



Alfresa Group New Medium-term Management Plan

(April 2005 – March 2008)

アルフレッサ ホールディングス株式会社

. Reinforcement of Group Management System

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(1) Strengthening of Corporate Governance System:

Establishment of Advisory Board at Alfresa Holdings Corporation

Purpose

The purpose is to achieve “a fair and transparent corporate management” and “corporate operations to gain better understanding of the stakeholders” by utilizing the advice and proposals that the independent advisors make to the company’s overall management.

Function

The advisory board is assigned to support the proper conduct of the Board of Directors at Alfresa Holdings Corporation

Advisors

Uichiro Niwa Present post: Chairman, ITOCHU Corporation
Member of KEIZAI DOYUKAI

Mitsuo Hirose Present post: President, Maverick Japan Inc.
Member of KEIZAI DOYUKAI

Hironobu Goto Present post: Corporate Auditor, Nomura Research Institute, Ltd.

. Reinforcement of Group Management System

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(2) Promotion of CSR (Corporate Social Responsibility)

- Establish “CSR Promotion Committee” to analyze and review the CSR practice cycle.
- Identify environmental issues and publicize them in a “CSR Report” during the medium-term.

(3) Development of New System (Targeted cutover in May 2007)

Overview of the New System

- Upgrading of information systems infrastructure for a JPY 2 trillion sales turnover level
- Development of sharing systems among the group companies
- Function enhancement by version upgrade and modification of the ERP package (R/3)
- Additional Investment in system development: JPY8 billion

Effects of the System Integration

- Laborsaving of back-office operations through unified business procedures (equivalent to reduction of 150 jobs)
- Standardization and integration of business processes within the group
- Enhancement of sales capacity through the joint utilization by the group companies
- Saving of future system costs

. Management Target

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Medium-term Group Target (Consolidated, March 2008)

“ **Group Sales JPY2 Trillion** ”

