



Briefing on Business Results for Interim Period of Fiscal Year ending March 2004

November 20, 2003

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Consolidated Income Statement (Alfresa)

(in 100 millions of Yen)

	Previous interim period	Current interim period	YoY (%)	of Sales (%)	Change
Net Sales	4,904	5,227	106.6	100.0	322
Operating Profit	57	56	97.3	1.1	(1)
Recurring Profit	69	71	102.3	1.4	1
Net Income	39	37	95.2	0.7	(1)

Figures for the previous interim period are based on a simple aggregation of the results of Azwell Inc. and Fukujin Co., Ltd., and include internal transactions

Consolidated Income Statement (Azwell)

(in 100 millions of Yen)

	Previous interim period	Current interim period	YoY (%)	of Sales (%)	Change
Net Sales	2,387	2,473	103.6	100.0	86
Operating Income	24	15	62.8	0.6	(9)
Recurring Profit	31	22	72.2	0.9	(8)
Net Income	18	11	65.8	0.5	(6)

Consolidated Income Statement (Fukujin)

(in 100 millions of Yen)

	Previous interim period	Current interim period	YoY (%)	of Sales (%)	Change
Net Sales	2,517	2,770	110.0	100.0	252
Operating Income	33	40	120.0	1.4	6
Recurring Profit	38	48	124.4	1.7	9
Net Income	21	25	120.8	0.9	4

Consolidated Balance Sheet (Alfresa)

(Simply aggregated numbers are used for the previous period)

(Unit: 100 millions of Yen, %)

	Previous period	Current interim period	Change	Ratio to total assets (%)
Current assets	4,162	4,122	(39)	82.8
(Cash and deposit)	357	365	7	7.3
(Notes receivable and trade accounts receivable)	2,820	2,887	66	58.0
(inventories)	510	518	7	10.4
Fixed assets	855	858	3	17.2
(Tangible and intangible fixed assets)	542	531	(10)	10.7
Total assets	5,017	4,980	(36)	100.0
Current liabilities	3,806	3,742	(64)	75.1
(Notes payable and trade accounts payable)	3,590	3,578	(11)	71.8
(Short-term interest bearing debts)	31	36	5	0.7
Fixed liabilities	196	190	(6)	3.8
(Long-term interest bearing debts)	2	1	(1)	0.0
Minority interests	31	32	1	0.6
Shareholders' equity	983	1,015	32	20.4

Consolidated Balance Sheet (Azwell)

(Unit: 100 millions of Yen, %)

	Previous period	Current interim period	Change	Ratio to total assets (%)
Current assets	2,050	2,008	(42)	79.5
(cash and deposit)	162	192	30	7.6
(Notes receivable and trade accounts receivable)	1,308	1,314	5	52.1
(Inventories)	267	265	(2)	10.5
Fixed assets	514	516	2	20.5
(Tangible and intangible fixed assets)	345	337	(8)	13.4
Total assets	2,565	2,525	(40)	100.0
Current liabilities	1,794	1,710	(83)	67.8
(Notes payable and trade accounts payable)	1,676	1,648	(27)	65.3
(Short-term interest bearing debts)	0		(0)	
Fixed liabilities	112	108	(3)	4.3
(Long-term interest bearing debts)				
Minority interests	1	1	(0)	
Shareholders' equity	658	704	46	27.9

Consolidated Balance Sheet (Fukuji)

(Unit: 100 millions of Yen, %)

	Previous period	Current interim period	Change	Ratio to total assets (%)
Current assets	2,111	2,153	42	86.3
(cash and deposit)	195	172	(23)	6.9
(Notes receivable and trade accounts receivable)	1,512	1,580	68	63.4
(Inventories)	242	252	9	10.1
Fixed assets	340	340	0	13.7
(Tangible and intangible fixed assets)	196	193	(3)	7.8
Total assets	2,451	2,494	42	100.0
Current liabilities	2,012	2,031	19	81.4
(Notes payable and trade accounts payable)	1,913	1,937	23	77.7
(Short-term interest bearing debts)	31	36	5	1.5
Fixed liabilities	83	81	(2)	3.3
(Long-term interest bearing debts)	2	1	(1)	0.0
Minority interests	30	31	1	1.3
Shareholders' equity	325	349	24	14.0

