

# ***Alfresa Holdings Corporation Medium-Term Management Plan***

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( October 2003 – March 2006 )

September 10, 2003



**Azwell Inc.**



**Fukujin Co., Ltd.**

## Group Vision

To be a **Healthcare Consortium**

that provides comprehensive healthcare services

◆ **Leading total healthcare supplier in Japan**

· Bolstering business bases in Tokyo, Nagoya and Osaka regions, and expansion of business activities across the country / pursuit of synergy among business sectors

◆ **Healthcare partner trusted by customers**

· Identifying diverse needs of customers / timely provision of information

◆ **Corporate group trusted by stakeholders**

· Fulfillment of corporate governance function / further improvement in enterprise value

◆ **Rewarding Business environment for employees**

· Respecting employees' values and creativity / impartial appraisal system based on results

# Organization and Function of Holding Company



## Management Strategy Department

- Business reorganization and integration
- Examination, establishment and enforcement of rules and regulations of the group
- Integrate enterprise resource planning (ERP) system

## Management Planning Department

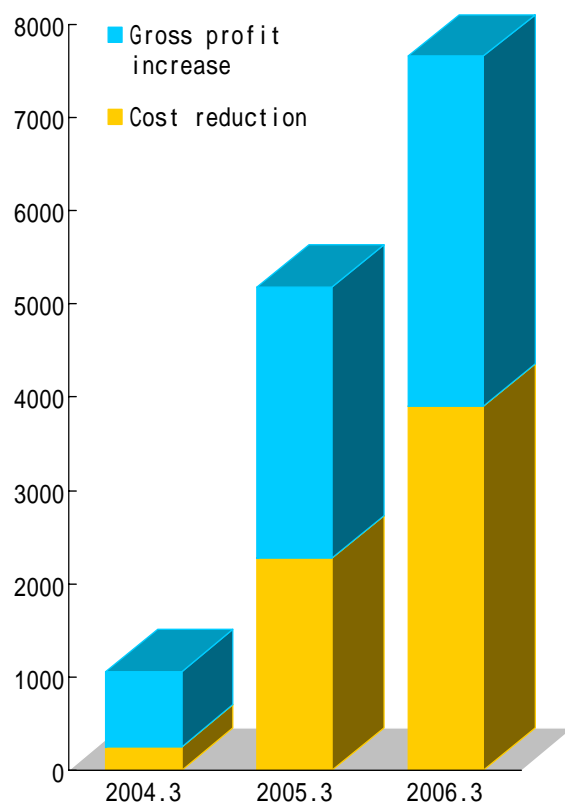
- Plan and administer corporate policies and management plans for the whole group
- Control group companies
- Public relations and IR operations



**Reinforcement of the following functions in conjunction with corporate reorganization**

- Group finance
- Compliance

# Effects of Integration: Factors and Target Values



(Unit: Million yen)	2004.3	2005.3	2006.3
<b>Gross profit increase</b>	<b>805</b>	<b>3,514</b>	<b>4,237</b>
• Increase in sales because of a full line up	44	387	936
• Growth in sales of manufacturing business	44	167	185
• Reduction in costs of goods purchased	717	2,960	3,116
<b>Cost reduction</b>	<b>350</b>	<b>2,334</b>	<b>4,614</b>
• Appropriate personnel in overlapping areas	350	1,890	3,010
• Consolidation of bases in overlapping areas	0	289	494
• Reduction in investment costs for enterprise resource planning (ERP)	0	155	1,110
<b>Total addition to operating income through integration</b>	<b>1,155</b>	<b>5,848</b>	<b>8,851</b>
One-off decline in sales in overlapping areas	0	296	296
Others	220	160	160
<b>Total subtraction to operating income through integration</b>	<b>220</b>	<b>456</b>	<b>456</b>
<b>Overall effect of integration</b>	<b>935</b>	<b>5,392</b>	<b>8,395</b>

