions, it features contract manufacturing and manufacturer distribution areas at a wholesale distribution site that facilitates automation and labor-saving. Additionally, to reduce the workload arising in medical institutions and pharmacies due to shipping adjustments by pharmaceutical companies, and to contribute to improving Suzuken's productivity, we introduced our Delivery Schedule

Notification service and Delivery Schedule app. These allow checking of the delivery date for ordered drugs and the availability of substitutes. We have also introduced our Order Proposal app to provide ordering support based on demand forecasts.

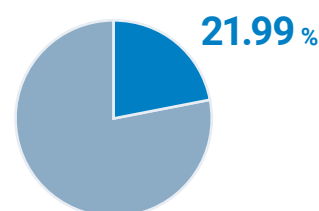
Outlook for fiscal 2024

Despite the contribution from increased sales of new drugs, such as specialty drugs, we expect a decrease in revenue due to the impact of NHI drug price revisions and decreased demand for COVID-19-related products.

We expect operation income to decline as well, due to factors such as our response to social demands, various increased outsourcing costs, and investments in new distribution centers and systems. By complying with the Guidelines for the Improvement of Commercial Transaction Practices and continuing efforts to secure proper profits, we aim to improve our gross profit margin and achieve an operating income ratio of 1% or higher.

Related data

Domestic market share of ethical drugs (FY2023)



Four companies account for 90% of Japan's ethical drug distribution market. In that context, Suzuken has maintained a market share of over 21% or more for nine consecutive years.

Healthcare Product Development

Major companies

Sanwa Kagaku Kenkyusho Co., Ltd., Kenzmedico Co., Ltd.



Suzuken Group strengths

Presence in the field of diabetes therapies and kidney dialysis

- Development and manufacturing of pharmaceuticals, diagnostic reagents, and diagnostic devices

Efficient and high-quality production technology

- Supply chain management system that ensures a stable supply of high-quality products
- Advanced drug production system that is compliant with international GMP standards
- Track record in contract manufacturing for major pharmaceutical companies
- OSDrC business utilizing proprietary formulation technology
- Obtained ISO 13485 certification for quality management system for medical devices
- Extensive track record in the OEM business for medical devices

Comprehensive support system to help pharmaceutical companies place products on the market

- Partnerships with pharmaceutical companies and various companies engaging in healthcare-related businesses
- Networks with overseas pharmaceutical companies and other entities

Locations of the healthcare product development business (as of March 31, 2024)

- Pharmaceutical manufacturing plant (Kumamoto)
- Pharmaceutical research laboratory (Mie)
- Medical equipment manufacturing plant (Gunma)

Business environment

The expanding diabetes market

The International Diabetes Federation estimates that more than 5% of the population of developed nations around the world are diabetes patients. The percentage of adults with diabetes in Japan was 11.8% in 2021, with the disease becoming increasingly prevalent due to aging and the rising obesity rate. According to the Yano Research Institute, Japan's diabetes market in fiscal 2022 totaled 681 billion yen across the two markets of glucose self-monitoring devices and related products, and antidiabetic agents. This figure is forecast to top 700 billion yen in fiscal 2025.

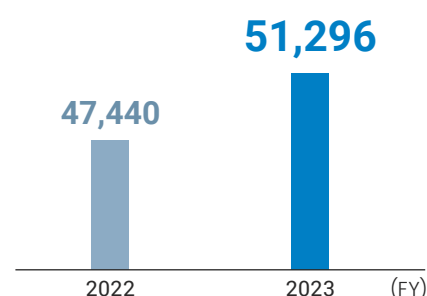
Drug loss in Japan today

In recent years, the presence of drugs that remain unapproved in Japan despite being approved in other countries, referred to as "drug loss" items, has become a growing concern. About 70% of new drugs approved in Europe and the United States over the past five years have reportedly not yet been approved in Japan.^{*1} Moreover, about half of these drugs that are still unapproved in Japan have been designated as orphan drugs by the US Food and Drug Administration (FDA) or the European Medicines Agency (EMA).^{*2} This situation indicates that in Japan, clinically important pharmaceuticals are either not being developed or are facing delays in development.

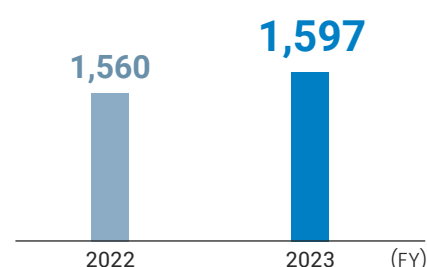
^{*1} Office of Pharmaceutical Industry Research, OPIR News No. 63 July 2021, "Drug lag: State of domestically unapproved drugs and their characteristics" (available only in Japanese)

^{*2} Office of Pharmaceutical Industry Research, OPIR News No. 66 July 2022, "Drug lag: Can unapproved drugs meet Japan's unmet medical needs?" (available only in Japanese)

Net sales (Millions of yen)



Operating income (Millions of yen)



Business

Opportunities and risks

Opportunities

- ✓ Change in disease patterns due to aging population and other factors (growth of the market for antidiabetic agents)
- ✓ Response to unmet medical needs
- ✓ Growing demand for outsourcing among pharmaceutical companies
- ✓ Increase in diverse business ventures and new outsourcing service providers
- ✓ Diversifying needs for in-home medical treatment and nursing care
- ✓ Advancement of digitalization

Risks

- ⚠ Reform of the drug pricing system due to rising healthcare expenditures
- ⚠ Advancement of globalization
- ⚠ Growing competition due to market entrants from other industries
- ⚠ Compliance with guidelines for provision of sales information
- ⚠ Environmental pollution caused by R&D activities
- ⚠ Drug loss and drug lag in Japan

Main efforts

Efforts to take advantage of opportunities	Relevant material issues	Relevant key initiative of the medium-term management plan
Pharmaceutical R&D New disease management support for the diabetes market Promotion of patient-centered new product development and introduction	Contribution to improving access to medical and nursing care services and enhancing patient QOL	Initiative 6 Healthcare product development
Efforts to hedge against risks	Relevant material issues	Relevant key initiative of the medium-term management plan
Supporting Japanese market entry for drugs not yet approved in Japan (drug loss items) Digital MR (medical representative) activities such as e-promotion and webinars Expanding the medical equipment manufacturing sector and strengthening its competitiveness	Contribution to improving access to medical and nursing care services and enhancing patient QOL	Initiative 6 Healthcare product development

Review of fiscal 2023

In connection with the intra-Group organizational restructuring carried out in October 2022, sales from the medical equipment and materials manufacturing business shifted away from the pharmaceutical distribution business segment. Additionally, in the pharmaceutical manufacturing business, prescriptions increased for UPASITA IV Injection Syringe for Dialysis, a therapeutic agent for secondary hyperparathyroidism, and Darbepoetin Alfa BS Syringe for Injection, a long-acting erythropoiesis-stimulating agent. These factors pushed income up by 8.1% year-on-year to 51.296 billion yen.

Operating income rose 2.4% year-on-year to 1.597 billion yen, driven by factors such as higher sales and our efforts to curb selling, general, and administrative (SG&A) expenses.

In addition to expanding our flagship diabetes treatment products, we signed a co-promotion agreement with Abbott Japan in January 2024 to enhance care for diabetes patients through our glucose self-monitoring devices.

In May 2024, we also initiated a partnership with Bushu Pharmaceuticals and EPS Holdings, establishing a collaboration model to support Japanese market entry for drugs that are not yet approved in Japan (drug loss items).

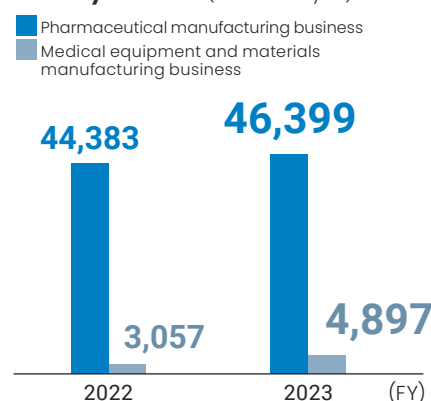
Outlook for fiscal 2024

As for sales, increased prescriptions for UPASITA IV Injection Syringe for Dialysis in the pharmaceutical manufacturing business and an increase in sales volume from the medical equipment and materials manufacturing business for items such as Holter electrocardiographs and electronic blood pressure monitors are expected to bring increased income.

In terms of operating profit, we anticipate increased R&D expenses due to advancements in the development of our pharmaceutical manufacturing business, which we expect will reduce profits. It should also be noted that we have not budgeted for licensing fees in fiscal 2024 for the pharmaceutical manufacturing business, in light of the current progress in licensing activities.

Related data

Sales by business (Millions of yen)



Beginning in fiscal 2023, we have integrated the medical equipment and materials business from the former healthcare-related services business segment with the former pharmaceutical manufacturing business, to create the healthcare product development business segment.

Community Healthcare and Nursing

Major companies

UNISMLE Co., Ltd., S-mile, Inc., Sanki Wellbe Co., Ltd., S-Care Mate Co., Ltd., Medicare Collabo CO., LTD.


Suzuken Group strengths
Locally focused functions and services

- The dual functions of family pharmacies and health support pharmacies
- Strong connections with prescribing medical institutions
- Improving operations and providing educational support for local pharmacies
- Offering a full line of long-term care services to meet various needs

Partnerships within and outside of the Group to realize community-based healthcare collaboration

- Sharing information on the needs and challenges of medical and nursing care providers and of patients and their family members

Number of authorized pharmacies and other business locations in the pharmacy business

(As of March 31, 2024)

- Number of pharmacies (includes those below)

..... **559** in 35 prefectures

- Health support pharmacies **24**
- Pharmacies linked with local communities **35**
- Pharmacies linked with specialized medical institutions **3**

Business locations in the nursing care business

(As of March 31, 2024)

- Service centers **185**

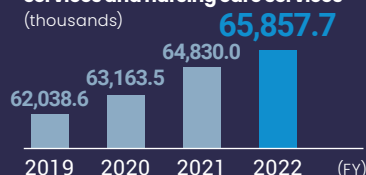
Business environment
Roles required of pharmacists

The 2024 Revision of Medical Fees* primarily focuses on improving the quality of pharmacists' work and strengthening collaboration in community-based healthcare. This revision aims to improve the quality of pharmacists' duties by incorporating tasks such as sharing information with medical institutions, collaborating in in-home medical care, and building a system for providing reliable drug therapy into their evaluation criteria. The reform also aims to secure human resources by raising wages.

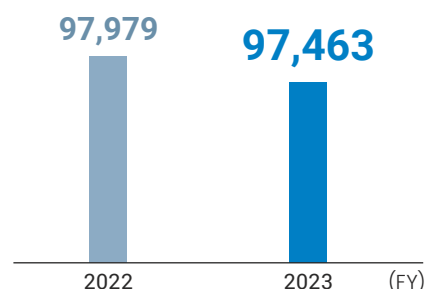
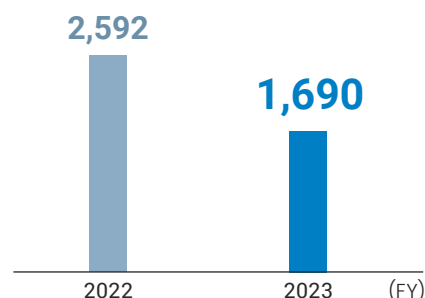
*Medical Fees: Remuneration paid by public health insurance for services provided at hospitals, pharmacies, and other healthcare facilities. It features a mechanism wherein points are added when the prescribed conditions are met, and the standards are revised every two years.