Consolidated Statement of Cash Flows

(Simply aggregated numbers are used for the previous period)

(in 100 millions of Yen)

	Alfresa		Azwell		Fukujin	
	Previous interim	Current interim	Previous interim	Current interim	Previous interim	Current interim
Cash and cash equivalent at beginning of term	399	549	274	357	125	191
Cash flows from operating activities	(27)	(76)	(33)	(54)	6	(22)
Cash flows from investing activities	(8)	(13)	(4)	(11)	(4)	(1)
Cash flows from financing activities	(24)	(3)	(17)	(4)	(6)	1
Increase (decrease) in cash and cash equivalents	(60)	(93)	(55)	(70)	(4)	(23)
Cash and cash equivalents at term-end	339	455	218	287	120	168

Achievements during the First Interim Period



Market expansion...0.5%

(Market data for previous year comparison: Crecon)

(Ethical drugs...1.0%)

- + Increased burden on the insured for medical treatment fees, restraining them from receiving medical consultations**
- + Developments in comprehensive medicine**
- + Wider use of generic products**
- + Effects of – 6% in the rate of increase for the month of April (the long-term prescription restriction was repealed last April)**
- + Lower delivery prices, etc.**

(OTC drugs... - 8.2%)

- + Effects of the cold summer**
- + Decline in retail prices**

Achievements during the First Interim Period (Azwell)

Sales of Azwell...3.6% UP

Wholesale business of pharmaceutical and other products

(Ethical drugs...4.1%)


1. Promotion of low-cost management

- Consolidation of sales offices

2. Improved efficiency in sales activities

- Marketing and delivery separation ratio
- Automatic transfer ratio
- EOS order receipt ratio

3. Lower gross profit margin



Simpler, more standardized, and more specialized MS functions

	Last year	This year
Marketing and delivery separation ratio	81.0%	86.5%
Automatic transfer ratio	75.9%	79.6%
EOS order receipt ratio	35.1%	40.9%

Achievements during the First Interim Period (Azwell)

Manufacturing business of pharmaceutical and other products

■ Transfer of products

- April: Novartis Pharma; Carvisken, Digoxin-Sandoz, Oraspor Dry Syrup
- October: Japan Wyeth Lederle; Ledercort, Incremin Syrup

■ Medical device for uterine cancer checkup, “Speculite”

- Targeting the launch before the end of Fiscal Year 2004

■ Narcolepsy medicine (generic name: Modafinil)

- Clinical trials of Ph. are in progress

■ Launch of an ultrasonic nebulizer, “Ultra X UN-703”



Bolstering of product lines

Pursue synergy in pharmaceutical drugs, prescription drugs and medical equipment

Work aggressively on drug transfer and joint development

Achievements during the First Interim Period (Fukujin)

Sales of Fukujin...10.0% up (consolidated) and 11.2% up (non-consolidated)