# Medium-Term Plan in Number



Unit: Million yen

	FY2003/3 Actual		FY2004/3 Estimate			FY2005/3 Estimate			FY2006/3 Estimate		
	Amount	of Sales (%)	Amount	of Sales (%)	YoY (%)	Amount	of Sales (%)	YoY (%)	Amount	of Sales (%)	YoY (%)
Net Sales	1,006,316		1,066,000		106	1,093,200		103	1,155,800		106
Gross Profit	90,856	9.0	93,650	8.8	103	98,750	9.0	105	101,620	8.8	103
SG&A	80,027	8.0	82,700	7.8	103	81,700	7.5	99	80,000	6.9	98
Operating Income	10,829	1.1	10,950	1.0	101	17,050	1.6	156	21,620	1.9	127
Recurring Profit	13,325	1.3	13,850	1.3	104	20,240	1.9	146	24,960	2.2	123
Net Income	6,635	0.7	5,400	0.5	81	9,860	0.9	183	12,260	1.1	124
R O E	6.7%		5.3%			8.6%			9.7%		

\* Actual figures in FY2003/3 are calculated by simply adding the actual consolidated results of Azwell Inc. and Fukujin Co., Ltd. (excluding figures equivalent to internal transactions)

## Medium-Term Plan in Number (by segment)



Unit: Million yen

	FY2003/3 Actual		FY2004/3 Estimate			FY2005/3 Estimate			FY2006/3 Estimate		
		of Sales (%)		of Sales (%)	YoY (%)		of Sales (%)	YoY (%)		of Sales (%)	YoY (%)
Wholesale Distribution	991,042		1,046,500		106	1,077,600		103	1,139,100		106
Gross profit	83,328	8.4	85,540	8.2	103	90,580	8.4	106	93,360	8.2	103
Manufacturing	18,273		19,100		105	18,900		99	20,000		106
Gross profit	7,218	39.5	7,810	40.9	108	7,870	41.6	101	7,960	39.8	101
Others	409		400		98	400		100	400		100
Gross profit	310	75.8	300	75.0	97	300	75.0	100	300	75.0	100
<b>Total</b>	<b>1,006,316</b>		<b>1,066,000</b>		<b>106</b>	<b>1,093,200</b>		<b>103</b>	<b>1,155,800</b>		<b>106</b>
<b>Gross profit</b>	<b>90,856</b>	<b>9.0</b>	<b>93,650</b>	<b>8.8</b>	<b>103</b>	<b>98,750</b>	<b>9.0</b>	<b>105</b>	<b>101,620</b>	<b>8.8</b>	<b>103</b>

Internal sales in Manufacturing business

3,408

3,800

3,700

3,700

# Medium-Term Manpower Plan



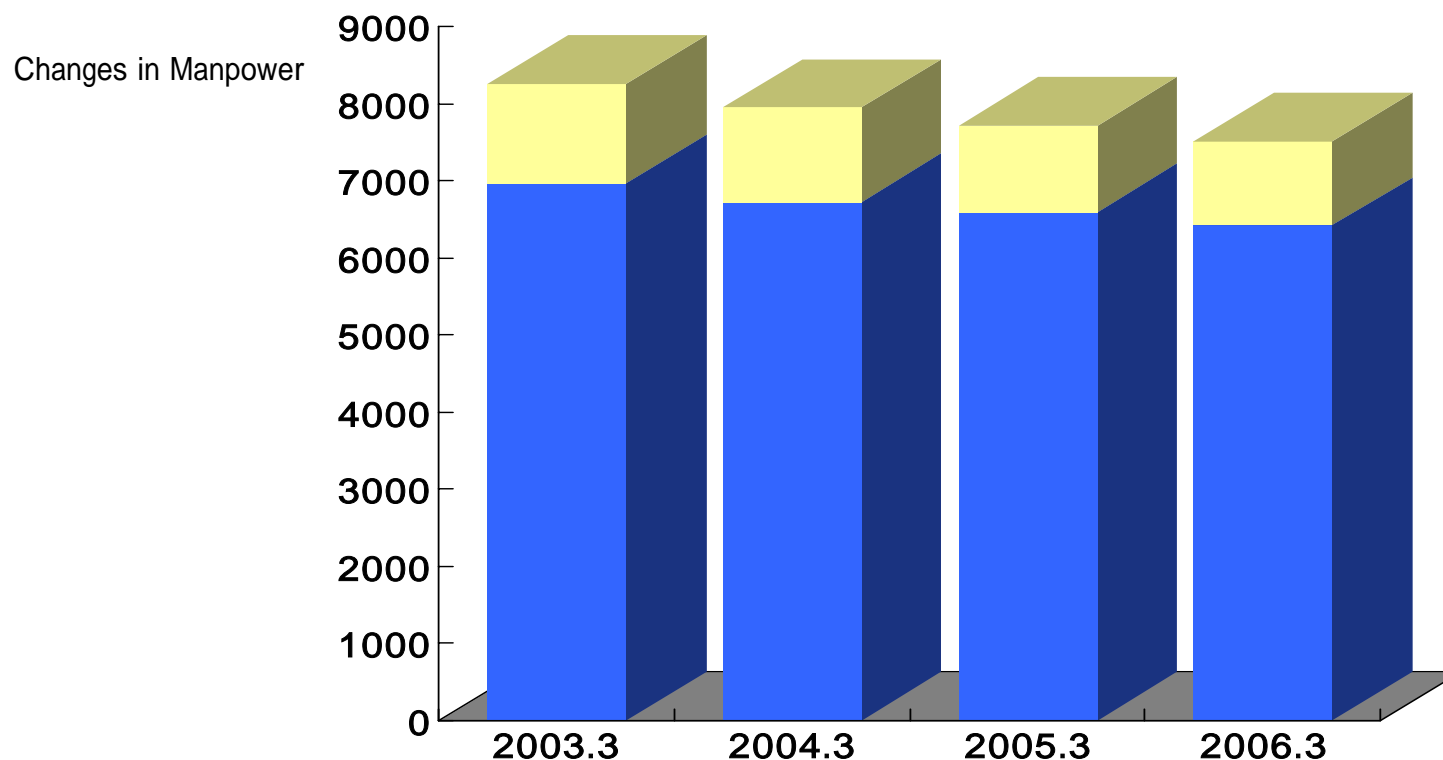
	End of Mar. 2003	End of Mar. 2004		End of Mar. 2005		End of Mar. 2006	
	Number	Number	Change	Number	Change	Number	Change
Employees	6,960	6,726	- 234	6,600	- 126	6,416	- 184
Part-timers/ temporary staff	1,290	1,224	- 66	1,121	- 103	1,102	- 19
<b>Total</b>	<b>8,250</b>	<b>7,950</b>	<b>- 300</b>	<b>7,721</b>	<b>- 229</b>	<b>7,518</b>	<b>- 203</b>