Issues in the nursing care industry

As the population ages, there is an upward trend in the number of people needing nursing care, and the recipients of nursing care insurance services are increasing each year. Amid calls to enhance nursing care services and to secure and train nursing care personnel, it is imperative that the nursing care industry address the tight financial conditions of nursing care insurance and the severe manpower shortage. Some issues include improving the treatment and work environment of nursing care workers and promoting work style reform.

Annual cumulative total of recipients of nursing care prevention services and nursing care services (thousands)


Ministry of Health, Labour and Welfare, "Fiscal 2022 Overview of Statistics on the Status of Nursing Care Payments"

Net sales (Millions of yen)

Operating income (Millions of yen)


ng Care Support Business

Opportunities and risks

Opportunities

- ✓ Promotion of family pharmacists and pharmacies
- ✓ Transition to non-contact medical care such as online medical exams and online medication instruction
- ✓ Rollout of electronic prescriptions
- ✓ Promotion of an authorized pharmacy system (pharmacies linked with local communities or with specialized care institutions)
- ✓ Creation of new business models through deregulation
- ✓ Promotion of comprehensive community care system construction
- ✓ Progress in personalized medicine
- ✓ Diversifying needs for in-home medical care and nursing care

Risks

- ⚠ Revision of systems for local healthcare provision
- ⚠ Legislation on monitoring medication adherence status and providing continuous medication instructions
- ⚠ Uneven distribution of pharmacists
- ⚠ Market entries from other industries due to deregulation
- ⚠ Severe labor shortage in the nursing care market

Main efforts

Efforts to take advantage of opportunities	Relevant material issues	Relevant key initiative of the medium-term management plan
Creating pharmacies of choice for the community and patients Rollout of customer support services utilizing digital technology Rollout of nursing care services tailored to local characteristics Contributing to comprehensive community care systems through collaborations within the Group and with partner companies	- Contributing to improving access to medical and nursing care services and patient QOL - Contributing to local communities	Initiative 5 Community healthcare and nursing care support
Efforts to hedge against risks	Relevant material issues	Relevant key initiative of the medium-term management plan
Strengthening of Group pharmacy functions and improving quality of the pharmacists Development of services to support local pharmacies Initiatives to hire human resources for nursing care business Development of services to prevent nursing care accidents and reduce the burden on nursing care personnel	- Contributing to improving access to medical and nursing care services and patient QOL - Contributing to local Communities	Initiative 5 Community healthcare and nursing care support

Review of fiscal 2023

In the pharmacy business, while factors such as the relaxation of restrictions on medical exams following COVID-19's legal reclassification as a Class 5 infectious disease have led to an increase in the number of prescriptions received, factors such as dispensing fee revisions have also had an impact, resulting in a 0.5% decrease in net sales year-on-year to 97.463 billion yen.

Influenced in part by NHI drug price revisions and by the end of transitional measures providing community support system premiums as part of the dispensing fee revisions, operating income fell 34.8% year-on-year to 1.69 billion yen.

In November 2023, Suzuken entered into a capital and business alliance with Pharmarise Holdings Corporation and made it an equity method affiliate. We will collaborate with pharmacies from both groups to develop new functions for the pharmacy market and jointly conduct

the trials. Additionally, we will work to improve operational efficiency through joint use of systems and such. We also plan to extend that effort to local pharmacies outside the Group. In addition, we are introducing COLLABO Mobile to our Group pharmacies, with the aim of strengthening pharmacy functions and improving productivity through the promotion of DX.

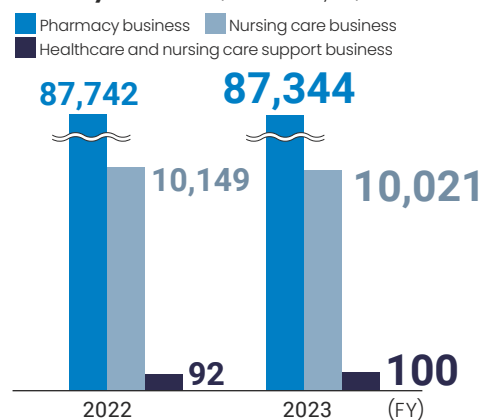
Together with Chubu Electric Power, with whom we signed a comprehensive business alliance in March 2023, we are promoting linkages with companies, medical associations, and local governments focused on assisting frail community residents, as part of our effort to build a business model to support community residents' health.

Outlook for fiscal 2024

Mainly in the pharmacy business, we expect revenue to decrease because of anticipated negative impacts from NHI drug price revisions and dispensing fee revisions.

Related data

Sales by business (Millions of yen)

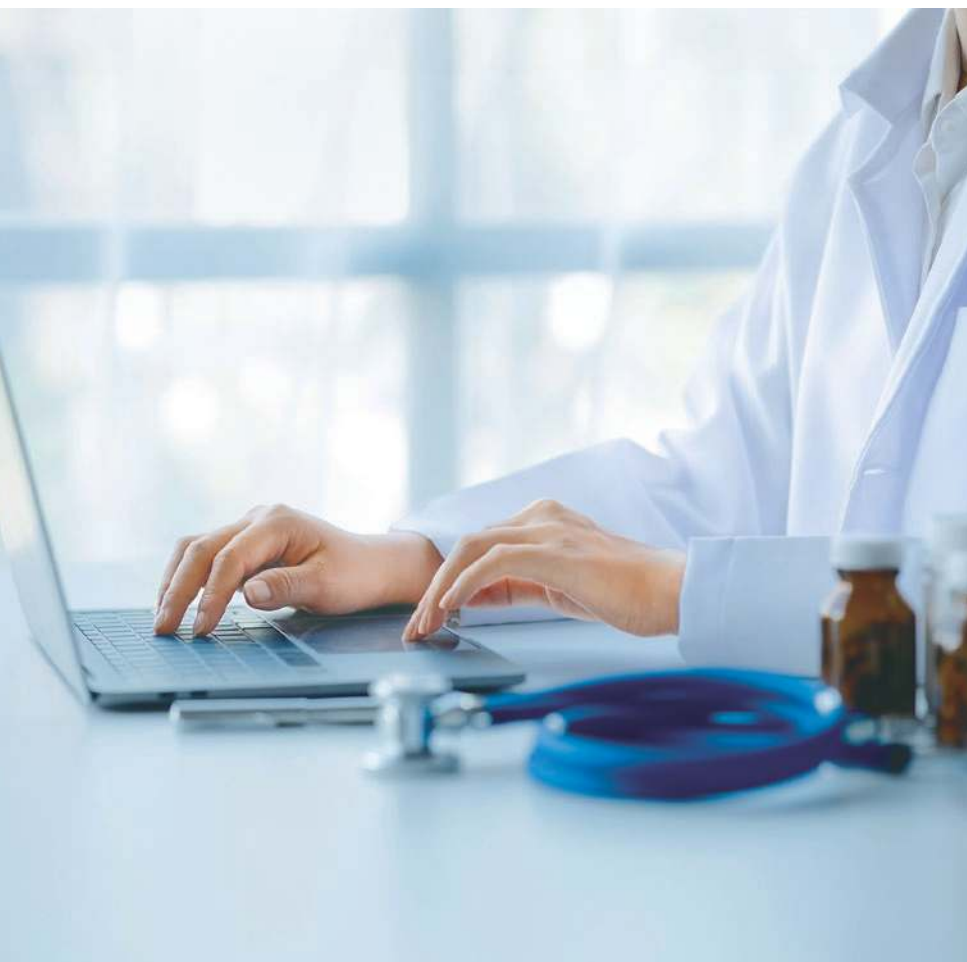


Beginning in fiscal 2023, we have integrated the former pharmacy business segment with the nursing care business and the medical and nursing care support business of the former healthcare related services business segment, to create the community healthcare and nursing care support business segment.

Healthcare-Related Services Business

Major companies

S.D. Collabo Co., Ltd., Chuounyu Co., Ltd., Collabo PLACE CO., LTD.


Suzuken Group strengths
Know-how and track record in manufacturer distribution and specialty drug distribution

- Greater shipping efficiency and optimization of distribution stock through shared distribution
- GDP-compliant quality management and nationwide shipping and delivery network
- Distribution platform for regenerative medicine products
- Development and placement of GDP specialists
- Contract manufacturer distribution service
(As of March 31, 2024) **48** companies
- Contract specialty drug distribution service
(As of March 31, 2024) **60** items, **34** companies

Customer support services utilizing digital means

- Development and rollout of the COLLABO Portal, a comprehensive portal site for medical and nursing care providers
Registered users (as of March 31, 2024)
..... Approx. **160,000** IDs

Locations of the manufacturer distribution service

- (As of March 31, 2024)
• Manufacturer distribution centers **11**
- ISO 9001:2015 certified locations: Koga, Sugito, Higashi Nihon, Tsukuba, Kobe, Amagasaki, Nishi Nihon, and Rokko manufacturer distribution centers, Chuounyu headquarters, and Iwatsuki office

Business environment
Growth of the specialty drug market

The specialty drug market, including orphan drugs, expensive drugs, biological drug, regenerative medicine, and the like, is growing, leading to increased demand for strict management of temperature and inventory. Pharmaceutical supply shortages and waste of drugs due to maldistribution of inventory also pose a problem.

Shares of specialty drugs and biological drugs in Japan's ethical drug market

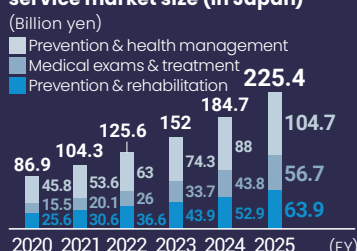
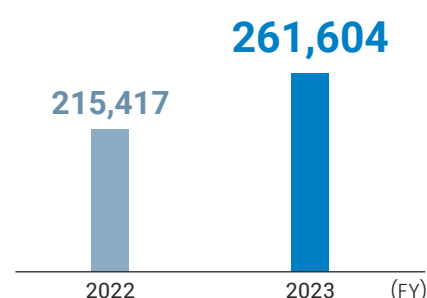
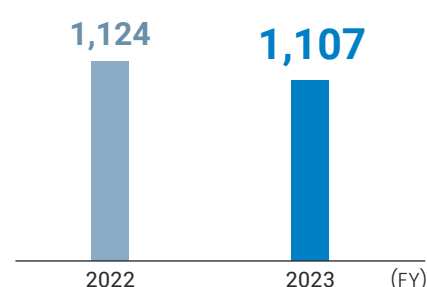
(%) ● Specialty drugs ◆ Biological drugs



Note: Prepared by the Company based on materials released by IQVIA Japan

Advances in digitalization in the healthcare field

In recent years, there has been a surge in health-tech companies' development of innovative services, such as Software as a Medical Device (SaMD) and treatment apps, and this trend is expected to continue. However, the penetration level in Japan's domestic market remains low, and data linkage is also inadequate. Popularizing these services and linking the relevant data are essential steps to attain society-wide implementation.