< Factors specific to Fukujin >

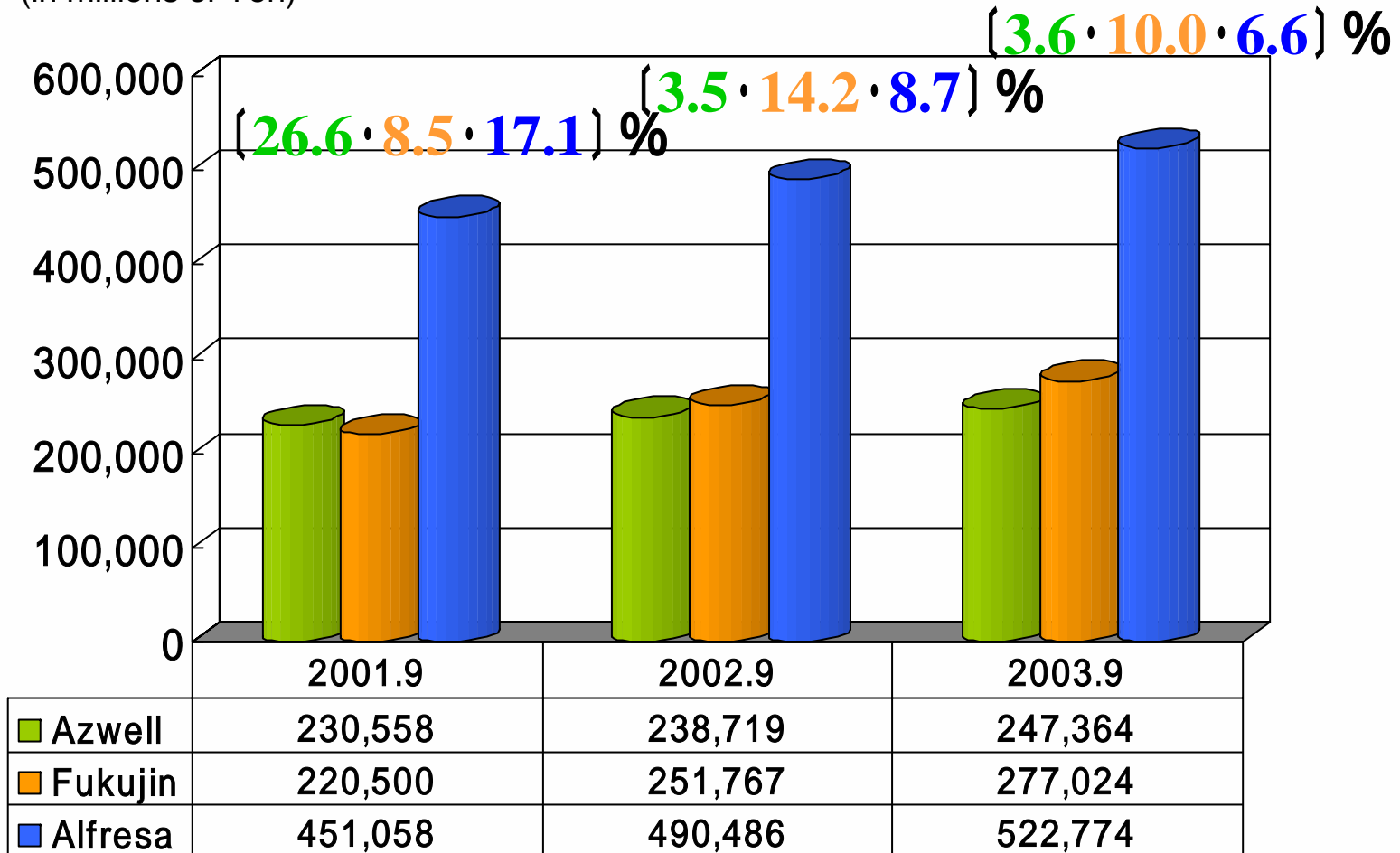
- Increased sales via prescription pharmacies
 - ...Delivery system using SA (Sales Assistant)
- Ability to provide a full assortment of products
 - ...Urban pharmaceutical center
- Strong sales capabilities
 - ...new customer development, new products, provision of information, etc.

Full-line effects

1. **Secure gross margin...(changed from 7.9% to 7.8%)**
2. **Shorten turnover period of receivables...**
(changed from 3.53 months to **3.50 months** at Fukujin stand-alone)
3. **Improve sales efficiency...(separation of marketing and delivery, automatic billing and online order receipt)**

Interim Net Sales / Rate of Increase

(in millions of Yen)



Alfresa's results prior to March 2003 are based on simple aggregation of Azwell and Fukujin

Gross Profit Margin and SG&A Expenses Ratio

	Alfresa		Azwell		Fukujin	
	Previous interim	Current interim	Previous interim	Current interim	Previous interim	Current interim
Gross Profit Margin (wholesale)	8 . 5	8 . 1	9 . 2	8 . 5	7 . 9	7 . 8
Gross Profit Margin (manufacturing)	47 . 4	44 . 8	47 . 4	44 . 8	-	-
Gross Profit Margin	9 . 1	8 . 7	10 . 4	9 . 8	7 . 9	7 . 8
SG&A Ratio (wholesale)	7 . 4	7 . 2	8 . 3	8 . 1	6 . 6	6 . 3
SG&A Ratio (manufacturing)	42 . 1	40 . 3	42 . 1	40 . 3	-	-
SG&A Ratio	8 . 0	7 . 7	9 . 4	9 . 2	6 . 6	6 . 3

