

Adding True Value: Offering more than just logistics, we deliver a diverse array of services, including the provision of information on the proper use of pharmaceuticals.

- Provision of drug information
- Customer support
- Product promotions
- Price negotiations

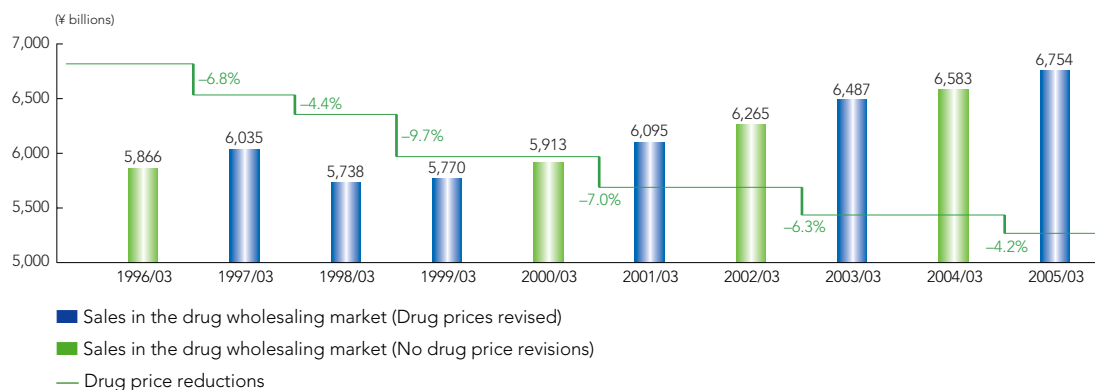
Japan's drug wholesalers purchase pharmaceuticals and other products from drug manufacturers, their suppliers, for sale to hospitals, clinics, pharmacies, and other customers. In addition to these logistics functions, drug wholesalers also provide accurate and timely information on pharmaceuticals to customers, and invaluable feedback on market needs and other trends to suppliers.

NHI\* drug prices typically revised every two years in Japan

NHI drug prices are revised roughly once every two years as part of the Japanese government's policy to hold down national medical expenditures. Despite these revisions, the wholesale pharmaceutical market remains on a moderate growth track, due mainly to new products and a higher incidence of lifestyle-related diseases. Meanwhile, selling prices tend to gradually decline in the two-year period between NHI drug price revisions. Accordingly, NHI drug price revisions represent an opportunity for drug wholesalers to review decreases in selling prices.

\*National Health Insurance

NHI Drug Price Revisions and Sales in the Drug Wholesaling Market



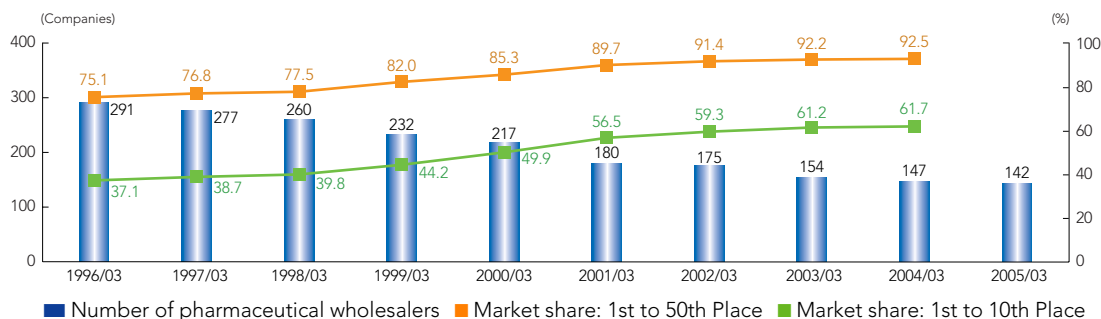
\*The figure for the fiscal year ended March 31, 2005 is a preliminary estimate.

Source: Crecon Report 2004 (CRECON RESEARCH & CONSULTING INC.)

# Greater scale is a key competitive edge for Japan's drug wholesalers

- From 1996 to 2005, the number of member drug wholesalers in the Federation of Japan Pharmaceutical Wholesalers Association has more than halved from 291 to 142.

Consolidation in the Wholesale Pharmaceutical Industry



\*The market share for 2005/03 has yet to be announced as of the printing of this report.

Source: The Federation of Japan Pharmaceutical Wholesalers Association, Crecon Report 2004 (CRECON RESEARCH & CONSULTING INC.)

- In step with progress with the separation of drug dispensing from medical practice and joint purchasing of pharmaceuticals, the largest wholesalers with the broadest product lineups and sales networks are capturing the greatest share of sales.

Wholesale Pharmaceuticals Sector in the March 2005 fiscal year:

## Sharp declines in gross profit margins due to the following two factors:

- Fiercer competition among wholesalers in expanding sales channels targeting dispensing pharmacies, as the separation of drug dispensing from medical practice proceeds; and,
- Tougher pricing requirements, typified by joint purchasing by national hospitals and other customers.