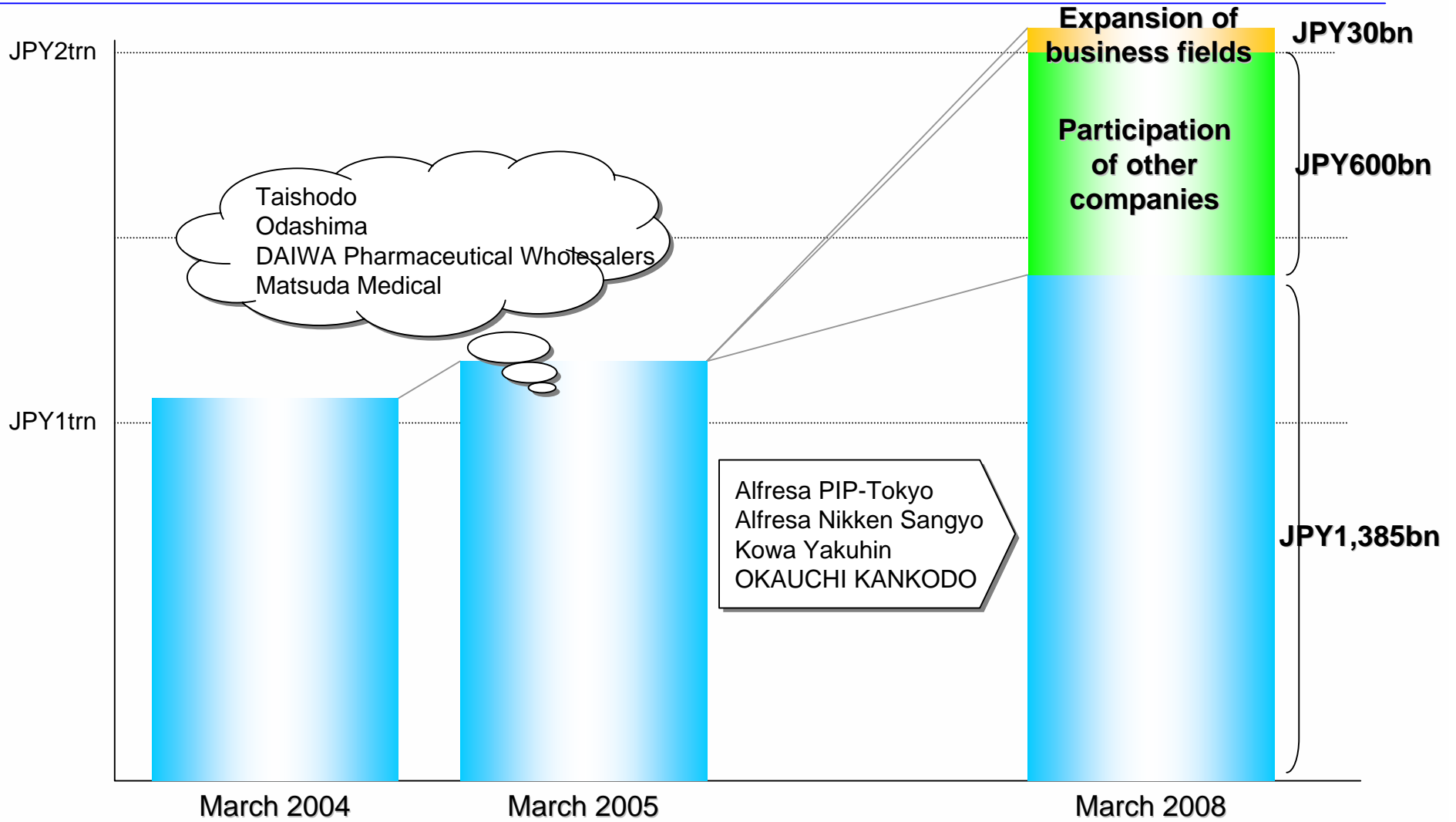
1. Net sales **JPY1,385 billion**

2. Net income margin **1%**

3. ROE **10%**

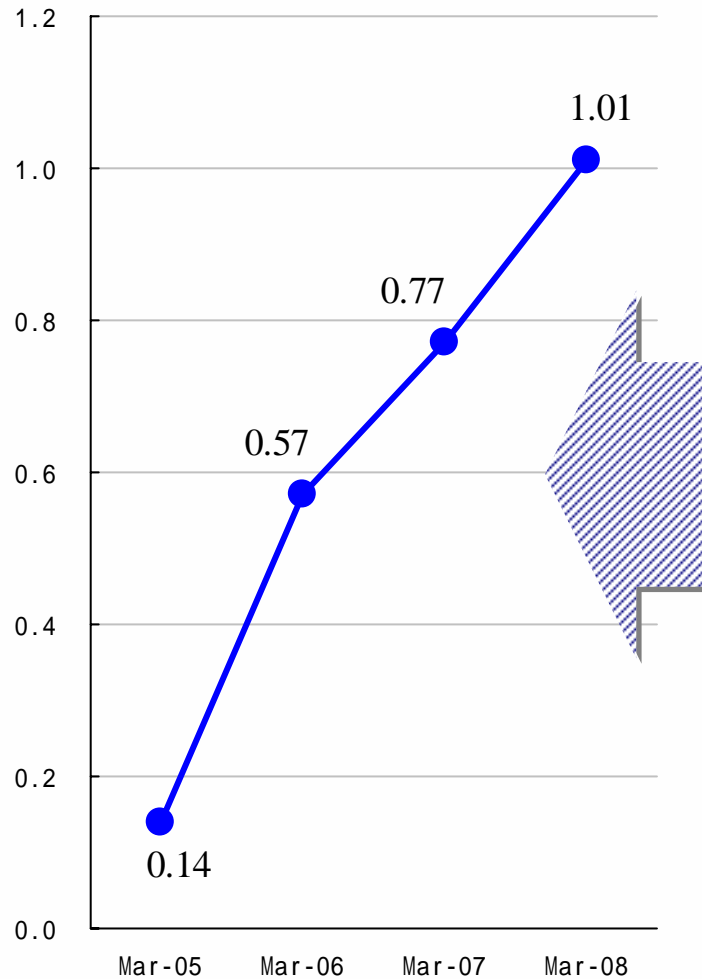
4. Per-capita productivity **JPY187 million/year**

