

Structure of the Wholesaling Business and Growth Strategy



Aiming to Develop a Nationwide Distribution System and Promote Sales at Appropriate Prices

Performance in the Fiscal Year Ended March 31, 2006

The Wholesaling business handles ethical pharmaceuticals, diagnostic reagents, medical devices and equipment, and other products. For the fiscal year ended March 31, 2006, the Wholesaling business reported net sales of ¥1,394,969 million, an increase of 18.4% year on year. This increase was mainly attributable to a rise in the number of consolidated subsidiaries and active efforts to conduct joint Group-wide sales promotions. Operating income climbed 137.3% to ¥13,666 million. Efforts to generate earnings by enforcing sales at appropriate prices, and promoting cost reductions, resulted in a much stronger performance than in the previous fiscal year.

Maintained Gross Profit Margin and Promoted Low-cost Operations

In the fiscal year ended March 31, 2006, the Wholesaling business, centered on Alfresa Corporation, focused on two themes: securing an appropriate gross profit

margin and promoting low-cost operations.

The gross profit margin increased by 0.03 of a percentage point to 7.67%, largely in line with our target of 7.68%. This mainly reflected initiatives to maintain delivery prices and reinforce sales of profitable products. Other initiatives included increasing joint purchasing with Group companies and more proactively employing Group-wide sales channels.

As for promoting low-cost operations, the SG&A expenses ratio improved 0.46 of a percentage point from 7.15% in the fiscal year ended March 31, 2005 to 6.69% in the fiscal year ended March 31, 2006 thanks to efforts to reduce personnel expenses by rescaling the workforce to optimal levels and reviewing various business activities. We will continue to promote low-cost operations centering on efforts to optimize the size of our workforce.

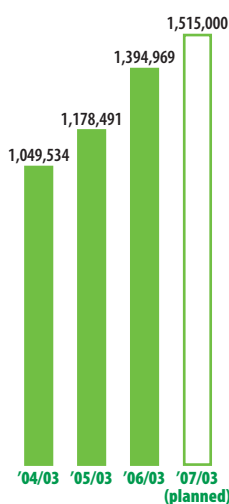
Strengthening Wholesaling Functions

Meanwhile, to strengthen wholesaling functions, we implemented several strategies targeting specific

Segment Performance and Targets

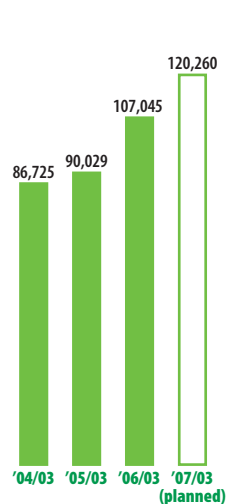
Net Sales

(¥ millions)



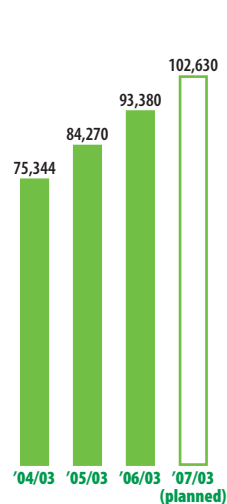
Gross Profit

(¥ millions)



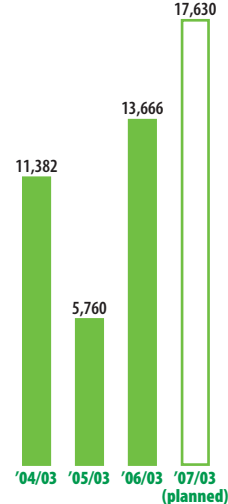
SG&A Expenses

(¥ millions)



Operating Income

(¥ millions)



markets and reinforced the Supply, Processing & Distribution (SPD) business, which involves in-hospital product management services. To illustrate these market strategies, we introduced the SA (sales assistant: delivery professional) System in the Kansai and Tokai areas, and made efforts to more effectively allocate sales territories among Group companies. Other initiatives saw us make greater use of SAFE Co., Ltd., a provider of pharmaceuticals-related information services, and conduct Group-wide joint sales promotions for specific products. Proactive efforts to reinforce the SPD business involved pursuing sales activities through Alfresa Pip-Tokyo Corporation, which commenced operations in April 2005, and forming a Group SPD Study Group.

Future Development and Direction

In the Wholesaling business, the Alfresa Group's core operation, we remain focused on establishing a nationwide distribution system. We will continue to proactively expand the Group going forward. Notably,

Meisho Co., Ltd. (Ishikawa Prefecture) joined the Group in April 2006. Efforts will also be made to capture a greater nationwide market share by effectively developing Group-wide sales promotion functions. We will generate an appropriate level of earnings by taking the initiative in price negotiations and properly managing progress toward earnings targets to offer quality distribution services. We will also work to develop businesses that precisely meet customer needs, with the aim of becoming a corporate group driven by the creation of value.

Sales by Marketing Channel