Cuts for  
Three years

**- 544**

**- 188**

**- 732**



# Business Objectives and Basic Strategy



## Business Objectives

- 1 . To be a leading pharmaceutical wholesaler in Japan  
\* Consolidated sales targeted at ¥2 trillion in FY 2008/3
- 2 . To realize a net income margin of greater than 1%  
\* FY 2006/3
- 3 . To improve sales productivity  
\* Productivity of employees ...149 million yen/year → 187 million yen/year (up 25%)

## Basic Strategy

- Expansion of three networks...market areas, customers and new businesses
- Pursuit of synergy effects through collaboration among business sectors
- Selection and concentration of business  
(effective utilization of management resources)
- Promotion of low-cost management focusing on appropriate manpower

## Wholesale Distribution

### To be No.1 in sales in Japan!

Reinforcement of business bases in Tokyo, Nagoya and Osaka regions with a full range of product lines

Nationwide development through formation of a business group

Realization of labor productivity of over 200 million yen/year

#### Ethical drugs

Profitability increase by economies of scale

Integration of sales system in Tokyo, Nagoya and Osaka regions

#### Articles related to medical care

Aggressive business expansion through effective use of management resources

#### Over-the counter drugs

Enhancement of rationalization by integrating distribution and sales functions

Strengthening of collaboration with cooperative wholesalers

## Manufacturing

### To establish a stable revenue base!

Securing product lines

Concentration of resources into specialty areas

Pursuit of synergy effects

Pharmaceuticals / Diagnostic Reagents / Medical Equipment and Materials

Introduction of transferred products, and marketing of new products and materials