Alfresa's results for the previous interim period are based on simple aggregation of Azwell and Fukujin

Project of Second Interim Period for Business Integration

October 2004: Business integration

◆ Sales working group

- Unification of sales organizations, consolidation of sales bases

◆ Distribution working group

- Distribution system in overlapping areas, company-wide distribution system

◆ Human resource working group

- Personnel systems, personnel exchanges

◆ Other working groups



Financial Forecast for the Fiscal Term ending March 2004 (Alfresa)

(Unit: 100 millions of Yen, %)

	Full term (forecast)	YoY change	YY change (%)	of Sales (%)
Net Sales	10,660	560	105.5	100.0
Gross Profit	936	27	103.1	8.8
SG&A	827	26	103.3	7.8
Operating Income	109	1	101.1	1.0
Recurring Profit	138	5	103.9	1.3
Net Income	54	(12)	81.4	0.5

Alfresa's results for the previous year are based on simple aggregation of Azwell and Fukujin

Financial Forecast for the Fiscal Term ending March 2004 (Azwell)

(Unit: 100 millions of Yen, %)

	Full term (forecast)	YoY change	YoY change (%)	of Sales (%)
Net Sales	5,061	176	103.6	100.0
Gross Profit	493	(7)	98.6	9.8
SG&A	470	10	102.3	9.3
Operating Income	22	(17)	56.6	0.5
Recurring Profit	36	(18)	67.0	0.7
Net Income	11	(14)	44.5	0.2

Financial Forecast for the Fiscal Term ending March 2004 (Fukujin)

(Unit: 100 millions of Yen, %)

	Full term (forecast)	YoY change	YoY change (%)	of Sales (%)
Net Sales	5,630	415	108.0	100.0
Gross Profit	434	26	106.6	7.7
SG&A	356	16	104.9	6.3
Operating Income	78	10	115.4	1.4
Recurring Profit	93	15	119.6	1.7
Net Income	46	7	117.6	0.8

Analysis of Discrepancies between the Current Forecast and Plan Prepared at the Beginning of the Term

(in millions of Yen)

	Net Sales	Gross Profit	SG&A	Recurring Profit	Net Income
Alfresa	13,300	0	1,180	(1,130)	(2,030)

- 1 , **Increased SG&A expenses**
(temporary increase in system and other expenses)
- 2 , **Introduction of accounting for the impairment of assets resulting in an extraordinary loss (of about 3 billion yen mostly on land)**

Analysis of Discrepancies between the Current Forecast and Plan Prepared at the Beginning of the Term

(in millions of Yen)

	Net Sales	Gross Profit	SG&A	Recurring Profit	Net Income
Azwell	750	(1,290)	470	(1,820)	(1,520)

1 , Deterioration in gross profit margin

2 , Introduction of accounting for the impairment of assets resulting in an extraordinary loss

Fukujin	13,027	1,289	969	467	246
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1 , Increased net sales

2 , Temporary increase in system and other expenses

Medium-Term Management Targets

Basic strategy

Expansion of networks

Pursuit of synergy effects

Selection and concentration of business

Promotion of low-cost management

Expansion of the Networks

Expansion of three networks

1 . Network of business areas

- Tie-up with cooperative wholesalers
- Consolidated net sales in March 2008 (2 trillion yen per year)

(First step)

