

# The Alfresa Group is maximizing synergies through business reorganization with the aim to become the No.1 pharmaceuticals distributor in Japan.

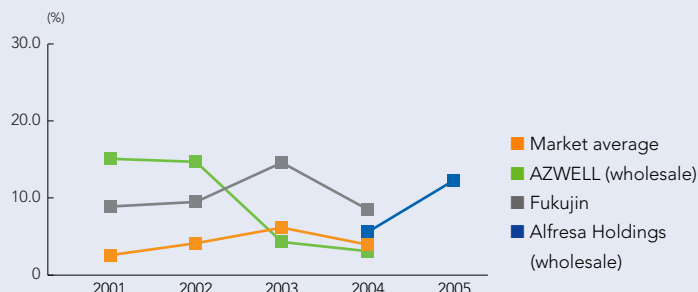
## In a Period of Change, the Wholesale Pharmaceuticals Industry Must Deliver Added Value

Amid moves by hospitals to respond to the shift of Japan's medical service fee system from a fee-per-service model to fixed-rate payments, joint purchasing of pharmaceuticals aimed at raising efficiency is gaining ground. Furthermore, sales channels targeting dispensing pharmacies are expanding as the separation of drug dispensing from medical practice proceeds.

Faced with these changes in our operating environment, we believe that in addition to merely offering logistics functions, the ability to efficiently and intelligently provide essential functions for drug manufacturers as well as customers will become increasingly required of drug wholesalers. Drug wholesalers of choice will be those that offer high-value-added functions. To be chosen, drug wholesalers must provide feedback on market developments and product promotions for drug manufacturers, areas where drug wholesalers can exert their strengths.



Average Sales Growth for the Drug Wholesale Market and Alfresa Group (Fiscal years ended March 31)

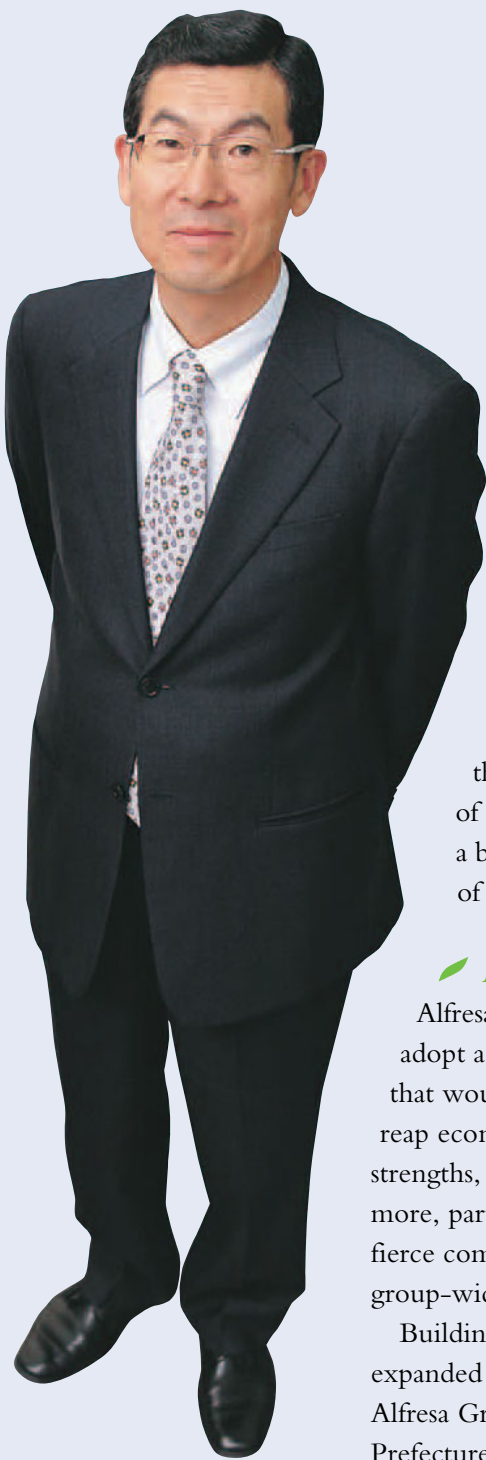


\* The market average for 2005 has yet to be announced as of the printing of this report.

\* In October 2004, the operations of Alfresa Holdings' subsidiaries AZWELL and Fukujin were reorganized into Alfresa Corporation and Alfresa Pharma Corporation. Accordingly, AZWELL and Fukujin are not shown in 2005.

Source: "Business Overview of the Drug Wholesale Industry," by the Federation of Japan Pharmaceutical Wholesalers Association.

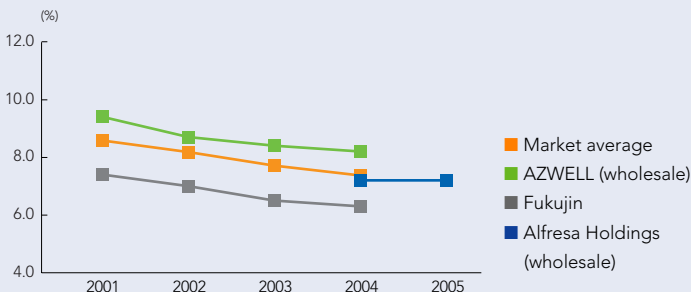
Kunio Fukujin  
Chairman and CEO



Futoshi Yokoi  
President

### Average SG&A Ratio for the Drug Wholesale Market and Alfresa Group

(Fiscal years ended March 31)



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For customers, drug wholesalers must, in addition to supplying a wealth of products, offer support capabilities ranging from the provision of pharmaceuticals information to management assistance.

