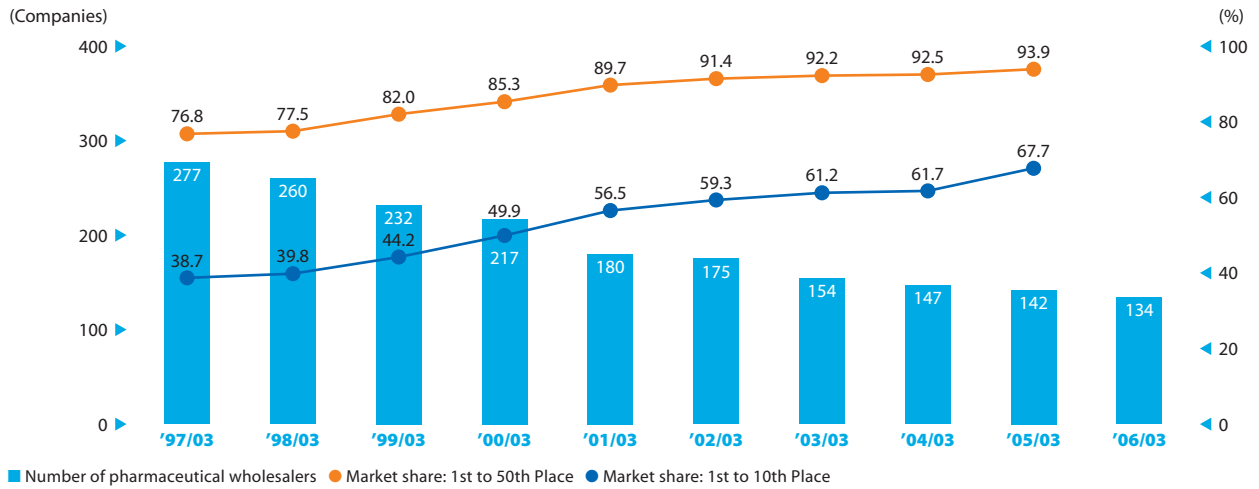


Roadmap to a ¥2 Trillion Group

Japan's Pharmaceutical Wholesale Industry

Consolidation in the Pharmaceutical Wholesale Industry



* The market share for 2006/03 had yet to be announced at the printing of this report.
Source: The Federation of Japan Pharmaceutical Wholesalers Association, Crecon Report 2005 (CRECON RESEARCH & CONSULTING INC.)

Intensifying Industry Shakeout Driven by Major Wholesalers

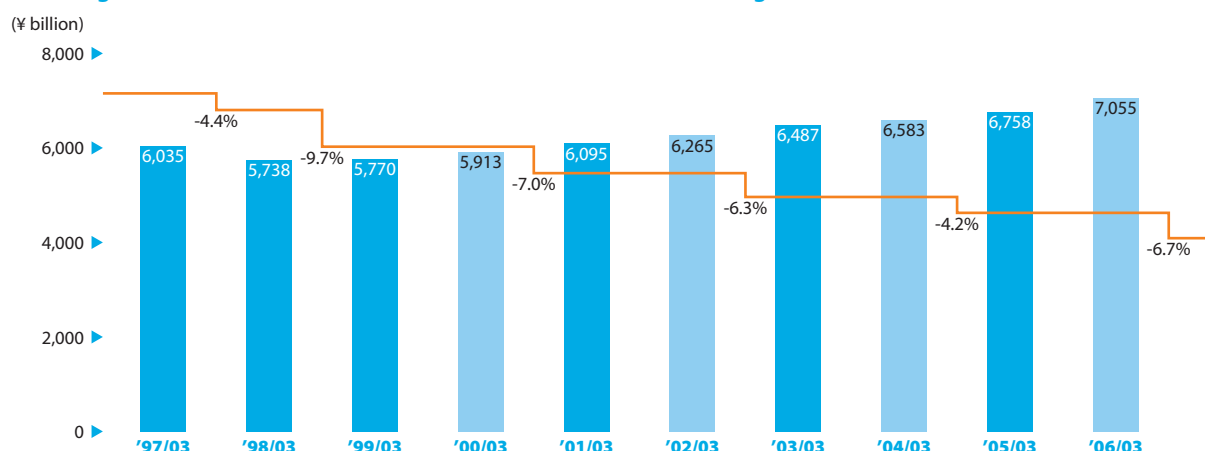
The operating environment that surrounds ethical pharmaceuticals distribution is entering a period of change, due to progress with the separation of drug dispensing from medical practice and joint and bulk purchasing by medical institutions. Furthermore, industry realignment centering on large wholesalers seeking to establish competitive advantage in the market is rapidly advancing.