Creation of synergy effects in both sales and costs

Development

Faster development and cost reduction in collaboration with other companies

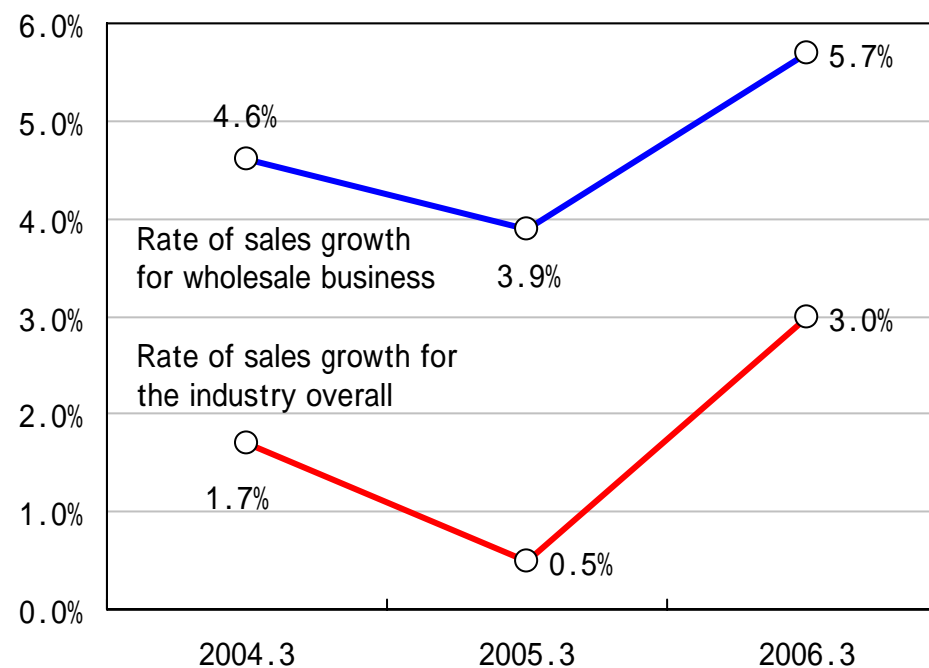
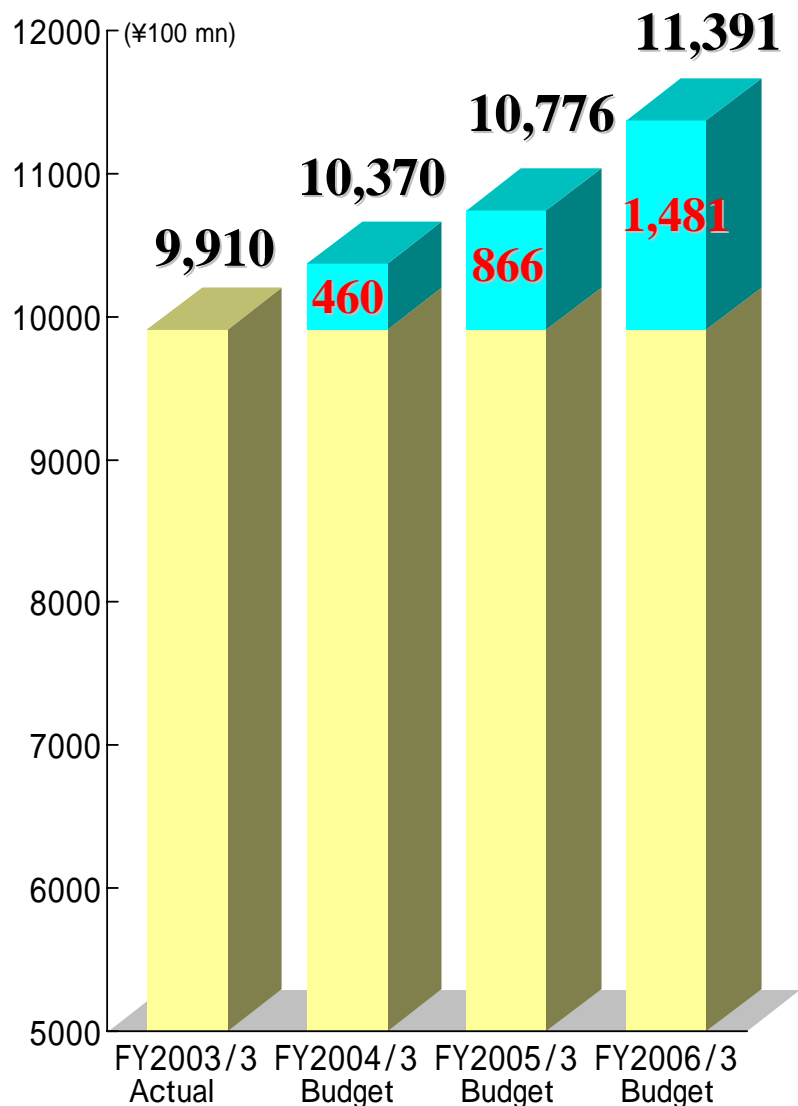
Production

Reduction in production costs, and strengthening of quality control systems and technical capabilities