Toward Achievement of JPY2 Trillion Group Sales

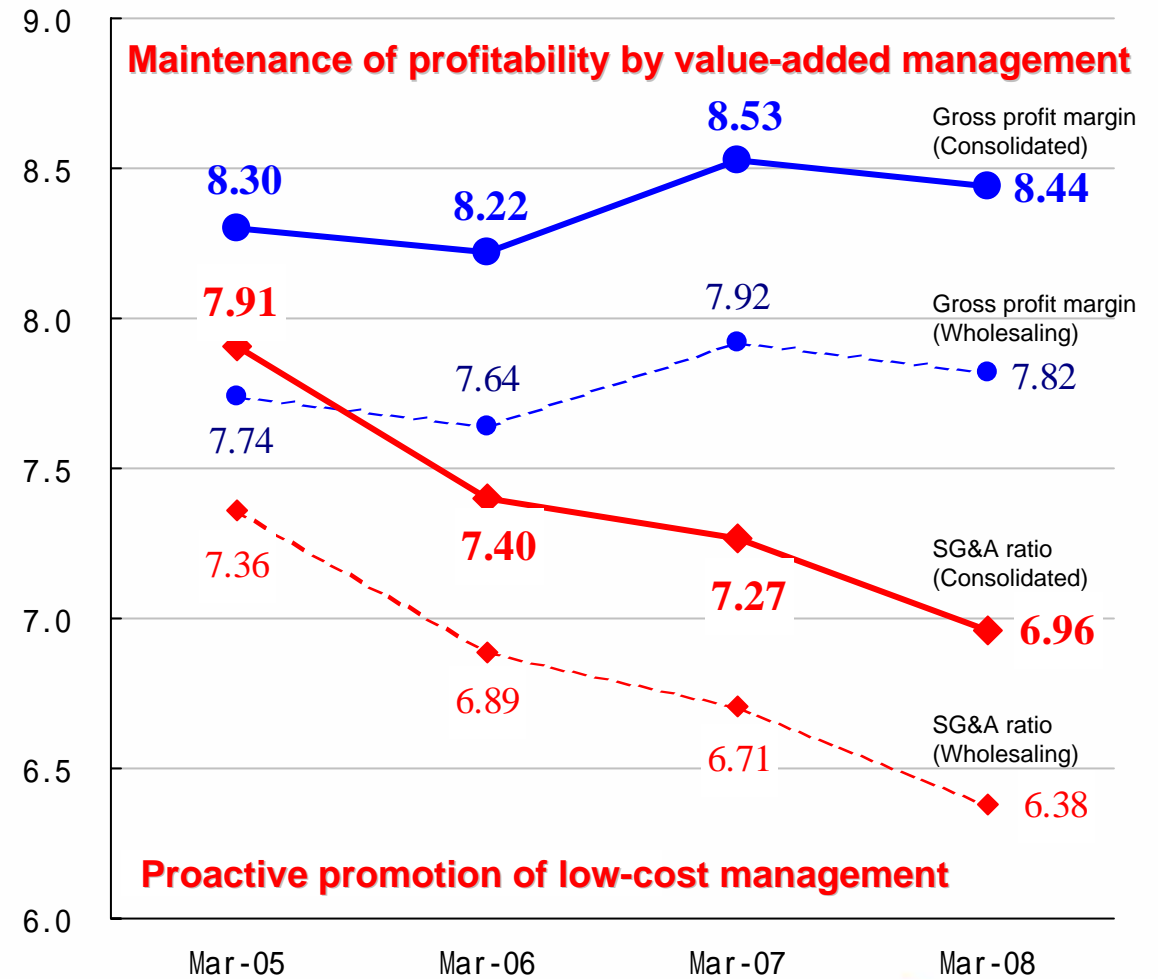


Establishment of Solid Revenue Base (Net income margin: 1%)