### 🌿 Growth Strategy for Becoming a ¥2 Trillion Group

Under present circumstances, in which intensified competition is shaping a difficult earnings environment, it is crucial for us to establish a strong presence in the industry.

It is also essential that we provide high-value-added services, or in other words, benefits that only we can offer. We will proactively work to achieve this while earning the trust of customers by making use of our full line of dealings with drug manufacturers to provide a broad range of products, detailed information services, consulting functions and more, all of which are hallmarks of the Alfresa Group.

### 🌿 An Easy-to-join Open Platform

Alfresa Holdings Corporation was first in Japan's wholesale pharmaceuticals industry to adopt a holding company system. We wanted to build an open-platform integration model that would be easy for other companies to join. This model enables participating companies to reap economies of scale through joint purchasing without compromising their traditional strengths, such as their distinctive corporate cultures and ties with local communities. Furthermore, participating companies can also gain numerous capabilities essential to prevailing against fierce competition on the marketing front. These capabilities include shared systems, use of group-wide expertise, and access to our full line of dealings with drug manufacturers.

Building on this platform, in the fiscal year ended March 31, 2005, the Alfresa Group steadily expanded its marketing regions and strengthened its supply network. Newly brought into the Alfresa Group were Taishodo Co., Ltd. (Saitama Prefecture), Odashima Limited (Iwate Prefecture), DAIWA Pharmaceutical Wholesalers Co., Ltd. (Ehime Prefecture) and NIKKEN

SANGYO CO., LTD. (Gifu Prefecture). Additionally, the Alfresa Group concluded a business alliance agreement with Meisho Co., Ltd. (Ishikawa Prefecture) and carried out the acquisition and transfer of certain businesses related to ethical pharmaceuticals and other products. Another agreement was concluded with Matsuda Medical Co., Ltd. (Kochi Prefecture) for the acquisition of its wholesaling business related to pharmaceuticals and other products. At the same time, the Alfresa Group will transfer businesses related to over-the-counter drugs and other products to CS YAKUHIN CO., LTD. (Aichi Prefecture) and cooperate with this company in all aspects of management. A business alliance was also formed with SEIWA SANGYO CO., LTD. (Hiroshima Prefecture). We are working to drive further sales growth by augmenting our business domains in parallel with expanding marketing areas through a diverse array of business alliances and the establishment of joint venture Alfresa Pip-Tokyo Corporation with PIP-Tokyo Co., Ltd. in a move to reinforce the Supply, Processing & Distribution (SPD) business.

### Providing Maximum Convenience to Customers

Another advantage of Alfresa Holdings is its relationships with leading domestic and overseas drug manufacturers that enables us to offer one of the most comprehensive product lineups in our industry. As the separation of drug dispensing from medical practice proceeds, pharmacies are required to stock a broader range of products to fill the prescriptions issued by medical institutions. However, because pharmacies cannot effectively maintain large inventories, they are counting on drug wholesalers to provide quality logistics functions. For this reason, our full line of dealings with drug manufacturers and detailed logistics system are becoming increasingly important.



Furthermore, the Alfresa Group can mold information gathered from Group and partner companies nationwide into truly essential services for our customers. Efforts to foster trust by providing information in this manner and establishing a strong reputation for accurate consulting and other services is helping us to further expand our customer base.

### ➤ Aiming to Maximize Synergies Through Our New Medium-term Management Plan

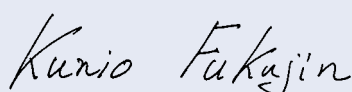
Looking at our consolidated operating results for the fiscal year ended March 31, 2005, net sales grew by a steady 12.1% year on year to ¥1,195,314 million, reflecting the addition of new Group companies. Meanwhile, on the earnings front, operating income was down 47.3% at ¥6,534 million due to falling selling prices in the Wholesaling business, mirroring intensified competition in the marketplace and other factors. Furthermore, due to an extraordinary loss of ¥2,962 million on additional retirement benefits associated with an early retirement program implemented to optimize the size of our workforce, net income decreased 50.6% to ¥3,208 million.

Alfresa Holdings has formulated a new three-year medium-term management plan that began in April 2005. The plan will enable us to respond to declining profit margins caused by changes in our business environment and adapt to the growing scale of operations. The new plan's key issues are to "strengthen the corporate governance structure," "promote CSR," and "construct a new backbone information system" with the aim of further sharpening our competitive edge by increasing the number of Group companies and expanding the scale of our businesses.

### ➤ Realizing Our "Healthcare Consortium" Vision

The Alfresa Group is seeking to make its vision of becoming a "Healthcare Consortium" a reality. This means we will create innovative value by establishing a broader circle of alliances that transcends the bounds of Group companies to offer comprehensive medical care and healthcare information, products and services. Over the medium term, we aim to expand the Group's existing services and functions such as those for medical support, support for opening private practices, and nursing care into a structure that can deliver more and better services for customers. Over the long term, we aim to evolve into a group of service-oriented companies active across the entire spectrum of peripheral medical and healthcare domains, covering all stages of care from prevention to diagnosis, treatment and after care. As a corporate group dedicated to the medical care sector, we will continue to strive to further increase our corporate value with confidence and pride.

July 2005



Kunio Fukujin  
Chairman and CEO



Futoshi Yokoi  
President