Trading

Expansion of high value-added import and export transactions

# Sales Plan in Wholesale Distribution



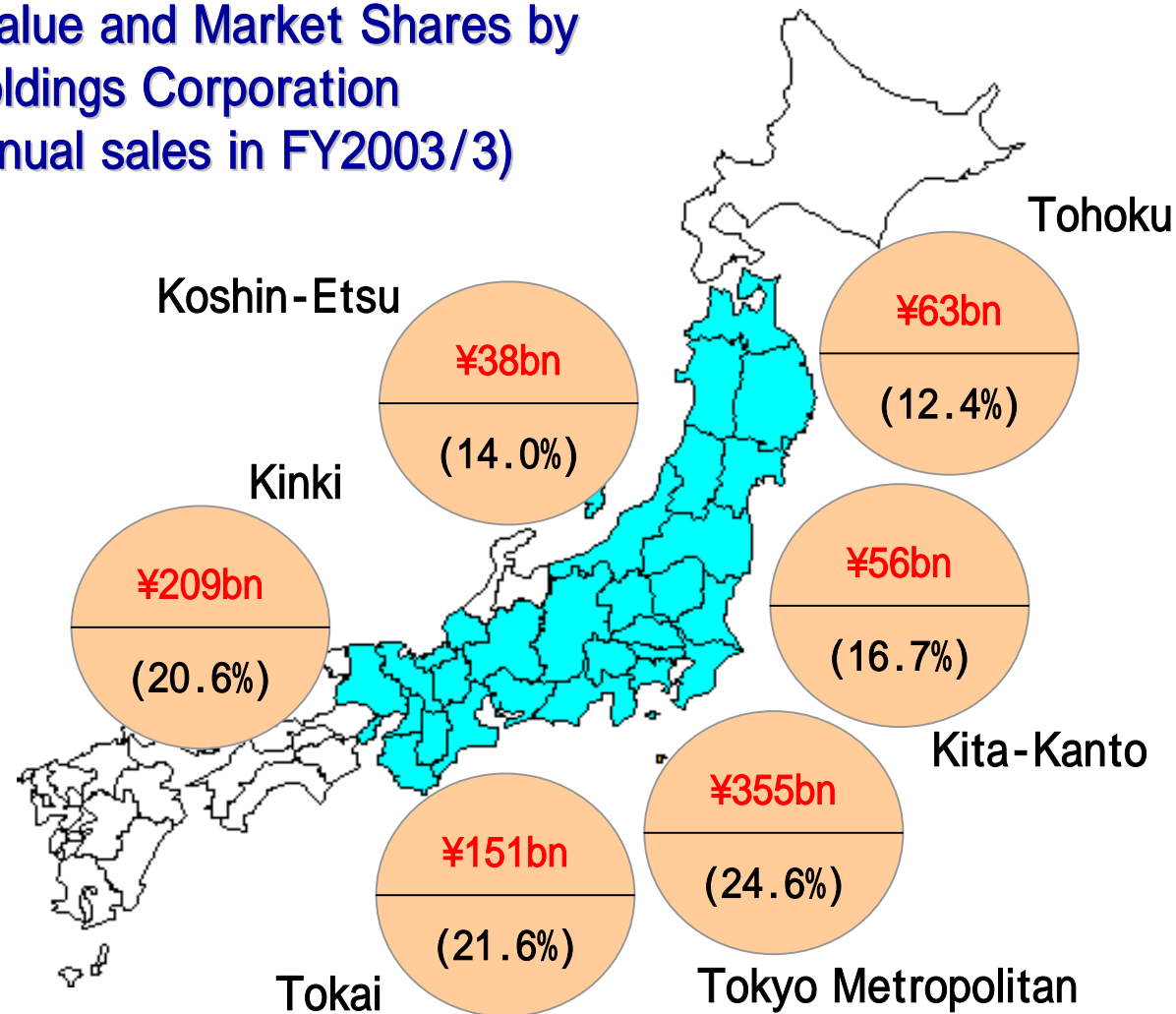
	2004.3	2005.3	2006.3
Rate of sales growth for wholesale business	4.6%	3.9%	5.7%
Rate of sales growth for the industry overall (estimate)	1.7%	0.5%	3.0%

\* Rate of sales growth for the industry overall are for ethical drugs

# Market Share (Ethical Drugs)



Sales in Value and Market Shares by  
Alfresa Holdings Corporation  
(Actual annual sales in FY2003/3)