Forecast for digital healthcare service market size (in Japan)

 Source: Nomura Research Institute website (available only in Japanese)
https://www.nri.com/jp/news/newsrelease/1st/2019/cc/1127_1
Net sales (Millions of yen)

Operating income (Millions of yen)


Opportunities and risks

Opportunities

- ✓ Expansion of the specialty drug and biological drug markets
- ✓ Foreign pharmaceutical companies entering the Japanese market
- ✓ Increase in digital health services
- ✓ Healthcare data linkage and use

Risks

- ⚠ Mandatory compliance with GDP in pharmaceutical distribution
- ⚠ The 2024 problem in logistics
- ⚠ Growing competition due to market entrants from other industries
- ⚠ Revision of Guidelines for the Improvement of Commercial Transaction Practices

Main efforts

Efforts to take advantage of opportunities	Relevant material issues	Relevant key initiative of the medium-term management plan
Functional expansion of our all-in-one contracting model	Safe, secure, and reliable pharmaceutical distribution	Initiative 1 Healthcare distribution reform
Strengthening of distribution platform for regenerative medicine products		
Construction of a digital platform based on the COLLABO Portal		Initiative 4 Digital healthcare
Developing DX human resources		

Efforts to hedge against risks	Relevant material issues	Relevant key initiative of the medium-term management plan
Evolution of healthcare distribution platform	- Safe, secure, and reliable pharmaceutical distribution - Minimizing social costs in the medical and healthcare fields	Initiative 1 Healthcare distribution reform
Strengthening of GDP compliance		Initiative 3 Smart logistics

Review of fiscal 2023

Due in part to increased contracts in the specialty drug distribution business, sales rose 21.4% year-on-year to 261.604 billion yen.

Operating profit fell 1.5% year-on-year to 1.107 billion yen due to factors such as expenses recorded in connection with the operationalization of the digital business.

In January 2023, in partnership with pharmaceutical companies, we started the industry's first joint shipping, in compliance with GDP guidelines. By improving the efficiency of distribution from pharmaceutical companies to wholesale distribution centers, we are also helping to reduce the environmental burden.

In April 2023, we launched the COLLABO Portal, a comprehensive digital portal site for medical and nursing care professionals, as part of our efforts to build a digital health business. Equipped with functions such as connecting our customers

with Group companies, pharmaceutical companies, and specialized staff in a variety of professions, as well as providing integrated delivery of our partner companies' digital health services, the site is already being used by approximately 160,000 people.

Additionally, in November 2023, we acquired additional shares of Welby, a leading company in PHR services, making it into an equity method affiliate in a bid to accelerate both parties' mutual digital businesses.

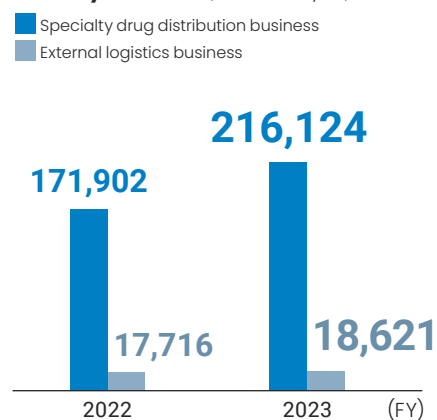
Outlook for fiscal 2024

We anticipate increased sales, primarily resulting from the increase in contracts for specialty drug distribution.

Moreover, we expect operating profit to increase due to cost curtailment efforts by the various companies that make up the segment.

Related data

Sales by business (Millions of yen)



In fiscal 2023, in the specialty drug distribution business, distribution contracts for specialty drugs increased by four companies and seven items year-on-year. And in the external logistics business, contracted manufacturer distribution services increased by two companies year-on-year.

Message from Outside Directors



Maintaining a governance system that ensures transparency and objectivity, and assessing the effectiveness of management overall

Shunichi Samura

Outside Director

Starting from fiscal 2024, I have been appointed as the chairperson of the Nomination and Compensation Committee. More than half of the members are outside directors, and I believe the system sufficiently ensures transparency and objectivity. Additionally, with half of the Board of Directors being outside directors, I feel that external viewpoints are well incorporated into management.

As for effectiveness, I monitor and assess not only the Board of Directors but also linked consultative bodies, such as the Management Meeting, from dual perspectives: whether they are operating in accordance with laws and the articles of incorporation, and whether they are properly following the Corporate Governance Code.

The Suzuken Group is currently in a period of significant change. In promoting our initiatives, we aim to improve our understanding of the situation on the ground, as well as to further clarify the rules for determining the advisability of matters such as business portfolio reform and capital investment.



Contributing to the realization of a corporate entity that continuously meets society's expectations through strict legal compliance

Hideaki Nakagaki

Outside Director

The Suzuken Group's function as a pharmaceutical wholesaler is to reliably deliver high-quality, effective, and safe pharmaceutical products through medical institutions and pharmacies to the nation's residents and patients, thereby fulfilling an important role in Japan's medical care provision system. Given that the Group handles pharmaceuticals that are directly related to citizens' lives, we must maintain the highest ethical standards. In order to fulfill this role, the trust of stakeholders is indispensable. I think it is important for each and every employee to perform their duties with a heightened awareness about compliance with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, the Antimonopoly Act, and other related laws and regulations.

In the field of pharmaceutical affairs administration, I worked on licensing and safety measures for pharmaceutical products and on initiatives and legal reforms concerning pharmacies and pharmacists. Based on these experiences, I will make necessary recommendations as an outside director.



As Audit and Supervisory Committee Chairperson, reviewing the appropriateness of the Group's overall business structure, human resources, and other resources

Takeshi Ogasawara

Outside Director
(Audit and Supervisory Committee Member)

Two years after becoming an outside director, in June 2024, I became the chairperson of the Audit and Supervisory Committee. In collaboration with the internal Audit and Supervisory Committee members and the Internal Audit Office, I will fulfill the role of assessing whether the Group's business structure, human resources, and other resources are appropriate. I intend to review a wide range of matters such as the appropriateness of resources not only for Suzuken as a standalone entity and its core pharmaceutical distribution business, but also for the overall Group as the operator of a variety of businesses.

In promoting the medium-term management plan, we are seeing an increase in partnerships driven by the promotion of DX. With such partnerships expected to continue expanding, it is increasingly important to take measures to address legal risks. In order to discuss the situation as a whole, I am requesting the executives in charge to clarify each partnership's objectives and report regularly on its progress. For other strategies as well, I will have the executives in charge explain both the risks of our initiatives and the countermeasures to address them. In this way, I will monitor and oversee these initiatives, including ensuring sufficient discussion within the company.



Strengthening Group governance to fully leverage a corporate culture that encourages new challenges

Toshimichi Kondo

Outside Director
(Audit and Supervisory Committee Member)

It has been one year since I first got involved in management as an Audit and Supervisory Committee member. Throughout a variety of scenarios this year, I have been very impressed by the Suzuken Group's corporate culture of encouraging new challenges. Seeing the company engage in programs to develop DX human resources and next-generation leaders, I sensed that the employees on the ground also have a strong will to achieve the targets set in the medium-term management plan.

Meanwhile, from my perspective as a certified public accountant and tax accountant, I am paying attention to increased tax risks that could accompany any Group restructuring for the purpose of future business expansion.

Also, since the Group encompasses many companies, it is essential to be mindful of any gaps arising in compliance and risk management awareness across the different Group companies.

While looking forward to new challenges, I will keep a close eye on increasing every individual's awareness and strengthening Group governance as a prerequisite for our corporate activities.



Utilizing an objective viewpoint cultivated through working in a wide range of industries, along with expertise as an attorney

Ayako Shimizu

Outside Director
(Audit and Supervisory Committee Member)

I have worked with a wide range of companies, including those in mass media, chemicals, and telecommunications, as well as serving as an outside director. I will make suggestions that leverage the objective perspective I have gained from observing a variety of industries, in addition to my experience as an attorney.

I think that it is a great strength that the Suzuken Group's motto, which has been at the heart of its founding, has been passed down for more than 90 years. With the aim of maintaining our social infrastructure role, I intend to always bear this in mind while participating in discussions that the Group is in the midst of a transformation aimed at realizing its goals of increasing its earning capacity and providing products and services that society requires.

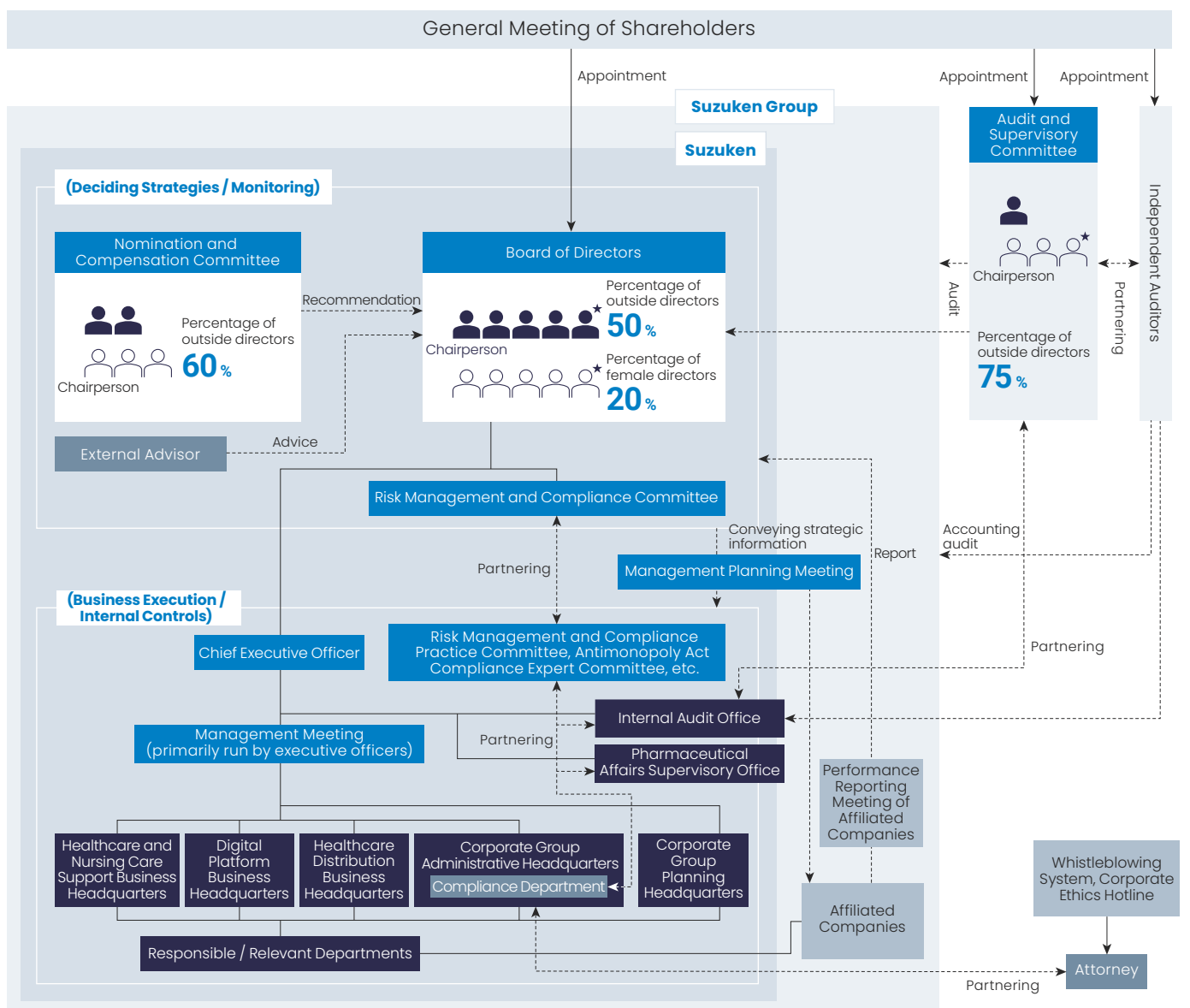
Regarding human resource development, I have high hopes for improving the percentage of female managers. I will contribute to creating workplaces where motivated employees can thrive regardless of age or gender, and where all employees can cultivate a sense of involvement in management.