Oct '03: Taishodo Co., Ltd., net sales of 63 billion yen per year

2 . Network of business partners

- Full-line dealing with the manufactures

3 . Network of new businesses

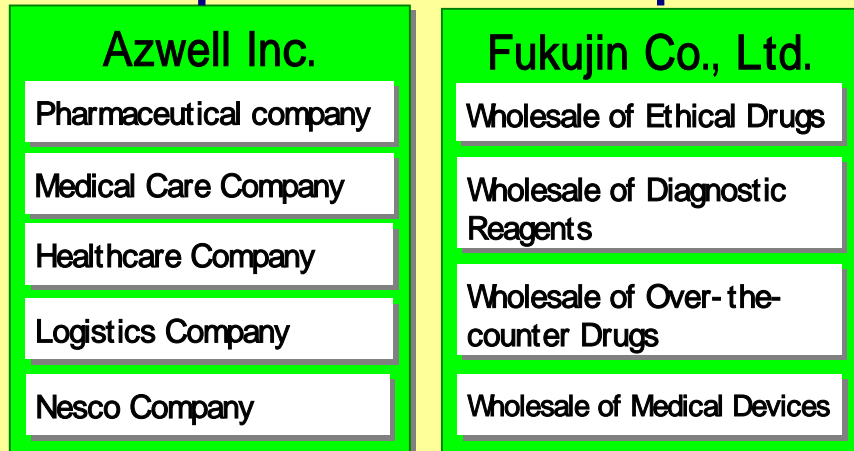
- Healthcare consortium

Business Reorganization by Spin-off

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

September 29, 2003

Alfresa Holdings Corporation

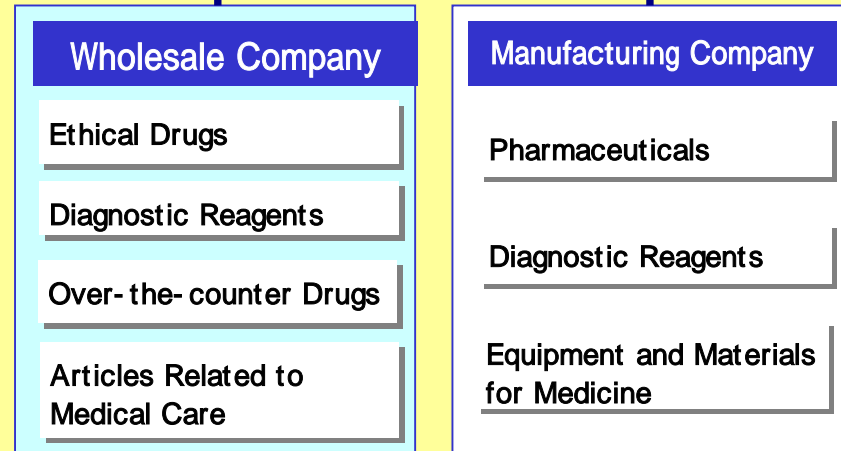


【Phase II】 Reorganization by spin-off

October 1, 2004 (plan)

Alfresa Holdings Corporation

Taishodo Co., Ltd.



Pursuit of Synergy Effects

- **Benefits of economies of scale (reduced purchase prices)**
- **More complete lineup of manufacturers (full line dealing with the manufacturers)**
- **Coordination among business lines (to strengthen sales through the manufacturing of medical drugs)**
- **Shared use of ERP system**
- **Enhancement of the customer support functions**
- **Enhancement of the financial infrastructure**
- **More effective use of the resources, and so on**