Changing Service Content Required of Wholesalers

Pharmaceutical wholesalers must meet increasingly stronger needs for the provision of high-quality information and enhanced services to medical institutions. Strengthening value-added functions, including not only the provision of timely and stable supplies of pharmaceuticals, but also information provision and consulting services are essential.

NHI Drug Price Revisions and Sales in the Pharmaceutical Wholesaling Market



■ Sales in the pharmaceutical wholesaling market (NHI drug prices revised) ■ Sales in the pharmaceutical wholesaling market (No NHI drug price revisions)
— NHI drug price reductions

* The figure for the fiscal year ended March 31, 2006 is a preliminary estimate.
Source: Crecon Report 2005 (CRECON RESEARCH & CONSULTING INC.)

NHI* Drug Price Revisions Every Two Years

In Japan, NHI drug price revisions, which entail a review of the official price of ethical pharmaceuticals covered by the medical insurance system, are conducted once every two years by the Ministry of Health, Labour, and Welfare to curb rising national medical expenditures. Overall, NHI drug prices are revised down every time, but for wholesalers, this is also an opportunity to

* National Health Insurance

conduct new price negotiations with customers and to improve profitability. Furthermore, due to the launch of new products and increasing demand for pharmaceuticals targeting lifestyle-related diseases, the market for pharmaceutical wholesalers continues to expand steadily, albeit gradually.

New Value-added Businesses

There are increasing moves to secure new sources of revenues in the increasingly competitive pharmaceuticals wholesale industry. One example is support services for medical institutions and other customers.

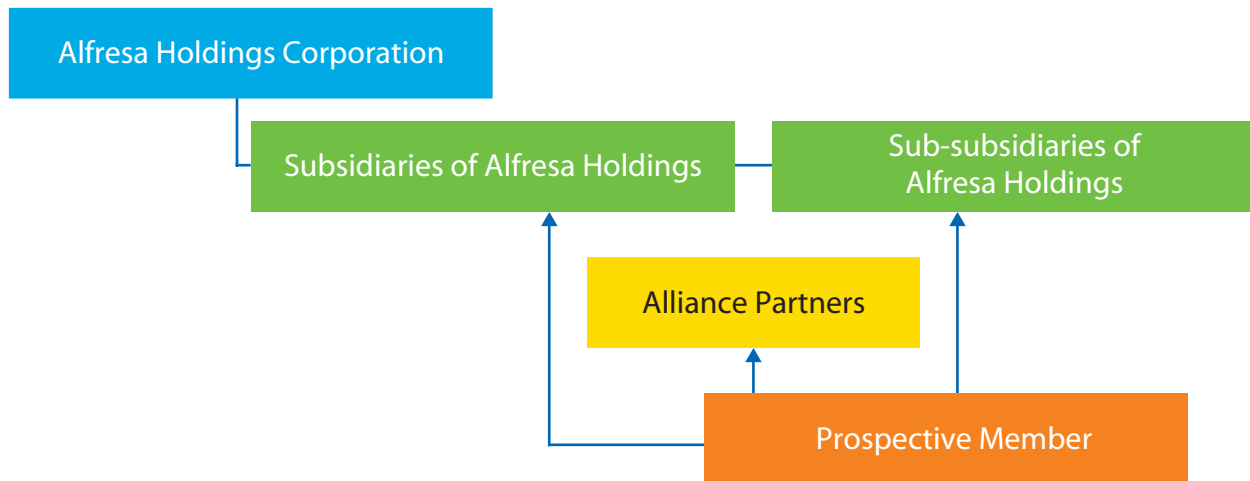
Positioning the growing cost awareness of hospitals and other medical institutions following the enactment of medical system reforms as a prime opportunity, the Alfresa Group is enhancing customer support services that offer cost-reduction solutions.

To lower costs for customers, we are being called upon to offer comprehensive solutions.

Through these value-added businesses, we will work to increase earnings.

The Expansion FRONT

Many Forms of Participation



Alfresa Holdings continues to proactively pursue Group expansion. One of the defining characteristics of Alfresa Holdings is its integration method. As a holding company, it can welcome new companies into the group through diverse forms of participation.