Corporate Governance

Basic Concepts

Overview of corporate governance framework (as of June 25, 2024)

 Internal
  Outside
  Women



Corporate governance framework

Strengthening the management structure

Suzuken employs a system in which the directors are responsible for the overseeing management and the decision-making process, while the executive officers are responsible for carrying out business operations. We have terminated the retirement benefit system for executives, reduced the number of directors, and established a compensation system for executives that is linked to the company's performance and each individual's contributions. Additionally, to enhance corporate governance by strengthening the oversight and checking functions of the Board of Directors, we transitioned to a Company with Audit and Supervisory Committee in June 2021.

Regarding the management structure of our subsidiaries, we supervise and audit the performance of their executives and employees. The primary measures include dispatching members from Suzuken to serve as directors and auditors of the subsidiaries, establishing systems for reporting and decision-making approval to Suzuken in compliance with affiliated company management rules, and periodically auditing subsidiaries through auditors of Suzuken's Audit and Supervisory Committee, Internal Audit Office, and accounting auditors. Furthermore, Suzuken has established and provides

guidance on appropriate internal control systems, considering the unique characteristics of each subsidiary.

In addition, to strengthen Group governance, we practice Group-centered management by implementing a system in which the executive function and audit function each perform their separate roles while also working in close cooperation.

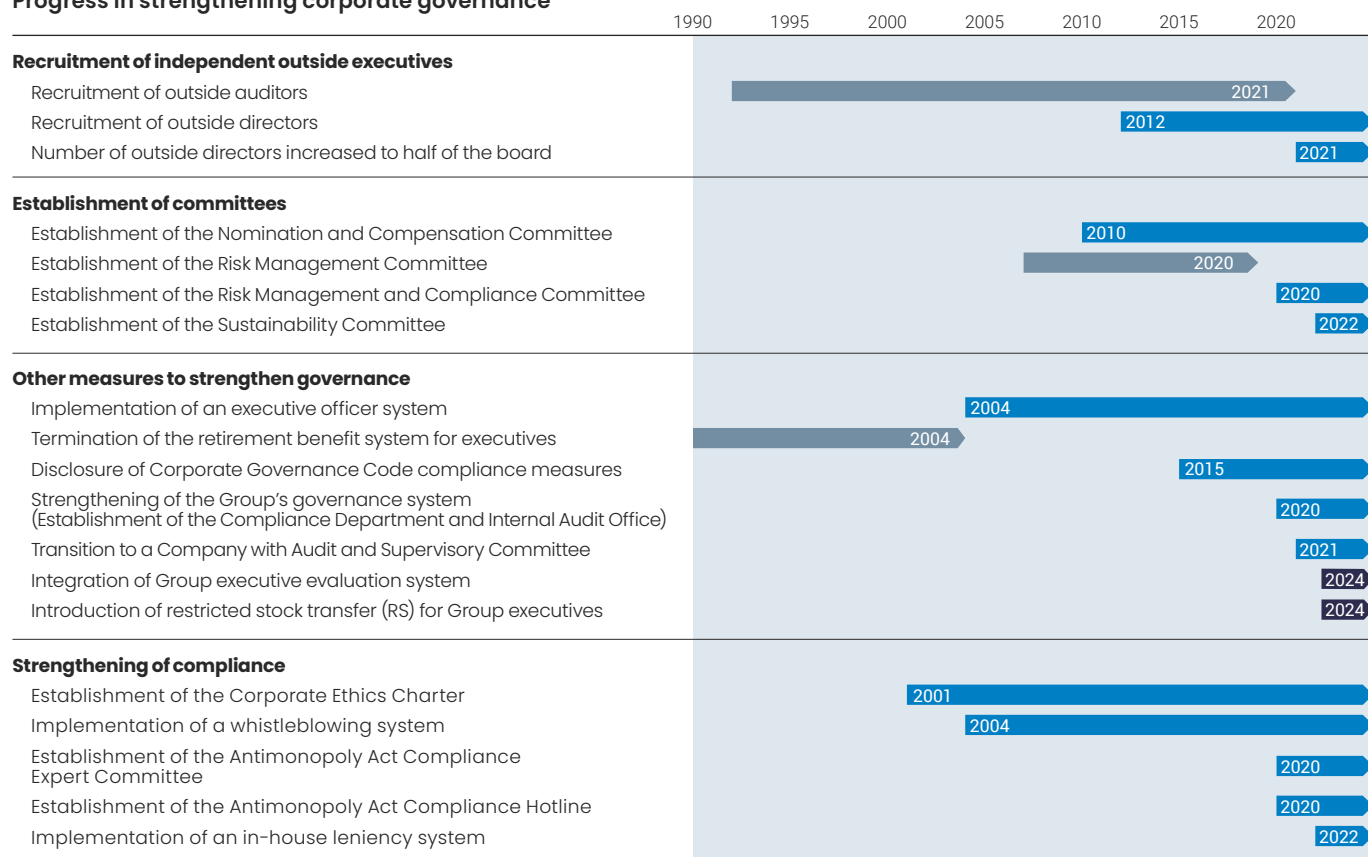
Board of Directors

The Board of Directors examines important matters and reaches decisions in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors Rules, and other internal rules. The board also oversees the performance of the directors and executive officers.

The Board of Directors makes decisions about matters prescribed by law and important matters concerning management. Furthermore, by using reports from directors and executive officers, the Board of Directors mutually supervises and monitors the suitability and efficiency of duty execution.

To ensure that directors' decisions are proper and to verify the legality and suitability of their duty execution, four Audit and Supervisory Committee members (including three outside directors) attend board meetings regularly, express their opinions, and perform supervision and oversight from many perspectives.

Progress in strengthening corporate governance



Corporate Governance

Audit and Supervisory Committee

The Audit and Supervisory Committee meets once each month, in principle, and holds other meetings as required. Each member of the Audit and Supervisory Committee, based on the auditing standards established by the Committee, as well as the annual auditing policy and audit plan, attends board meetings and other important meetings, and audits the appropriateness and operation of internal control systems, including the status of business operations and assets, compliance with laws, and risk management systems at the headquarters, major business sites, and subsidiaries. This is conducted by receiving reports from directors, executive officers, and the internal audit division about the duty execution and by reviewing important decision-making documents. Reports are also received from subsidiaries as necessary.

In addition, to reinforce the monitoring function, Suzuken has appointed three outside directors as Audit and Supervisory Committee members. These outside directors consist of an expert in law, an expert in accounting, and an individual with experience in business management. We have also appointed one internal director who has been involved in the sales and marketing department for many years and who possesses extensive knowledge and experience related to the Company's operations.

Nomination and Compensation Committee

To discuss nominations and compensation for directors, executive officers, associate directors, and trustees, the Company has established the Nomination and Compensation Committee comprising a total of five members: one representative director, one internal director, and three outside directors, who are appointed by the Board of Directors. The majority of the committee members are outside directors, for the purpose of ensuring the transparency and objectivity of the committee. The chairperson of the committee is appointed by

the Board of Directors from among the committee members.

This committee was not established in accordance with any law or regulation.

Internal audits

Internal audits are performed by the Internal Audit Office, which reports directly to the president. These auditors oversee whether internal controls are functioning effectively, with an emphasis on thorough compliance and risk management, at Suzuken's business locations and subsidiaries, in accordance with internal auditing regulations.

The Internal Audit Office proposes an audit plan each year, and based on the audit plan approved by the president, it conducts an internal audit using a combination of on-site and documentation reviews. At the conclusion of an audit, an audit report is submitted to the president. When improvements are required, the applicable department is given a written improvement directive and they must prepare an improvement plan and report on the progress of its implementation in an audit improvement status report.

Diversity of the Board of Directors

Suzuken's Board of Directors is composed of internal directors with deep knowledge and experience of Suzuken's businesses, alongside outside directors with a high level of specialized knowledge and insight. The members are selected regardless of gender, age, or other personal characteristics, with a view to achieving diversity as well as an appropriate scale (no more than 14 members, which is within the scope stipulated by the Articles of Incorporation. Breakdown: No more than nine directors [excluding the directors who are Audit and Supervisory Committee members], no more than five directors who are Audit and Supervisory Committee members). With this balanced composition, the Board of Directors carries out multifaceted decision-making, supervision, and oversight.

Composition of the main corporate governance structure and results of its FY2023 activities

Board of Directors		
Number of members	10	FY2023 Meetings held: 17 Attendance ratio: Internal 100%, Outside 98%
Chairperson	President and CEO	
Composition of members	5 internal directors, 5 outside directors	
Audit and Supervisory Committee		
Number of members	4	FY2023 Meetings held: 15 Attendance ratio: Internal 100%, Outside 100%
Chairperson	Outside directors	
Composition of members	1 internal director, 3 outside directors	
Nomination and Compensation Committee		
Number of members	5	FY2023 Meetings held: 2 Attendance ratio: Internal 100%, Outside 100%
Chairperson	Outside directors	
Composition of members	2 internal directors, 3 outside directors	

Elements of director's compensation

The Board of Directors established policies for the individual compensation of directors in its meeting held on June 13, 2016.

Regarding the determination of directors' compensation, we have implemented a comprehensive performance evaluation system based on the principles of transparency, fairness, and achievement motivation, using performance indicators for the entire company and for the areas under the responsibility of individual directors. This system is based on the Director, Executive Officer, and Associate Director Evaluation Bylaws and the Director, Executive Officer, and Associate Director Compensation Bylaws. To ensure objectivity and transparency, the Nomination and Compensation Committee, which advises the Board of Directors and has a majority of its members composed of outside directors, deliberates on compensation amounts and submits its opinions to the Board of Directors, which respects these opinions in making its decisions.

The compensation system consists of two components: fixed compensation and performance-based compensation. This system applies to directors excluding

the outside directors, who receive only fixed compensation. Within the compensation structure, performance-based compensation is set at a high level to reflect earnings results. Fixed compensation consists of three categories: representative director compensation, director compensation, and executive officer compensation. Performance-based compensation is divided into two types: performance-based compensation for a single fiscal year, which is a short-term incentive, and restricted stock transfer (RS), which is a medium- to long-term incentive. Furthermore, performance-based compensation for a single fiscal year includes two sub-types: individual performance evaluation compensation, determined by one's performance evaluation, and ordinary income-based compensation, determined by multiplying the consolidated ordinary income by a certain percentage.

For the compensation levels and the compensation system, we refer to the results of an executive compensation survey conducted by an external professional investigative body on companies with the same level of market capitalization as Suzuken. For fiscal 2023, the total compensation for directors was as shown in the table below.

Director's compensation system

Compensation item			Purpose of compensation	Eligible recipients	Details of compensation	Variability
Fixed compensation	Base compensation	Representative director compensation	For role and responsibility as a representative director	Representative director(s)	Uniform amount	Fixed amount
		Director compensation	For management oversight and decision-making roles as a director	All directors	Uniform amount	Fixed amount
		Executive officer compensation	For business execution role	Directors who serve concurrently as executive officers	Amount dependent on position	Fixed amount
Performance-based compensation	Performance-based compensation for a single fiscal year	Individual performance evaluation compensation	For the results and process of business execution	Directors who serve concurrently as executive officers	Amount dependent on position	Variable (individual performance evaluation results)
		Ordinary income-based compensation	For responsibility for company-wide results	Directors who serve concurrently as executive officers	A certain percentage dependent on position	Variable (consolidated ordinary income amount)
	Restricted stock transfer (RS)		As an incentive for the company's sustained growth	Directors who serve concurrently as executive officers	A certain percentage	A certain percentage of monetary compensation

Note: Director compensation for outside directors is determined individually.