Selection of Key Businesses for Focus

Investment of resources in the businesses and regions of key focus

< Wholesale business >

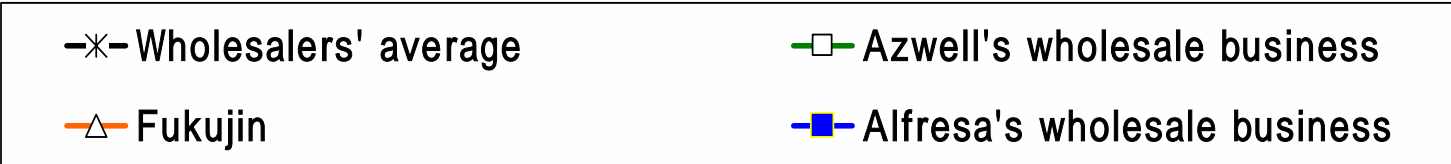
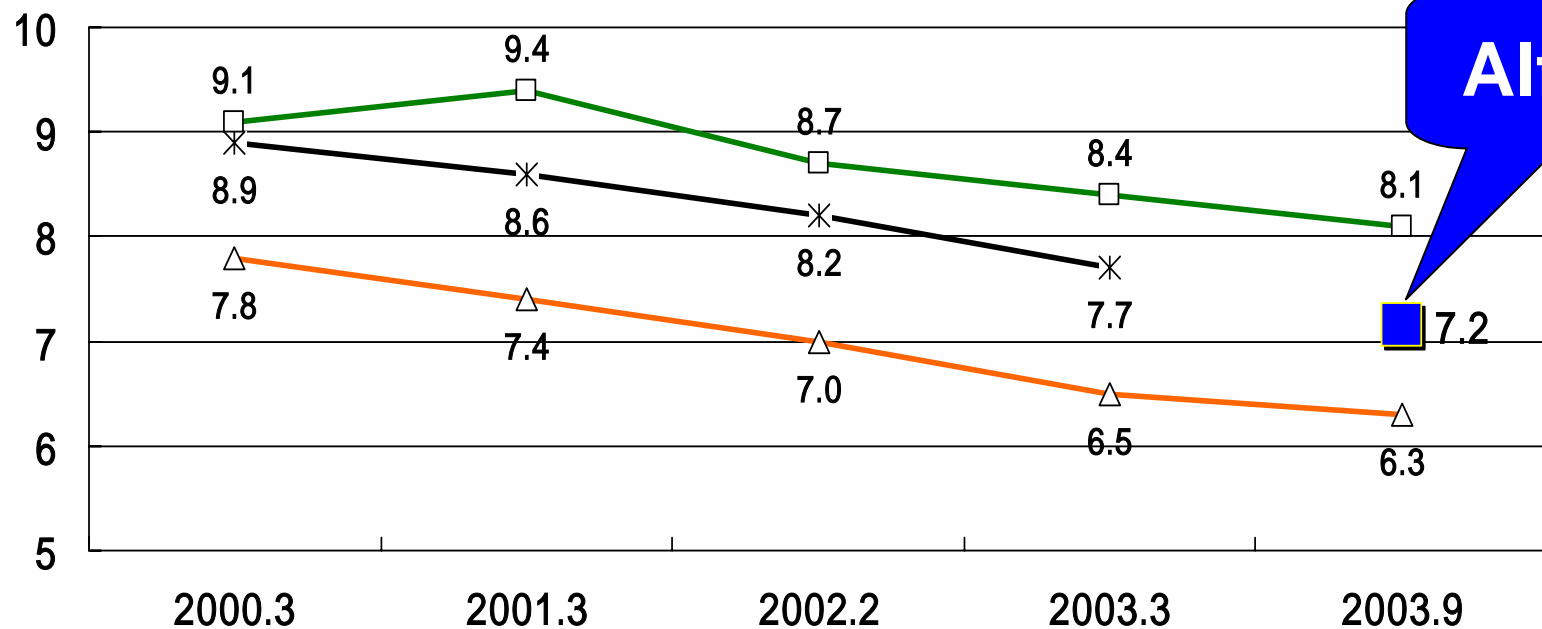
- **Provide information, products and services that match customer needs**
- **Investigate opportunities in the health-care business**


< Manufacturing business >

- **Expand and enhance our product lines**
- **Strengthen our sales capabilities in the Tokyo metropolitan area**
 - **Provide educational sessions about our products at respective offices**
 - **Increase the number of MRs, coordinate with MSs and work on new customer development**

Promote Low-Cost Management

SG&A expenses (wholesale business)



 **Bring the workforce to an appropriate level and consolidate the sales and distribution bases**

Introduction of the ERP system

- **First to introduce 'R/3' in the medical drug wholesale industry -**

Look to be a business model that can be a de-facto standard

- Real-time link and automatic processing of information
- Get information synchronized and centralized and strategically deployed



Roughly 70% of pharmaceutical manufacturers have adopted 'R/3'



