

The Alfresa Group will expand its scale of operations through M&As, while pursuing low-cost operations.



Q: Please give us an overview of the Wholesaling business and key initiatives in the fiscal year ended March 31, 2005.

A: The Wholesaling business, centered on Alfresa Corporation, handles pharmaceuticals, diagnostic reagents, medical devices and equipment, and other products. We are expanding marketing areas by bringing more regional drug wholesalers into the Alfresa Group. To prevail against fierce competition in the market and achieve Group-wide net sales of ¥2 trillion, we are setting our sights on building a nationwide presence through alliances and M&As.

During the fiscal year ended March 31, 2005, we established an operating base in the Shikoku region by welcoming DAIWA Pharmaceutical Wholesalers Co., Ltd. and Matsuda Medical Co., Ltd. into the Alfresa Group. Marketing areas were further expanded through the conversion of Taishodo Co., Ltd. of Saitama Prefecture, Odashima Limited of Iwate Prefecture and NIKKEN SANGYO CO., LTD. of Gifu Prefecture into subsidiaries.

Q: What were your results for the March 2005 fiscal year?

A: For the fiscal year ended March 31, 2005, the Wholesaling business reported net sales of ¥1,178,491 million, an increase of 12.3% year on year including intersegment sales of ¥1 million.

However, declining selling prices due to tough price negotiations with customers and intensified competition with peer companies led to operating income of ¥5,760 million, down 49.4% year on year.

We view the decline in profitability as a very serious issue. In response, Alfresa Corporation established the Low Cost Operation Promotion Committee to implement a sweeping reform program. We will embrace various measures to improve profitability, including diversifying employment formats to reduce the percentage of full-time employees.

Targeted Indicators in the Wholesaling Business

(¥ millions)	2005/03 (actual)	2006/03	2007/03	2008/03
Net Sales	¥1,178,491	¥1,323,000	¥1,299,000	¥1,367,000
Gross Profit	90,029	101,660	102,900	106,900
SG&A Expenses	84,270	92,000	87,150	87,200
Operating Income	5,760	9,660	15,750	19,700

* Figures for 2007/03 onward were released on April 12, 2005.

* Figures for 2006/03 include SEIWA SANGYO CO., LTD, but those for subsequent years do not include this company.

Q: Please give us an overview of the strategies in your latest medium-term management plan.

A: The Sales Assistant (SA; delivery professionals) system, a successful model in the Kanto Region, will be introduced and deployed in the Kansai and Tokai regions. Our customers have highly rated the detailed services provided by SAs, whose ranks are mainly filled by contract employees, thus helping to reduce personnel costs.

Furthermore, as part of initiatives to strengthen the SPD business and the wholesale medical materials business, in December 2004, Alfresa Holdings Corporation established Alfresa Pip-Tokyo Corporation as a joint venture with PIP-Tokyo Co., Ltd. This new company will enable us to provide comprehensive SPD services covering medical materials and pharmaceuticals.

With respect to the healthcare business, the Alfresa Group will transfer businesses related to over-the-counter drugs and other products to CS YAKUHIN CO., LTD. to increase operating efficiency. A comprehensive business cooperation agreement was also concluded with this company to make wholesaling functions more efficient and reduce operating expenses.

Q: What is the outlook and direction for the wholesaling business?

A: We will continue to proactively bring more companies into the Alfresa Group. Steady progress is being made on expanding our marketing areas to conduct business nationwide. In April 2005, OKAUCHI KANKODO, Ltd. (Kagawa Prefecture) and Kowa Yakuhin Co., Ltd. (Tokushima Prefecture) became subsidiaries of Alfresa Holdings Corporation. Furthermore, in May 2005, plans were unveiled to convert SEIWA SANGYO CO., LTD., which is based in the Chugoku region, into a wholly owned subsidiary of Alfresa Holdings in October 2005 through a stock exchange. Moving forward, we intend to take our network of partnerships, with associated wholesalers as first candidates, into Hokkaido and Kyushu, the only regions where we do not yet have a presence.

Kunio Fukujin, *President*
Alfresa Corporation