Directors' compensation amount

Classification	Total compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of applicable directors
		Basic compensation (Base compensation)	Performance-based compensation (Performance-based compensation for a single fiscal year)	Non-monetary compensation (Restricted stock transfer)	
Directors (Excluding Audit and Supervisory Committee members) (Outside Directors)	340 (22)	158 (22)	142 (-)	40 (-)	8 (2)
Directors who are Audit and Supervisory Committee members (Outside Directors)	70 (32)	70 (32)	- (-)	- (-)	5 (4)
Total (Outside Directors)	411 (55)	228 (55)	142 (-)	40 (-)	13 (6)

Corporate Governance

Evaluation of the effectiveness of the Board of Directors

The results of the evaluation of the effectiveness of Suzuken's Board of Directors for the fiscal year that ended on March 31, 2024, are as follows:

Summary

The Board of Directors ensures the functioning of governance across the entire Group through systematic collaboration with various meeting bodies such as the Nomination and Compensation Committee, the Management Meeting, the Management Planning Meeting, and the Group Company Performance Reporting Meeting (hereinafter referred to as "collaborative meeting bodies").

Accordingly, the Company conducts an effectiveness evaluation of the Company's Board of Directors by confirming that these meeting bodies, whose relationships are outlined in the overview of corporate governance framework, are systematically collaborating with the Board of Directors.

Persons responsible for evaluation and entities to be evaluated

In order to ensure neutrality and independence, five independent outside directors are responsible for evaluating the effectiveness of the Board of Directors, with the Business Administration Department functioning as a secretariat to support the evaluation process. With regard to the evaluation of the effectiveness of the Board of Directors, in addition to the activities of the Board of Directors itself, the Company also

Perspectives for evaluation of the effectiveness of the Board of Directors, and evaluation results

Perspectives for evaluation in the fiscal year ended March 2024

1) Confirmation of progress on the current medium-term management plan	2) Confirmation of the governance systems throughout the Group	3) Ongoing confirmation of the status of legal compliance framework throughout the Group
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Evaluation results for the fiscal year ended March 2024

① The Board of Directors consists of five internal directors and five outside directors. It has been managed appropriately, primarily on a face-to-face basis, with vigorous and diverse opinions also exchanged through the online participation of executive officers.	② The collaborative meeting bodies exchange vigorous and diverse opinions primarily through face-to-face meetings and concurrent use of the online meeting system and such, to determine matters submitted by the Board of Directors for deliberation, monitor the PDCA cycle across the Group, and confirm other matters appropriately.	③ It has been recognized that the Board of Directors is restructuring the compliance framework for the Antimonopoly Act across the Group and working to prevent the recurrence of violations. Monitoring efforts will continue.	④ It has been recognized that the Board of Directors is continuously checking the status of development of the legal compliance framework across the Group. Monitoring efforts will continue to ensure its further development.
⑤ It has been recognized that the Board of Directors is effectively developing a governance system through the efficient operation of the Board of Directors, the organization of the collaborative meeting bodies, and the enhancement of the Management Meeting.	⑥ It has been recognized that the Board of Directors has been implementing Suzuken's medium-term management plan "For your next heartbeat—Creating a movement toward tomorrow," and steadily promoting initiatives such as the establishment of new businesses for the third development phase.	⑦ It has been recognized that the Board of Directors has been appropriately monitoring the Group's implementation of its medium- to long-term strategies in cooperation with the Management Meeting and other meeting bodies.	

Perspectives for evaluation in the fiscal year ending March 2025

1) Confirmation of progress on implementation status of the medium-term management plan	2) Confirmation of the development status of the governance systems throughout the Group	3) Ongoing confirmation of the development status of legal compliance framework throughout the Group
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monitors the activities of the collaborative meeting bodies.

The independent outside directors attend collaborative meeting bodies to the extent possible throughout the business year. When they are unable to attend, they review agenda materials and minutes, or obtain information from the outside directors who were present. Through this approach, and based on confirming the systematic coordination between these collaborative meeting bodies and the Board of Directors, they monitor whether the Board of Directors has functioned effectively and whether corporate governance has functioned well across the Group.

Collation of evaluation results

After the end of each business year, independent outside directors report on and discuss the details monitored by each director and collate the evaluation results regarding the effectiveness of the Board of Directors for the said business year.

The evaluation results collated through these methods shall be submitted to the Board of Directors as agenda items, as well as to the Management Meeting, facilitating a shared recognition with all the directors and executive officers.

Policy for training directors

Suzuken conducts risk and compliance training for newly appointed directors. As appropriate, we also provide external training, e-learning based internal training, and other resources needed for them to adequately fulfill their roles and responsibilities.

Support system for outside directors

We have established the following support system to further enhance the effectiveness with which each of our outside directors performs their duties.

- 1) With regard to providing information related to Board of Directors resolutions, we distribute materials in advance and provide advance explanations from the supervising department as necessary
- 2) We have developed an environment that enables them to obtain the same information as directors, executive officers, associate directors, trustees, and employees through Suzuken's internal communication system
- 3) As appropriate, we request their attendance at important internal meetings

Cross-shareholdings

Suzuken's basic policy on cross-shareholdings is to hold shares of companies that will help increase its corporate value, as part of its strategy to build, maintain, and strengthen transactional and collaborative relationships. The Board of

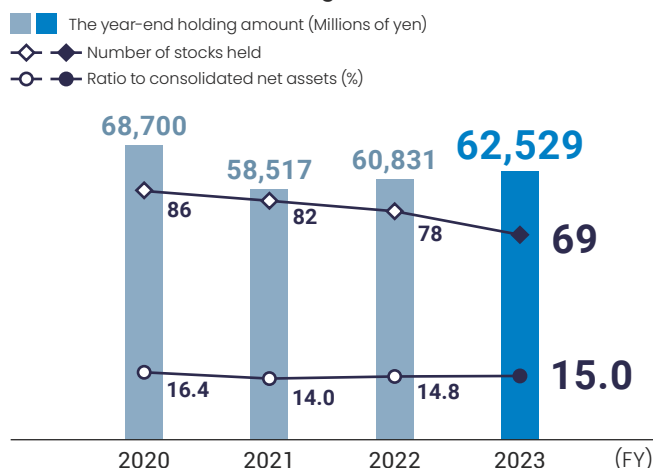
Directors examines individual cross-shareholdings to determine whether they are appropriate. Shares of companies that are deemed unlikely to increase the Company's corporate value are sold, with consideration given to factors such as timing. The cross-shareholdings curtailment policy was formulated and disclosed in May 2021, and since then we have continuously worked to curtail such holdings.

In the current medium-term management plan, we have set a policy to reduce the cross-shareholdings ratio to 10% or less of the consolidated net asset amount by the end of fiscal 2024.

In fiscal 2023, we reduced cross-shareholdings in eight stocks by about 9.2 billion yen, and since disclosing our policy in May 2021, we have implemented a reduction totaling about 22 billion yen in 25 stocks (including partial sales). Moving forward, we will continue working to curtail such holdings in accordance with the above policy.

In exercising its voting rights related to cross-shareholdings, the Company makes a comprehensive judgment based on whether the proposal will lead to an increase in its corporate value in the medium to long term, and whether it will lead to shared benefit for the shareholders of the company concerned.

Trends in cross-shareholdings curtailment



Note: The year-end holding amount and the ratio of cross-shareholdings to consolidated net assets for the fiscal year ended in March 2024 increased along with the rise in the share prices of the held stocks

IR-related communication

The Company has appointed an IR executive and designated the Corporate Communication Department and the Corporate Planning Department as the departments responsible for IR. In addition to accelerating the timing of disclosure on financial results and enhancing our IR-related information, we are committed to increasing transparency by not only complying with disclosure regulations, but also voluntarily adopting a proactive stance for timely disclosure.

Sustainability Management

Basic Concepts

Sustainability promotion system

To enable the Suzuken Group as a whole to promote sustainability management, in April 2022, the Group established a Sustainability Committee under the direct control of the president. The Sustainability Committee is chaired by the head of the Planning Division, and the committee consists of the senior general managers of the control division and of each business, as well as the heads of the supervising departments controlling each Group company. The Sustainability Committee meets at least once per year in principle. It studies and monitors progress in the social issues that a Group with so many diverse businesses should address, as well as the sustainability activities in the Group and the numerical targets for our critical ESG themes (materiality).

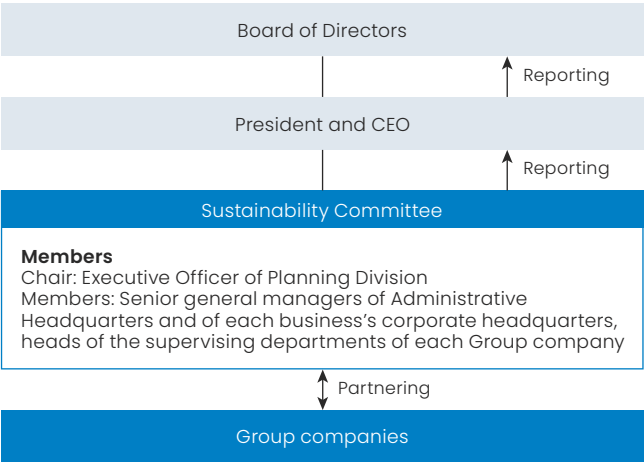
The committee reports the content it discusses to the Board of Directors. The Board of Directors then exchanges views on sustainability issues in the Group and oversees the implementation of the sustainability activities of the Group as a whole.

Critical ESG themes (materiality)

In order to strengthen the Group’s ESG efforts under the sustainability promotion system, we have identified our key material issues. We looked at our value chain as a whole and identified our material issues from the perspective of expanding business opportunities and reducing risk in light of situational changes and social movements that impact our business activities.

As we aim to be a health creation enterprise, the Suzuken Group extends its definition of customers to include not only clients such as medical institutions and pharmaceutical companies, but also local communities as a whole, including patients and their families. Based on our business strategies in each field, we regularly review our materiality issues and KPIs, as well as medium- to long-term numerical targets. The numerical targets we have established are indicators relating to CO₂ emissions, percentage of female managers, percentage of male employees taking childcare leave, and compliance training participation rate.

Sustainability promotion system



Sustainability Committee meetings in fiscal 2023

Meetings held	3
Main discussion content	• Shared challenges involving sustainability management • Reviewed critical ESG themes (materiality), and considered KPIs and numerical targets • Checked progress on KPIs, numerical targets, and initiatives relating to materiality issues • Considered the direction of sustainability activities of the Group as a whole in the medium-term management plan • Addressed disclosure of information based on TCFD recommendations

Stakeholder engagement

In order to create new values that contribute to solving social problems and to strive for sustainable growth, we believe cooperation with a variety of stakeholders in the value chain is essential, so we are working to augment communication. We actively utilize the views and ideas that we receive in pursuing our Group's sustainability activities.

Stakeholder communication



Supply chain management

In March 2024, we announced a "Declaration of Partnership Building" to build new partnerships by linking with suppliers and value-creating companies in the supply chain to advance our coexistence and mutual prosperity.

As one initiative toward that end, we are promoting "Smart Logistics," which incorporates digital technology into a proprietary healthcare distribution platform that reaches from pharmaceutical companies to medical institutions and patients. By adjusting supply and demand, this initiative acts to prevent maldistribution of pharmaceuticals and reduce waste. In addition, we are striving to maintain safe, secure, and reliable pharmaceutical distribution by way of quality control conforming to the Good Distribution Practice (GDP) guidelines for pharmaceuticals and by preparing for disaster response by building a nationwide BCP network.