\* Market shares are estimated by Alfresa Holdings Corporation

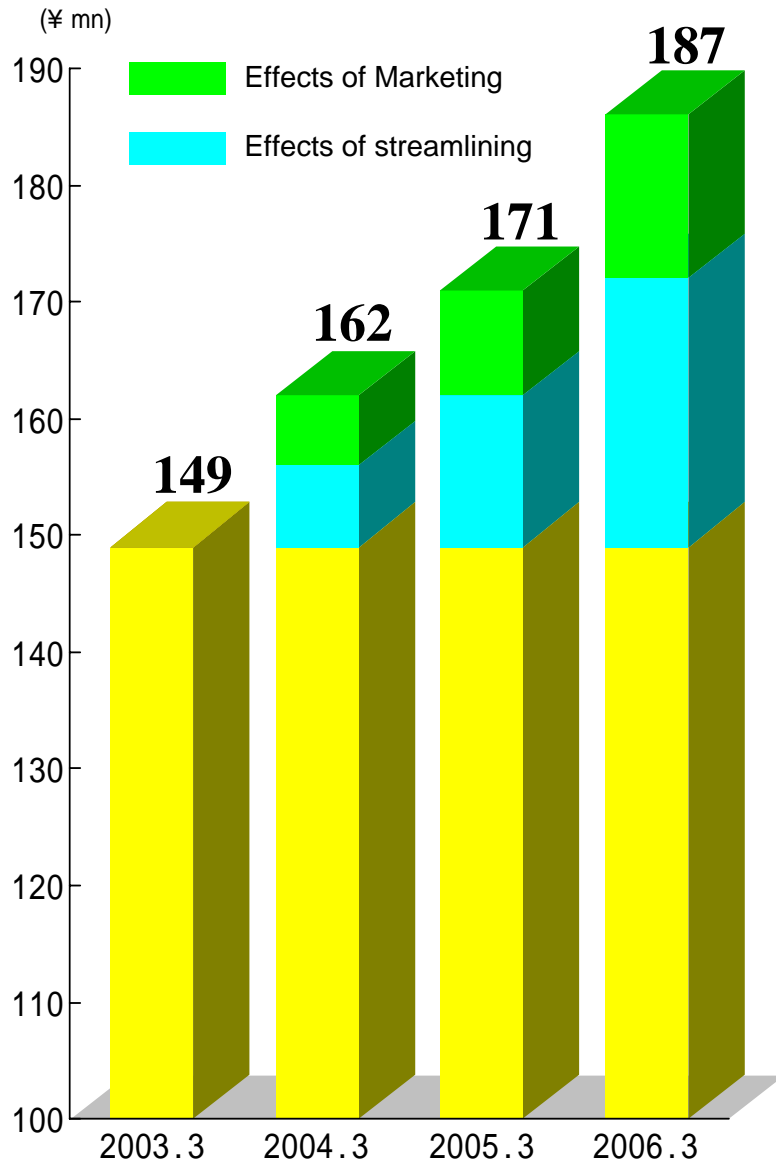
## Shares in Tokyo, Nagoya and Osaka regions (Ethical Drugs)



FY2001/3			FY2002/3			FY2003/3		
	Ranking	Regional Market Share		Ranking	Regional Market Share		Ranking	Regional Market Share
Tokyo metropolitan area	3	22.5	Tokyo metropolitan area	3	23.1	Tokyo metropolitan area	2	24.6
Tokai region	2	21.6	Tokai region	2	21.5	Tokai region	2	21.6
Kinki region	2	19.7	Kinki region	2	19.2	Kinki region	2	20.6
<b>Total</b>	<b>3</b>	<b>21.4%</b>	<b>Total</b>	<b>3</b>	<b>21.5%</b>	<b>Total</b>	<b>3</b>	<b>22.7%</b>