Respecting the Individuality of Participating Companies

The Alfresa Group strives to expand marketing areas by deepening friendly ties with alliance partners. Companies that share our corporate philosophy can select many ways of joining the Alfresa Group. We plan to further expand the Group by making various participation methods available, taking advantage of the flexibility that comes with being a holding company. Through these measures, the Alfresa Group is targeting Group-wide net sales of ¥2 trillion in the fiscal year ending March 31, 2008.

Regional pharmaceutical wholesalers have their own distinctive cultures and characteristics rooted in each region. In order for these companies to retain these characteristics even after alliances or M&As, and exert their intrinsic strengths to the full within the

Alfresa Group, it is necessary to have a highly flexible integration method.

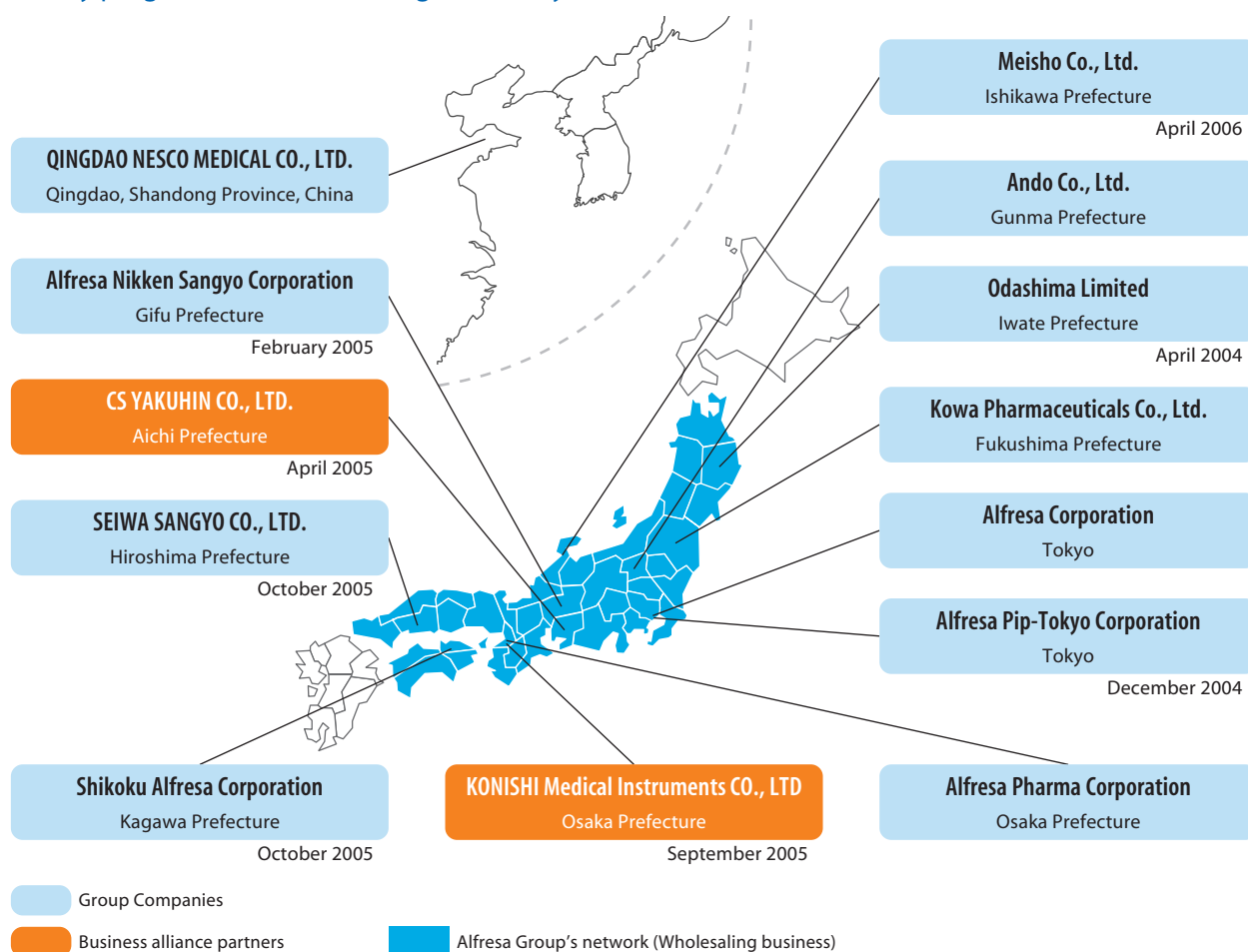
This approach is based on our goal of making the distinctive strengths of each participating company the driving force behind the Group's development, by bringing these strengths together and capturing synergies between them.