Environmental protection initiatives

We endorsed the carbon neutral pledge for 2050 announced by the Japanese government, and by improving the efficiency of pharmaceutical distribution as a whole, we would like to help reduce CO₂ emissions company-wide.

To achieve that, it is important to strike a balance between reducing our impact on climate change, through CO₂ emissions reductions and such, and ensuring a stable supply of pharmaceuticals. We are therefore switching to energy-saving vehicles and working to reduce electricity use, while also making deliveries more efficient, through efforts

such as constructing an optimal delivery system based on customer needs and reducing frequent and express deliveries by way of inventory management proposals. Moreover, by making it possible to visualize and optimize distribution in real time through our smart logistics initiative, we will contribute to reducing our social costs and environmental burden. Additionally, we disclose these initiatives and their related indicators in accordance with the TCFD recommendations.

Promotion of human capital management

Human resources are an important asset in the Suzuken Group. We feel the need to foster human resources with diverse ideas for responding to changes in order to realize the Group's goal of becoming a health creation enterprise that will contribute to all elements of patients' healthcare life cycles. As the diverse human resources in the Group and in our partner companies work as One Team to contribute to society through our business activities, we are managing human capital in ways designed to leverage each individual's growth and capabilities to the fullest.

In addition, the Group has positioned digital transformation (DX) as an important pillar in our management strategy. Positioning the development of Suzuken Group DX human resources as a core theme in our human resource strategy, we are focusing on fostering individuals who can demonstrate competence in both digitization^{*1} and digitalization^{*2}.

^{*1} Digitization: Making work processes digital on a partial, localized basis. Mostly aimed at realizing work efficiency.

^{*2} Digitalization: Making a specified work process digital in its entirety. Aimed at producing new value or a new business model.

Respect for human rights

The first item Suzuken listed when formulating its Corporate Ethics Charter was "Creating a workplace where employees can work enthusiastically." We are working to improve our environment by putting internal regulations and hotlines in place, for example, in order to create work environments where each and every employee can feel safe and secure, as well as rewarding workplaces where they can contribute to society and realize self-growth. Furthermore, we respect the human rights of our various stakeholders, including valued customers, business partners, and local communities.

Contributing to SDGs

We believe the pharmaceutical distribution function that our Group provides as social infrastructure, along with our businesses and functions that contribute to local communities, will help achieve the SDGs. We will contribute to achieving a sustainable society through our Group's business activities and the new value and services we produce as a health creation enterprise.

Compliance / Risk Management

Basic Concepts

Structure for the promotion of compliance and risk management

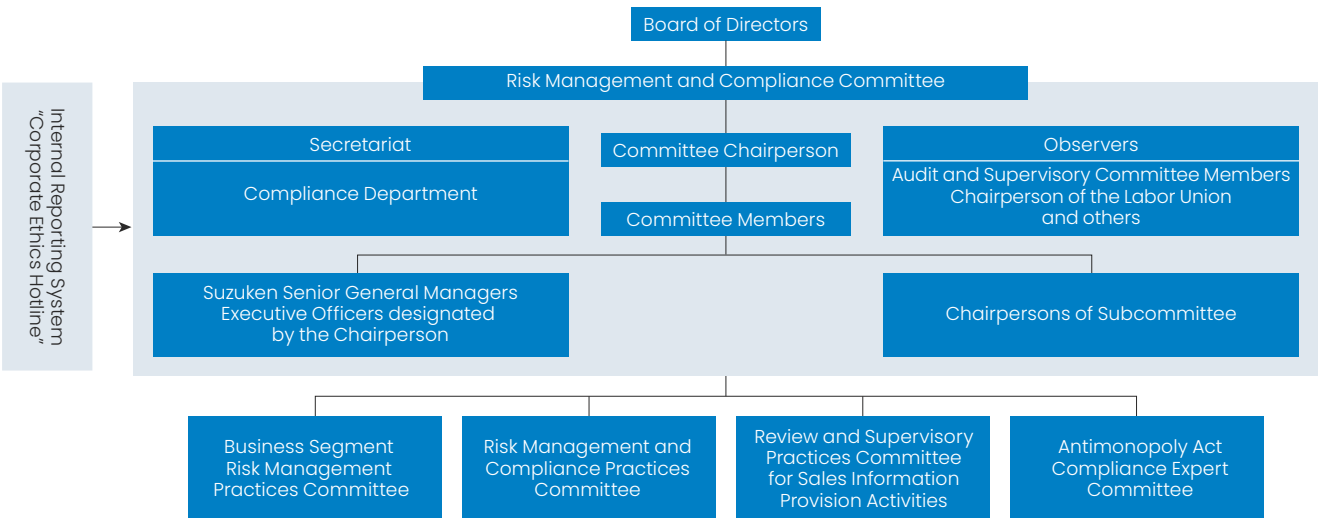
We practice Group-centered management, with compliance and risk management as the basis for our business activities. As for compliance, with the aim of experiencing sustainable growth and improving corporate value, we have built a 3-line defense system in which the Compliance Department, which is an executive function, and the Internal Audit Office, which is an audit function, each perform their separate roles while also working in close cooperation. Moreover, when it comes to preserving information, an important management resource, we are working to build a stringent information management system centered on the Compliance Department. And to promote effective risk management throughout the entire Group, we are working to strengthen the system for organizationally, systematically, and autonomously managing and responding to all the risks affecting the Group.

We have established a Risk Management and Compliance Committee, under the supervision of the Board

of Directors, to carry out risk management comprehensively across the organization. This committee, in turn, oversees and continually monitors the Business Segment Risk Management Practices Committee and the Risk Management and Compliance Practices Committee, in order to effectively and efficiently manage risk; the Review and Supervisory Practices Committee for Sales Information Provision Activities, to more effectively perform its functions of reviewing and supervising the entire Group’s sales information provision activities; and the Antimonopoly Act Compliance Expert Committee, to manage risk and implement compliance promotion measures specific to the Antimonopoly Act. In addition to these committees, we operate the Corporate Ethics Hotline, an internal reporting system that helps preserve the soundness of how directors, executive officers, associate directors, and trustees of Suzuken and its subsidiaries perform their duties.

Moreover, as part of our Business Continuity Plan (BCP) for times of disaster such as major earthquakes and such, we have set up a disaster countermeasure system, and we hold regular drills to ensure an accurate and speedy

Risk management and compliance structure



response. As a company that plays a role in social infrastructure, we strive to build cooperative relationships with medical facilities and other stakeholders to ensure that the necessary drugs are delivered in an efficient and timely fashion to their required locations. To fulfill this responsibility, we are continuously working to build a highly effective system.

Establishment of the Suzuken Corporate Ethics Charter

We established the Suzuken Corporate Ethics Charter and Corporate Ethics Charter Guidelines to clarify the basic code of conduct that each and every employee should practice in a proactive and independent manner.

Compliance training and employee pledges

Executives, executive officers, associate directors, trustees, and employees of Suzuken and its subsidiaries learn about compliance via e-learning and other means every year as part of efforts to instill the idea of compliance. After training, each person pledges to always remain cognizant of the fact that compliance comes first and to avoid any violations. We require a 100% participation rate in compliance training as a KPI relating to our materiality, and we achieved that goal again in fiscal 2023. We also hold workplace discussions relating to compliance.

Overview of compliance training

Main training themes

- Antimonopoly Act
- Copyright law
- Traffic laws
- Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices; appropriate sales information provision activities for pharmaceuticals
- Act on Securing Quality
- Information security
- Harassment prevention

Participation rate

100%

(executives, executive officers, associate directors, trustees, and employees of Suzuken and its subsidiaries)

Introduction of the internal reporting system

The Corporate Ethics Hotline has been established to supplement legal and regulatory compliance systems. Employees and those involved in the Group's business activities are required to report through the Corporate Ethics Hotline when they become aware of any violation of a law, regulation, or the Articles of Incorporation, or any action that would damage the Group's brand, whether it

has been conducted or is about to be conducted at the Company and the Group companies. Through this internal reporting system, risks are detected at an early stage and corrective measures are promptly taken.

Number of internal reports

FY2021	FY2022	FY2023
139	117	115

Initiatives promoting compliance with the Antimonopoly Act

A criminal complaint was lodged against the Company, alleging violations of the Antimonopoly Act in the submission of a bid to the Japan Community Healthcare Organization (JCHO). In June 2021, the Tokyo District Court issued a ruling ordering us to pay a fine for the violation, and we received a cease and desist order and an order for payment of a surcharge from the Japan Fair Trade Commission in March 2022.

Additionally, in March 2023, the Company's subsidiary, Shoyaku Co., Ltd., received a cease and desist order and an order for payment of a surcharge from the Japan Fair Trade Commission in regard to suspected violations of the Antimonopoly Act in the submission of a bid to the National Hospital Organization (NHO).

The Company and Shoyaku both accept with all seriousness and sincerity what has occurred and will do our utmost as a Group to regain trust by thoroughly implementing compliance measures aimed at preventing recurrence.

Efforts to prevent recurrence

(1) Ensuring strict compliance

- Enforcement of strict rules on contacts with industry peers
- Thorough reinforcement of correct understanding of the Antimonopoly Act
- Implementation of self-declarations

(2) Organizational changes to ensure strict compliance

- Establishment of the Compliance Department and Internal Audit Office
- Designation of an executive to oversee pharmaceutical affairs, internal control, and audit
- Establishment of the Risk Management and Compliance Committee
- Establishment of the Antimonopoly Act Compliance Expert Committee

(3) Establishment of the Antimonopoly Act Compliance Hotline

(4) Implementation of an in-house leniency

(5) Implementation of compliance training on the Antimonopoly Act and other regulations

Compliance / Risk Management

Initiatives to prevent corruption

In our Corporate Ethics Charter Guidelines, we have established fair, just, and transparent transactions and equal relationships, together with compliance with relevant laws and regulations, as our standards of conduct. We are committed to preventing bribery and other types of improprieties. Along with compliance training aimed at instilling the importance of compliance among executives, executive officers, associate directors, trustees, and employees, we also regularly conduct training on anti-bribery laws in other countries.

Basic ideas and approaches on excluding relationships with anti-social forces

Based on our awareness that a company is a public organ of society, and in accordance with the highest ethical standards, Suzuken has a strong commitment to fulfilling its social responsibilities. We are resolutely opposed to anti-social forces and groups that threaten public order and safety.

Our Corporate Ethics Charter and Corporate Ethics Charter Guidelines, which are important standards of conduct, define the proper attitude and specific measures for dealing with improper or illegal demands from anti-social forces and groups. We distribute our Corporate Ethics Charter handbook to all executives, executive officers, associate directors, trustees, and employees and strive to ensure their thorough understanding.

The Risk Management and Compliance Committee, which builds and manages close relationships with external expert organizations and includes the risk managers of subsidiaries among its members, studies risks associated with the Suzuken Group. This committee shares information about anti-social forces obtained from external specialized organizations and other sources so that everyone can be alert.

To prevent any damages in the event that an anti-social element becomes a client or shareholder and makes improper or unjust demands, we will endeavor to conduct appropriate investigations into these entities and promptly collect information about anti-social forces from specialized external organizations and other sources.

Strengthening information security

Information that is collected, accumulated, transferred, or provided is an asset of extreme importance for business activities. To properly protect these information assets and respond to risks, the Group has established its Information Security Policy. We are also systematically implementing information security measures to ensure the proper operational management, development, and use of information systems and networks, and are enhancing employee awareness through regular training.