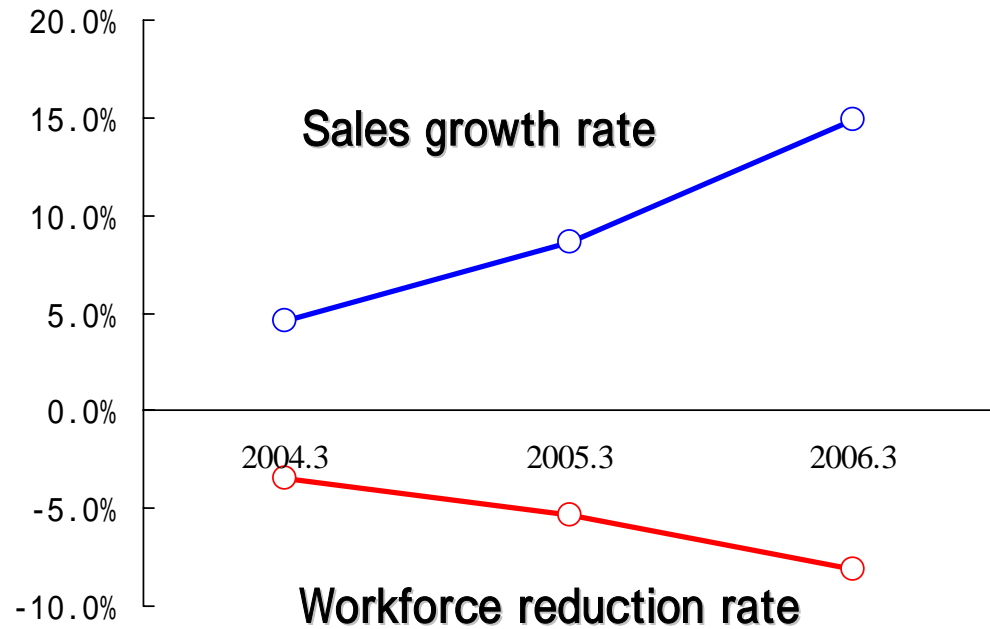
\* Market shares are estimated by Alfresa Holdings Corporation

# Improvement of Employees' Sales Productivity (whole group)



- Pursuit of efficiency in sales and operations
- Expansion of sales by strengthening the sales force

**Aims to improve annual sales productivity per employee!**



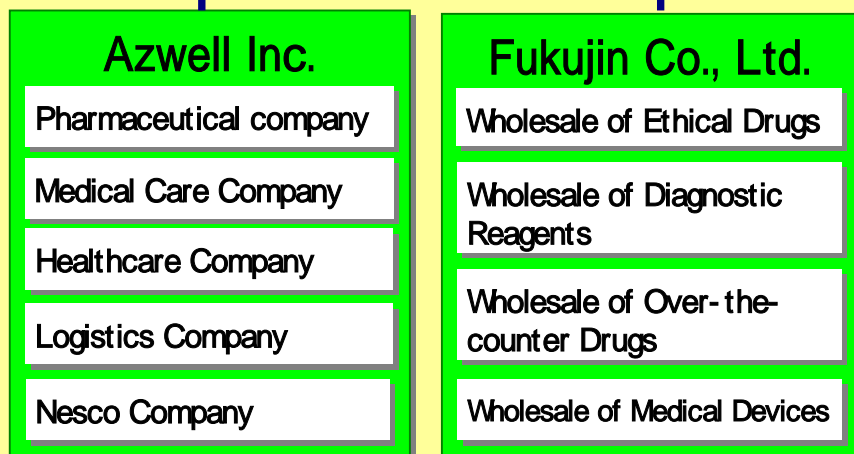
# Flow of Business Integration and Reorganization



【Phase I】 Setting up a holding company through stock transfer

September 29, 2003 (plan)

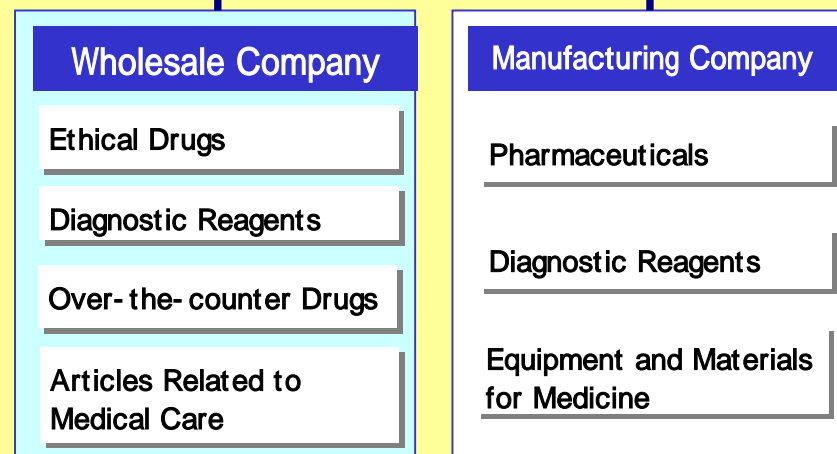
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【Phase II】 Reorganization by spin-off