Participation Provides Numerous Benefits

Participating companies also derive numerous benefits from joining the Alfresa Group. We offer the shared use of the new backbone information system that is currently being developed, expansion of transactions with domestic and foreign pharmaceutical manufacturers, access to Group-wide expertise, and other functions that lead to stronger marketing capabilities. Group-wide development will come from the effective use of the combined strengths of each company.

Group Initiatives in the Fiscal Year Ended March 2006

Steady progress with M&As during the fiscal year ended March 2006:



* Figures below the company names represent the period when the companies joined or formed alliances with the Alfresa Group.

Aiming for Nationwide Expansion

In the Wholesaling business, we aim to establish a nationwide distribution system through group expansion. In April 2005, OKAUCHI KANKODO, Ltd., Kowa Yakuhin Co., Ltd., and DAIWA Pharmaceutical Wholesalers Co., Ltd., an existing subsidiary, became wholly owned subsidiaries through stock exchanges. These three companies merged in October 2005 to form Shikoku Alfresa Corporation, resulting in the establishment of a sales network in the Shikoku region. SEIWA SANGYO CO., LTD., a company with a sales area covering the five prefectures of the Chugoku region, and Meisho Co., Ltd., the market share leader in the Hokuriku region, became wholly owned subsidiaries through stock exchanges in October 2005 and April

2006, respectively. This move greatly expanded our sales network. We will continue to build a national network that includes the Hokkaido and Kyushu regions. In addition, we are also taking steps to advance our medium and long-term strategies. These include forming business alliances with CS YAKUJIN CO., LTD. (Aichi Prefecture) in April 2005 and KONISHI Medical Instruments CO., LTD. (Osaka Prefecture) the following September. In May 2006, we signed a statement of intent to form a business alliance with DKSH Holding Ltd., which has a strong track record in the pharmaceuticals distribution business in Asia. This step was aimed at moving into the Asia market, which has strong growth potential.

The Profitability FRONT

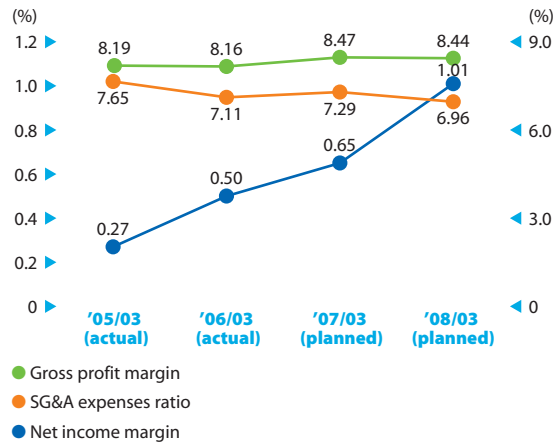
Steady Improvement in SG&A Expenses Ratio

The SG&A expenses ratio has been steadily improving due to the promotion of thorough low-cost operations. We achieved a reduction of roughly ¥5.2 billion in SG&A expenses, excluding increases due to newly consolidated companies, compared with the fiscal year ended March 31, 2005. This was mainly due to reductions in personnel expenses. We successfully lowered the SG&A expenses ratio by 0.54 of a point to 7.11%, compared with 7.65% at the end of March 2005. By reviewing employment formats and raising the percentage of contract and part-time employees, we achieved reductions in personnel costs in the fiscal year ended March 31, 2006 that were equivalent to 285 full-time employees.

Maintained Gross Profit Margin

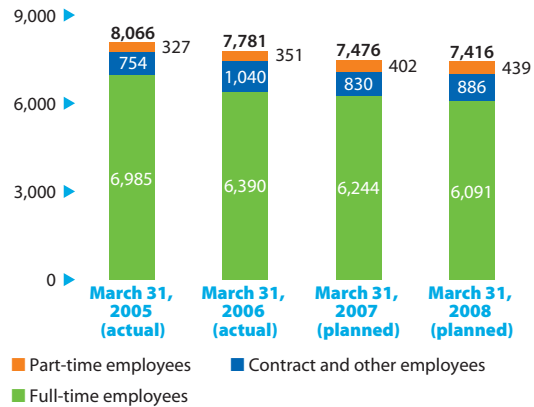
In the Wholesaling business, the gross profit margin typically decreases in years without NHI drug price revisions and vice versa. However, by reviewing unprofitable dealings and strictly enforcing compliance with the authorized price limit, we strengthened sales at appropriate prices that properly take margins into account and pursued sales activities focused on profits. As a result, the gross profit margin for the fiscal year ended March 31, 2006 improved by 0.03 of a point to 7.67%. In the future, we will continue to reap economies of scale to lower purchasing prices through the expansion of Group-wide joint purchasing and sell at appropriate prices. This improvement reflects efforts not only to increase the scale of the Group, but also to streamline and revitalize our organization, especially by reinforcing our sales structure.