The information security organization is led by the Compliance Department and is composed of the Board of

Directors, the chief information security officer, the Risk Management and Compliance Committee, and other participants. The organization works to protect information assets against improper use and abuse and strives to strengthen information security, including cybersecurity, to minimize potential losses.

We are constructing new business models adapted to the information security risks rising with the advance of digitalization and AI. Toward that end, we are revising our Information Security Policy and strengthening our information security systems in accordance with changing times, in an effort to raise the security level for the entire Group.

Efforts toward secure and reliable pharmaceutical distribution

We believe that the Group's function of providing high-quality and reliable pharmaceutical distribution fulfills our social infrastructure mission of responding to social issues such as the occurrence of a natural disaster or pandemic or reducing pharmaceutical waste.

In terms of quality, the Pharmaceutical Affairs Supervisory Office, which reports directly to the president, engages in management and oversight of matters concerning pharmaceutical laws and regulations, and of the provision of pharmaceutical information. The office focuses on helping supervising pharmacists working in sales branches to comply with the Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, Guidelines for Prescription Drug Marketing Information Provision, and other regulatory and best-practice provisions. It also works to improve quality by promoting compliance with GDP Guidelines and collaborates with Group companies to help strengthen compliance.

Quality management using total traceability system

In our pharmaceutical distribution business, we are clarifying the distribution channels for all drugs with our traceability system, and we are building a network to deliver necessary drugs precisely when they are needed, under strict quality management. By deploying the Cubixx solution since 2017, we have achieved traceability for specialty drugs, which are expensive and require strict temperature management.

Quality control that meets global standards

S.D.Logi CO., LTD., which is in charge of our distribution business, acquired ISO 9001 certification in 2008 and has been conducting quality management with consideration for GMP^{*1} in manufacturer distribution. The company later upgraded to the 2015 version of certification and now conducts quality management compliant with global standards PIC/S^{*2} and GDP.^{*3} Currently, it is applying the expertise it has cultivated thus far to operating wholesale distribution centers and business sites, in an effort to strengthen quality management through and through.

*1 GMP (Good Manufacturing Practice): Manufacturing and quality management guidelines for pharmaceutical manufacturing

*2 PIC/S (Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme): A combination of abbreviations for two cooperation organizations in the areas of GMP and GDP that facilitate between national governments and pharmaceutical inspection authorities

*3 GDP (Good Distribution Practice): Quality control standards in the pharmaceuticals shipping, delivery, and storage process



Dock shelters that prevent the intrusion of outside air through the gaps between facility openings and vehicles

Scope of ISO 9001:2015 certification

- S.D.Logi Reliability Assurance Department
- Manufacturer Distribution Department: East Japan bloc
Koga Distribution Center, Sugito Distribution Center, Higashi Nihon Distribution Center, Tsukuba Distribution Center
- Manufacturer Distribution Department: West Japan bloc
Kobe Distribution Center, Amagasaki Distribution Center, Nishi Nihon Distribution Center, Rokko Distribution Center
- Logistics Promotion Department: Northeast bloc
Miyagi Distribution Center
- Logistics Promotion Department: Kinki area bloc
Osaka office
- Chuounyu: Headquarters, Iwatsuki Office

Developing GDP-capable human resources

In order to reliably carry out the operations required by

pharmaceutical companies, we are also focusing on human resource development. We believe that our human resources, who possess a wealth of experience and know-how accumulated through our leadership in contract distribution for pharmaceutical manufacturers, are the Group's greatest strength in the distribution of specialty drugs.

Also, S.D.Logi, which is in charge of our logistics function, is strengthening our GDP efforts by merging people and systems, through initiatives such as developing employees internally qualified as GDP specialists and placing them in every prefecture in Japan, and by carrying out the practice, management, education, and audits of warehouse and delivery tasks in compliance with GDP guidelines.

Building a nationwide BCP network

Our manufacturer distribution and wholesale distribution businesses have worked together to construct a resilient nationwide distribution network with key facilities in Tokyo, Nagoya, and Osaka. In times of disaster, this distribution network will work with governmental authorities and pharmaceutical companies to swiftly deliver the pharmaceuticals needed by the disaster base hospitals and other medical facilities in disaster zones.



Takeoff and landing exercises at Chiba Distribution Center

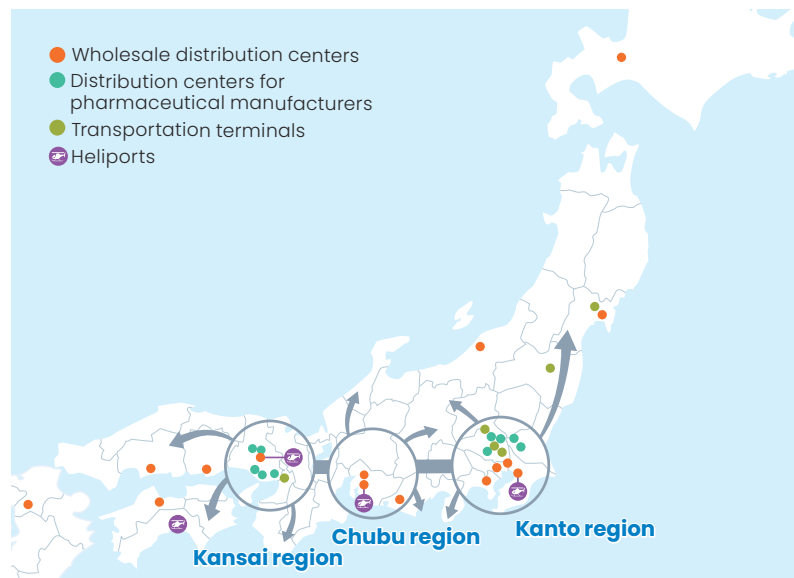


On-site power generation at Miyagi Distribution Center



On-site fueling stand at Chuounyu Co., Ltd.

Robust nationwide Business Continuity Plan (BCP) network



Key BCP facilities

Facilities with on-site generators

- 72-hour self-sufficiency: the Miyagi, Greater Tokyo, Chiba, Toda, Meinan, and Hanshin distribution centers
- Other distribution locations are equipped with on-site power generation facilities and small generators

Facilities storing diesel and gasoline

- Chuounyu Co., Ltd. keeps fuel sufficient for approximately one week of joint distribution in eastern Japan

Satellite and priority phone systems

- Satellite phones: installed at main bases and distribution centers
- Priority phones: installed at all branches

Employee safety confirmation system

- A system adopted for confirming the safety of all Group employees via email

Directors

Directors



Name	Shigeru Asano	Hiromi Miyata	Hirofumi Tanaka	Chie Takahashi
Position	President and Chief Executive Officer	Director and Chairman	Executive Managing Director	Director, Senior Executive Officer
Joined the Company	April 1990	April 1984	April 1985	April 2000
Career highlights	- Executive Officer - Managing Executive Officer - Senior Executive Officer - Executive Managing Director - Executive Vice President - Representative Director and Executive Vice President - President and Chief Executive Officer (current post)	- Executive Officer - Managing Executive Officer - Senior Executive Officer - Executive Managing Director - Executive Vice President - President and Chief Executive Officer - Chairman and Executive Officer - Director and Chairman (current post)	- Executive Officer - Managing Executive Officer - Managing Director - Executive Managing Director (current post) - Senior General Manager of Healthcare Distribution Business Headquarters (current post)	- Executive Officer - Director, Executive Officer - Director, Senior Executive Officer (current post) - Senior General Manager of Healthcare and Nursing Care Support Business Headquarters (current post)
Term of office ^{*3}	9 years	12 years	2 years	4 years
Number of shares held	26,961	40,150	15,351	9,211
Attendance at Board of Directors meetings (FY2023)	17 / 17	17 / 17	14 / 14 ^{*1}	17 / 17

Committee membership

Audit and Supervisory Committee				
Nomination and Compensation Committee	○	○		

Experience & skills

Company Management	○	○		
Sales / Marketing		○	○	
Logistics / Supply Chain Management (SCM)	○	○	○	
Finance / Accounting	○			
Legal Affairs / Risk Management / Compliance				○
Business Development	○	○		○
Government Experience				
Experience managing other companies (including international experience)				

*1 Hirofumi Tanaka and Toshimichi Kondo were appointed at the shareholders' general meeting held on June 27, 2023, so we have listed their attendance at board meetings held after that date.

*2 Hisashi Tamura retired at the close of the shareholders' general meeting held on June 27, 2023, upon the expiration of his term as a director, and he began serving as a Director and Audit and Supervisory Committee Member.

*3 The term of office refers to total time in office as Suzuken Co., Ltd. executives (directors, or directors who are Audit and Supervisory Committee Members) as of the end of fiscal 2023.

Audit and Supervisory Committee Members

					
Shunichi Samura	Hideaki Nakagaki	Hisashi Tamura	Takeshi Ogasawara	Toshimichi Kondo	Ayako Shimizu
Outside Director	Outside Director	Director (Audit and Supervisory Committee Member)*2	Outside Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)
—	—	April 1984	—	—	—
• President of Matsuzakaya Holdings Co., Ltd. (current J. Front Retailing Co., Ltd.) • Chairman of J. Front Retailing Co., Ltd. • Outside Director of CHUBU-NIPPON BROADCASTING CO., LTD. (current post) • Special Advisor of J. Front Retailing Co., Ltd. (current post) • Outside Director of Suzuken Co., Ltd. (current post)	• Deputy Director-General of Office of Healthcare Policy of the Cabinet Secretariat • Director-General of Pharmaceutical Safety and Environmental Health Bureau of Ministry of Health, Labour and Welfare • Specially Appointed Professor of National University Corporation Tokyo Medical and Dental University • Advisor of National University Corporation Tokyo Medical and Dental University (current post) • Outside Director of Suzuken Co., Ltd. (current post)	• Executive Officer • Managing Executive Officer • Managing Director • Executive Managing Director • Director and Audit and Supervisory Committee Member (current post)	• Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.) • Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. • Senior Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. • Representative Director and Deputy President stationed in the Central Region of Japan of The Bank of Tokyo-Mitsubishi UFJ, Ltd. • Full-time Advisor to The Bank of Tokyo-Mitsubishi UFJ, Ltd. • Representative Director and Chairman of Misonoza Theatrical Corporation (current post) • Advisor of MUFG Bank, Ltd. (current post) • Outside Director of Takihiyo Co., Ltd. (current post) • Outside Director of WOOD FRIENDS Co., Ltd. (current post) • Outside Director (Audit and Supervisory Committee Member) of Suzuken Co., Ltd. (current post)	• Certified Public Accountant, Tax Accountant • Marunouchi & Co. (current Deloitte Touche Tohmatsu LLC) • Established Kondo Toshimichi Accounting Office (current Big Bang Group Tax Corporation) (continuing) • Outside Director (Audit and Supervisory Committee Member) of Suzuken Co., Ltd. (current post)	• Attorney • Outside Audit & Supervisory Board Member of SYNCLAYER INC. • Vice Chair of Aichi Bar Association • Director of Chubu Federation of Bar Association • Ishihara Law Office (current post) • Member of Nagoya City Information Disclosure Review Board (current post) • Member of Ombuds 6 Committee of Nagoya Broadcasting Network Co., Ltd. (current post) • Outside Director of Aica Kogyo Company, Limited (current post) • Outside Director of (Audit and Supervisory Committee Member) of SYNCLAYER INC. (current post) • Outside Director (Audit and Supervisory Committee Member) of Suzuken Co., Ltd. (current post)
3 years	New	8 years	3 years	1 year	New
None	None	17,966	None	None	None
17 / 17	—	17 / 17	16 / 17	14 / 14*1	—

		○	○(Committee chairman)	○	○
○(Committee chairman)			○	○	

○		○			
		○			
			○	○	
		○	○		○
	○				
○		○			

11 Years of Financial Highlights

Suzuken Co., Ltd. and Subsidiaries

Millions of Yen
except per share data

	FY2013	FY2014	FY2015	FY2016	
	¥1,988,216	¥1,969,690	¥2,228,332	¥2,126,993	
	186,056	179,632	210,591	193,225	
	168,217	166,391	174,220	174,513	
	17,839	13,241	36,371	18,712	
	21,447	18,921	28,961	21,308	
	11,933	11,718	11,931	11,720	
	13,939	13,231	17,472	14,279	
	5,967	5,700	5,705	7,643	
	237.9	190.8	292.1	216.9	
	36,113.7	3,705.1	3,969.0	4,097.8	
	54	54	69	54	
	(414.0)	476.0	206.4	279.6	
	1,027,134	1,086,685	1,178,386	1,109,013	
	2,195	3,797	2,186	2,861	
	325,997	367,799	393,948	396,496	
	0.9	0.7	1.6	0.9	
	1.1	1.0	1.3	1.0	
	2.1	1.7	2.5	1.9	
	6.6	5.1	7.4	5.4	
	-	1,459.1	408.2	496.0	
	25.0	28.3	23.6	24.9	
	15,287	15,829	16,208	16,456	

Notes:

1. U.S. dollar amounts are provided solely for the reader's convenience, using the exchange rate of ¥151 to the U.S. dollar prevailing on March 31, 2024.
2. Net income per share is calculated using the average number of shares outstanding during each fiscal year, net of the average treasury stock during each fiscal year.
3. The interest coverage ratio has been omitted due to the reporting of negative operating cash flow for prior fiscal years.