October 1, 2004 (plan)

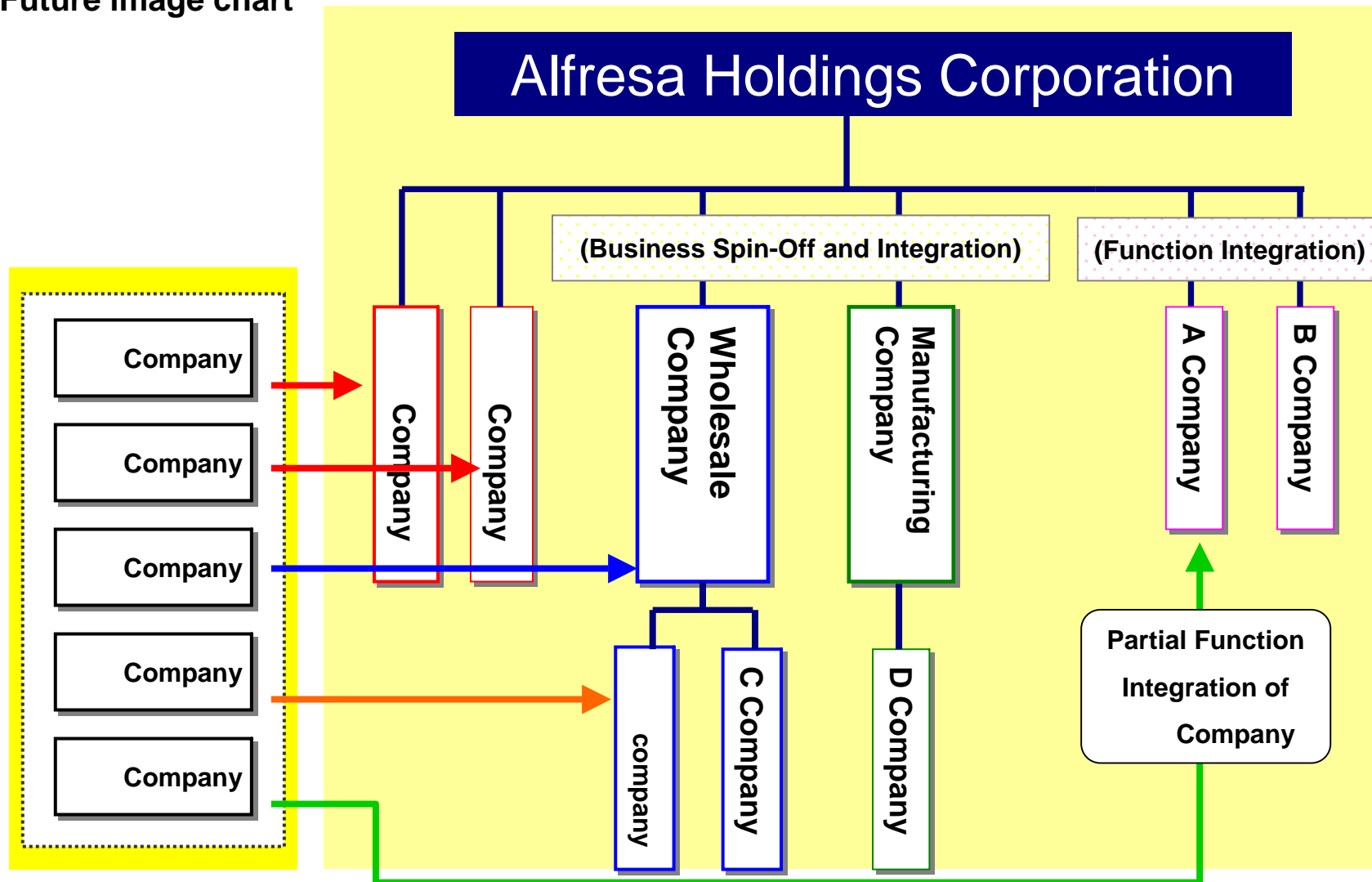
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# Future Group Structure Centered on the Holding Company



Future image chart



- **Participation in the group**
- **Business reorganization**
  - **Integration of corporate functions**
  - **Integration of systems**
  - **Preparation of distribution systems**
  - **Integration of sales systems**
- **Finance function**