Establish a Strong Earnings Structure



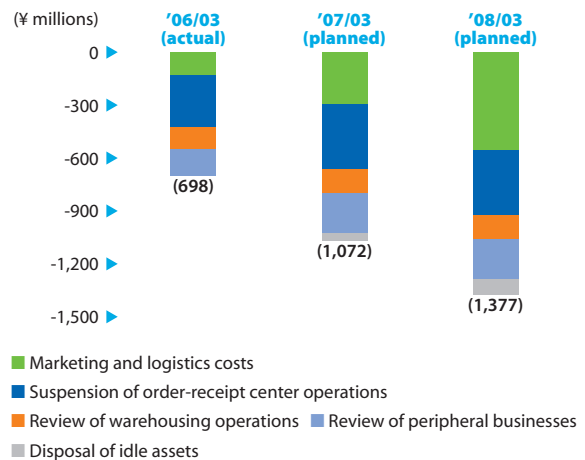
* Figures for '08/03 onward were announced together with the medium-term management plan.

Optimizing Our Workforce



* Headcounts for full-time employees, contract and other employees, and part-time employees are weighted by conversion ratios of 1, 0.5, and 0.2, respectively.
* Figures for March 31, 2006 do not include SEIWA SANGYO CO., LTD.
* Figures from March 31, 2007 are the same as those announced in the medium-term management plan and do not include newly consolidated companies.

Cost-cutting Measures in the Pharmaceutical Wholesaling Business (excluding personnel costs)

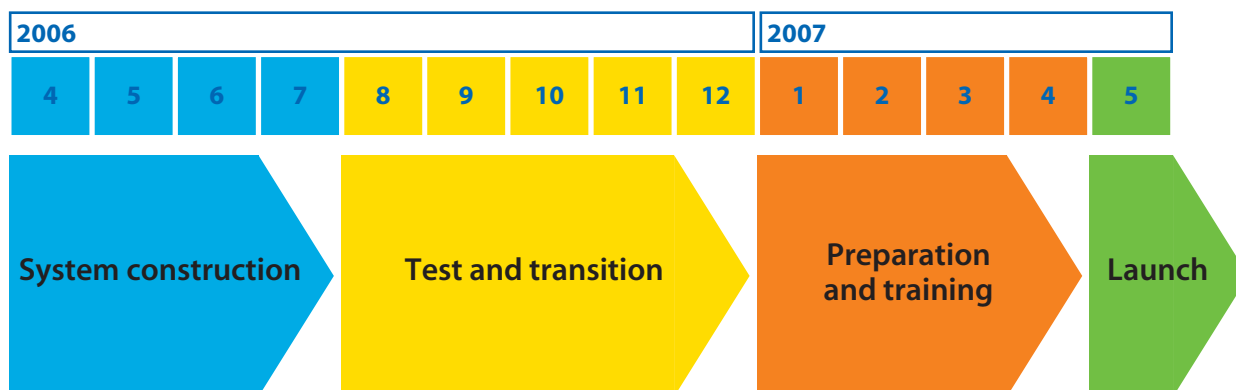


* The above graph shows cumulative cost reductions relative to the fiscal year ended March 31, 2005.