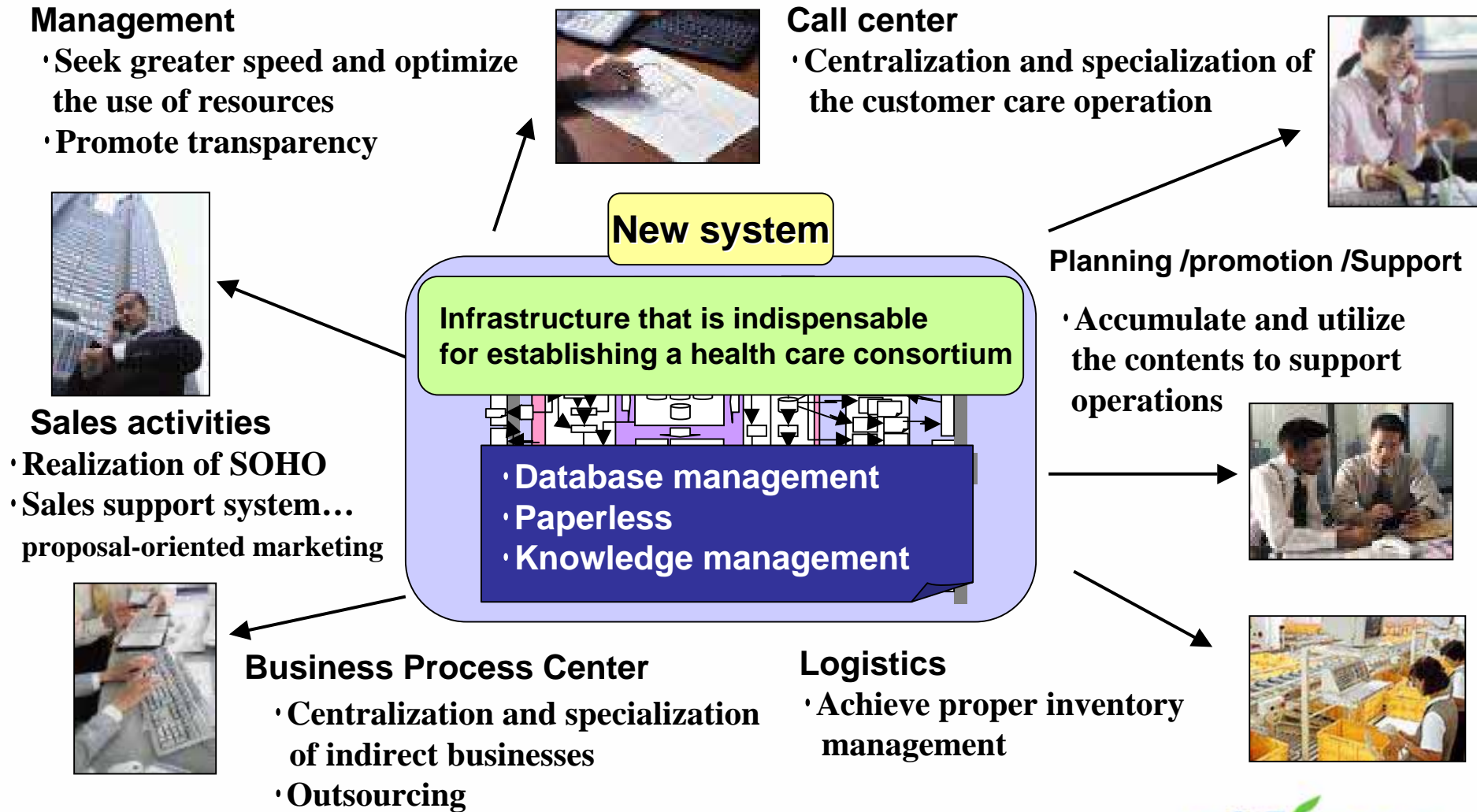
Enables us to deploy <SCM> that links end users and the manufacturers

It has been successfully working at Azwell since November !



On integration, it will be fully implemented at the new company !

Introduction of the ERP system



Medium-Term Plan in Number

Revised

No revision

(in 100 millions of Yen)

	FY2004/3 Estimate			FY2005/3 Estimate			FY2006/3 Estimate		
	Amount	of sales (%)	YoY (%)	Amount	of sales (%)	YoY (%)	Amount	of sales (%)	YoY (%)
Net Sales	10,660	-	105	10,932	-	103	11,558	-	106
Gross Profit	936	8.8	103	987	9.0	105	1,016	8.8	103
SG&A	827	7.8	103	817	7.5	99	800	6.9	98
Operating Profit	109	1.0	101	170	1.6	156	216	1.9	127
Recurring Profit	138	1.3	104	202	1.9	146	249	2.2	123
Net Income	54	0.5	81	98	0.9	183	122	1.1	124

ROE	5.3%	8.6%	9.7%
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alfresa

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