Millions of Yen Thousands of U.S. Dollars
except per share data except per share data

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2023
	¥2,123,998	¥2,132,362	¥2,213,478	¥2,128,218	¥2,239,113	¥2,314,829	¥2,386,493	\$15,804,596
	187,512	189,294	194,124	157,840	167,333	179,695	185,249	1,226,815
	167,776	162,066	161,553	148,683	147,217	147,089	150,373	995,848
	19,736	27,228	32,571	9,157	20,116	32,606	34,876	230,967
	18,820	30,205	28,213	7,895	14,394	20,346	29,017	192,166
	11,042	10,776	10,719	10,179	9,561	8,640	8,563	56,709
	7,234	10,856	9,553	8,185	14,908	17,748	15,844	104,927
	6,671	5,873	4,648	3,453	4,592	2,952	3,279	21,715
	198.2	322.7	310.2	88.5	163.1	236.4	357.8	2.37
	4,284.8	4,390.9	4,618.3	4,675.2	4,749.5	4,970.3	5,361.9	35.51
	64	69	72	72	72	72	80	0.53
	1,036.0	457.0	(290.0)	175.0	108.0	450.0	1,123.3	7.44
	1,173,326	1,189,239	1,112,507	1,114,422	1,141,718	1,146,097	1,228,687	8,137,001
	2,814	2,540	2,569	2,279	2,117	1,803	1,804	11,950
	406,426	401,625	412,708	417,912	418,062	411,525	416,429	2,757,808
	0.9	1.2	1.4	0.4	0.9	1.4	1.5	
	0.9	1.4	1.2	0.3	0.6	0.8	1.2	
	1.6	2.6	2.4	0.7	1.3	1.8	2.4	
	4.6	7.5	6.9	1.9	3.4	4.9	7.0	
	1,690.3	751.7	-	314.8	185.2	885.1	1,997.3	
	32.3	21.4	23.2	81.3	44.1	30.4	22.4	
	15,816	15,585	15,477	15,041	14,032	13,429	13,086	

4. Beginning from fiscal 2022, changes were made to the indication method for “Commission for supplying sales data” and other items. The figures for fiscal 2021 are retroactively adjusted to reflect the indication method change in “Commission for supplying sales data” and other items.

5. From fiscal 2016, the Company has conducted a “change in accounting policy regarding purchase discounts.” Moreover, the figures for fiscal 2015 have been restated retrospectively to reflect this change in accounting policy.

6. The Company conducted a stock split at a ratio of 1.1 shares for every 1 share on April 1, 2015. However, net income per share, equity per share, operating cash flow per share, and dividend payout ratio have been calculated as though the stock split took place on April 1, 2014.

Stock Data

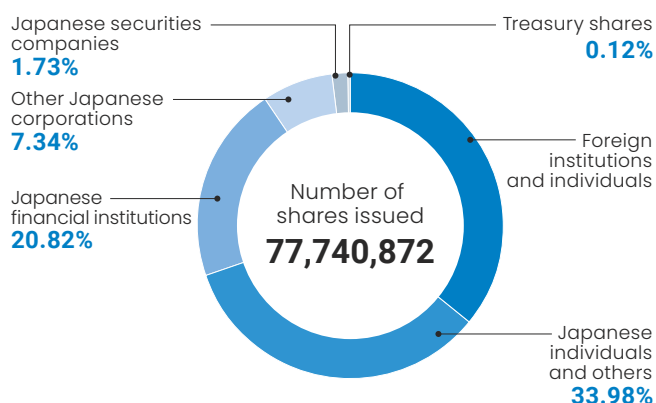
(As of March 31, 2024)

Stock Price

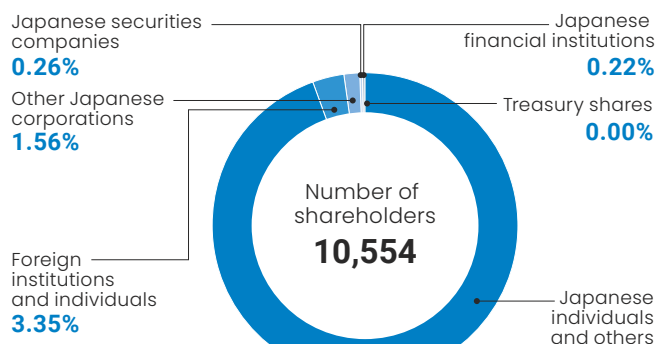
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
At year-end (Yen)	6,410	3,935	4,325	3,630	3,345	4,639
High (Yen)	6,490	7,040	4,600	4,410	3,985	5,137
Low (Yen)	4,270	3,175	3,595	2,963	3,085	3,360
Number of shares issued at year-end (Thousands of shares)	103,344	103,344	103,344	103,344	82,831	77,740
Market capitalization at year-end (Millions of yen)	662,435	406,658	446,962	375,138	277,069	360,635

Shareholder Composition

Share Composition by Ownership Type



Shareholder Composition by Ownership Type



Major Shareholders

Major Shareholders	Number of Shares Held (Thousands of shares)	Ownership Ratio of Issued Shares, Excluding Treasury Shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11,624	14.97
Custody Bank of Japan, Ltd. (Trust account)	3,525	4.54
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,569	3.30
Yoshiki Bessho	2,304	2.96
Chika Bessho	2,294	2.95
Hisayo Izawa	2,266	2.91
Masaki Bessho	2,265	2.91
Suzuken Group Employee Stock Ownership Association	1,900	2.44
Kyoko Suzuki	1,822	2.34
Suzuken Memorial Foundation	1,796	2.31
Total	32,370	41.69

Note: Besides the shares described above, Suzuken Co., Ltd. holds 100 thousand shares.

Corporate Data

(As of March 31, 2024)

Corporate Data

Corporate name	SUZUKEN CO., LTD.
Headquarters	8 Higashikataha-machi Higashi-ku, Nagoya, Aichi 461-8701, Japan Phone: +81-52-961-233
Establishment	November 1932
Capital	¥13,546 million
Number of employees	13,086 (consolidated)
Ordinary general meeting of shareholders	The ordinary general meeting of shareholders is held annually in June in Nagoya, Japan
Number of share units	100 shares
Independent auditor	Deloitte Touche Tohmatsu LLC (the Japanese member firm of Deloitte Touche Tohmatsu Limited)
Shareholders' register administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Stock exchange listings	Tokyo Stock Exchange, Prime Market Nagoya Stock Exchange, Premier Market Sapporo Securities Exchange

Website Information

Please visit our website for more details on IR information.

<https://www.suzuken.co.jp/en/ir/>



The above 2D barcode will provide easy access to our IR information.

Related Companies

Consolidated Subsidiaries	Capital (Millions of Yen)	Ownership Ratio of Voting Rights (%)	Main Areas of Business	
Sanki Corporation	1,081	100.0	Pharmaceutical distribution	Sale of pharmaceuticals in the Chugoku region
ASTIS Co., Ltd.	946	100.0	Pharmaceutical distribution	Sale of pharmaceuticals in the Shikoku region
Shoyaku Co., Ltd.	880	100.0	Pharmaceutical distribution	Sale of pharmaceuticals in the Kyushu region
Suzuken Okinawa Yakuhin Co., Ltd.	12	100.0	Pharmaceutical distribution	Sale of pharmaceuticals in Okinawa Prefecture
Nakano Yakuhin Co., Ltd.	94	100.0	Pharmaceutical distribution	Sale of pharmaceuticals in Tochigi Prefecture
Suzuken Iwate Co., Ltd.	97	100.0	Pharmaceutical distribution	Sale of pharmaceuticals in Iwate Prefecture
S.D.Logi CO., LTD.	10	100.0	Pharmaceutical distribution	Contract distribution operations within the Group
Sanwa Kagaku Kenkyusho Co., Ltd.*2	2,101	100.0	Pharmaceutical manufacturing	Manufacture of ethical drugs
Kenzmedico Co., Ltd.	10	100.0	Manufacture of medical instruments	Manufacture of medical equipment
UNISMILE Co., Ltd.	382	100.0 (100.0)	Pharmacy	Preparation of ethical drugs
Sanki Wellbe Co., Ltd.	50	100.0 (100.0)	Nursing services	Provision of nursing care services
S-Care Mate Co., Ltd.	50	100.0	Nursing services	Provision of nursing care services
Medicare Collabo CO., LTD.	40	51.0	Medical and nursing care support	Rental of welfare equipment
S.D. Collabo Co., Ltd.	51	100.0	Specialty drug distribution	Contract distribution of specialty drugs
Chuounyu Co., Ltd.	99	100.0	External logistics operations	Contract logistics for pharmaceutical manufacturers
Collabo PLACE CO., LTD.	10	100.0	Other	Provision of digital healthcare services
29 other companies	—	—	—	—

Subsidiaries and Affiliates Accounted for by the Equity Method	Capital	Ownership Ratio of Voting Rights (%)	Main Areas of Business	
SPH Suzuken Huzhong Pharmaceutical Co., Ltd	RMB 84 million	49.9	Pharmaceutical distribution	Sale of pharmaceuticals in Shanghai City
EP-PharmaLine Co., Ltd.	JPY 100 million	49.0	DI service (contact center service)	Outsourcing call center operations, etc.
BOKSAN NICE Co., Ltd.	KRW 3,604 million	45.0	Pharmaceutical distribution	Sale of pharmaceuticals and other products mainly in Busan region and Seoul metropolitan area
Welby Inc.*3	JPY 916 million	21.1	My Carte Disease solutions	Deployment of PHR platforms
Pharmarise Holdings Corporation*3	JPY 1,298 million	20.8	Pharmacy	Preparation of ethical drugs

*1 The ownership ratio of voting rights given in parentheses () refers to indirect ownership ratio included in the total.

*2 Company that qualifies as a specified subsidiary

*3 Companies that submit annual securities reports



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<https://www.suzuken.co.jp/en/>