The System FRONT

Development of the New Backbone Information System

Development Schedule



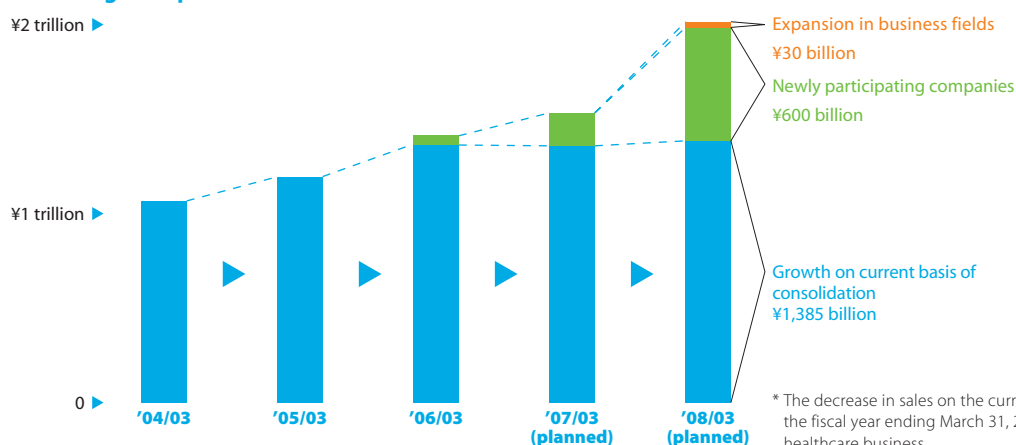
Steady Progress on System Construction

The construction of the new backbone information system is steadily progressing toward launch in May 2007. Plans call for taking steps to steadily extend the shared use of this system throughout the Group after launch. The standardization and integration of operations enabled by the introduction of this new backbone information system will streamline back-office operations

and reduce expenses for the Alfresa Group. Investment in the development of this system is approximately ¥8.0 billion. In addition to expenses for the existing system, costs will increase for required development and investment expenses during the period covered by the current medium-term management plan. After launch, costs for the existing system will decline, and there will be cost benefits over the medium and long terms.

The Scale FRONT

Achieving Group-wide Net Sales of ¥2 Trillion



Striving for Group-wide Net Sales of ¥2 Trillion

Net sales for the fiscal year ended March 31, 2006, rose a steady 18.1% year on year, to ¥1,411.6 billion, reflecting an increase in the number of companies comprising the Alfresa Group. We plan to proactively increase the number of group companies through alliances and

continue to expand our business domains. By increasing sales through this expanding circle of alliances, we aim to achieve Group-wide net sales of ¥2 trillion in the fiscal year ending March 31, 2008, as targeted in our medium-term management plan.

The Transparency FRONT

A Fair and Transparent Group Management System

The Alfresa Group aims to ensure fair and transparent management, as well as structure the Company so as to deepen the understanding of stakeholders. Two concrete initiatives of the medium-term management plan are to “strengthen the corporate governance structure” and “promote CSR.”

With respect to strengthening corporate governance, the Alfresa Group is taking steps to build the infrastructure needed for all Group companies to adhere to common management policies, as part of efforts to realize Group-wide corporate governance and reinforce the Group’s management base. Measures include

organizing and holding Group Conferences and promoting exchanges among directors of Group companies. In addition to establishing an Advisory Board including external advisors, the Group has reinforced the Management Strategy Committee, an advisory body to the representative directors, as part of efforts to further enhance corporate governance. Meanwhile, Japan has been seeing growing interest in measures to promote CSR. In this context, the Alfresa Group’s Charter of Conduct was formulated to clarify the Group’s basic commitment to high ethical standards, and the CSR Promotion Committee was established as part of efforts to create the internal frameworks required to ensure CSR-oriented management.

Progress Toward Medium-term Management Plan Targets

The numerical targets of the medium-term management plan are as follows:



The numerical targets of the medium-term management plan, which runs through the fiscal year ending March 31, 2008, are shown in the respective charts above. In the plan’s first fiscal year, the year ended March 31, 2006, the Alfresa Group reported consolidated net sales of ¥1,411.6 billion, a net income margin of 0.50%, and an ROE of 5.83%. The Group was able to surpass its net sales target for the March 2006 fiscal year primarily by expanding sales areas through an increase in the

number of consolidated subsidiaries and implementing measures such as joint Group-wide sales promotion activities. However, the net income margin and ROE were below targets, mainly because the Group recorded an extraordinary loss on the withdrawal from and sale of unprofitable operations. Looking ahead, the Group will make a concerted effort to achieve its targets for the fiscal year ending March 31, 2008.

Realizing the “Healthcare Consortium” Vision

The reason the Alfresa Group is targeting Group-wide net sales of ¥2 trillion in the fiscal year ending March 31, 2008, the final year of the medium-term management plan, is to establish a stronger presence in the pharmaceutical wholesale industry. We strive to maximize earnings by reaping economies of scale and to cement an unassailable position in Japan’s ¥7 trillion pharmaceutical wholesale market. With this step, we will build a solid foundation for the realization of the Alfresa Group’s “Healthcare Consortium” Vision.

The “Healthcare Consortium” concept means that we aim to help enhance people’s daily lives and their

health by establishing a broader circle of alliances with healthcare companies besides 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 management support, support for opening new 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 that helps people across the entire spectrum of healthcare with services ranging from prevention to diagnosis, treatment and aftercare.

“Healthcare Consortium” Vision