Net income margin



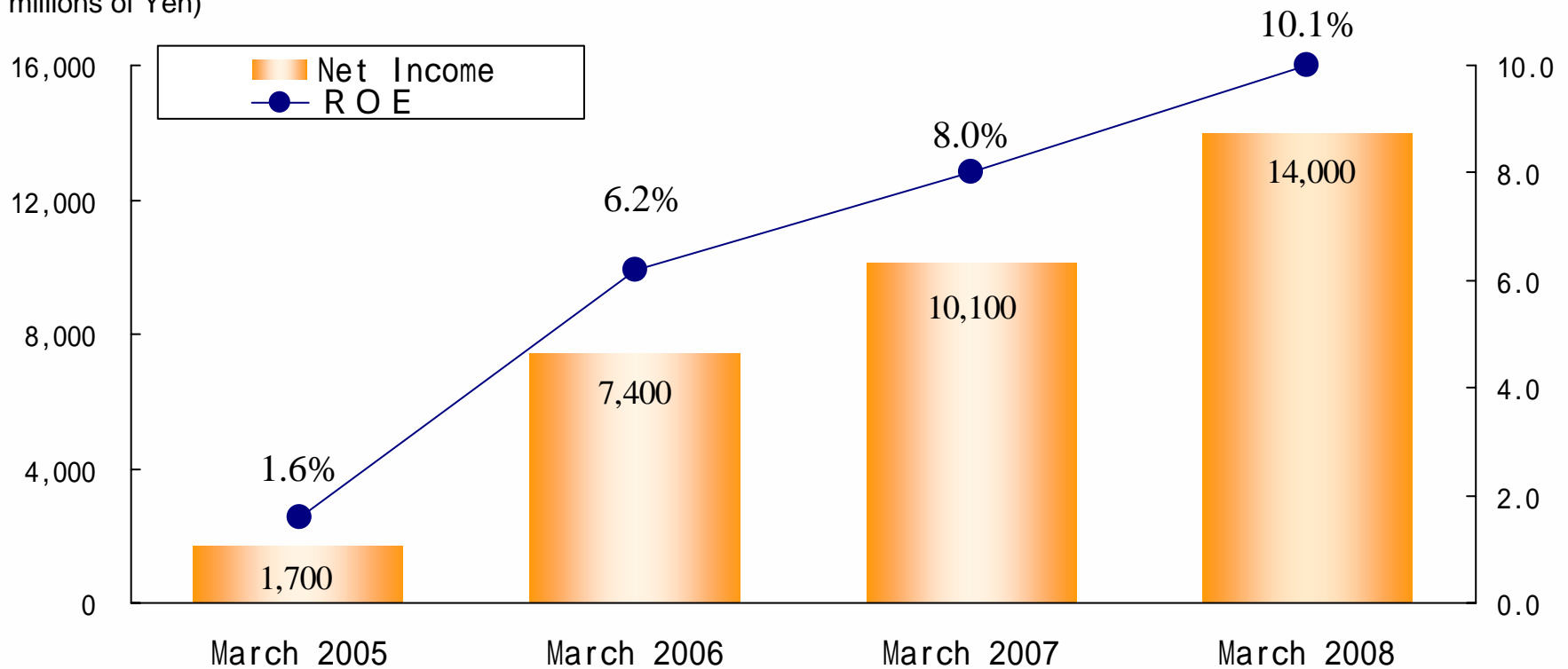
(Reference: Gross profit margin and SG&A ratio)



* Forecast figures announced in the interim results on November 11, 2004 are used for March 2005.

Improvement of Capital Efficiency (ROE: 10%)

(in millions of Yen)



Shareholders' equity	108,837	119,443	126,875	138,131
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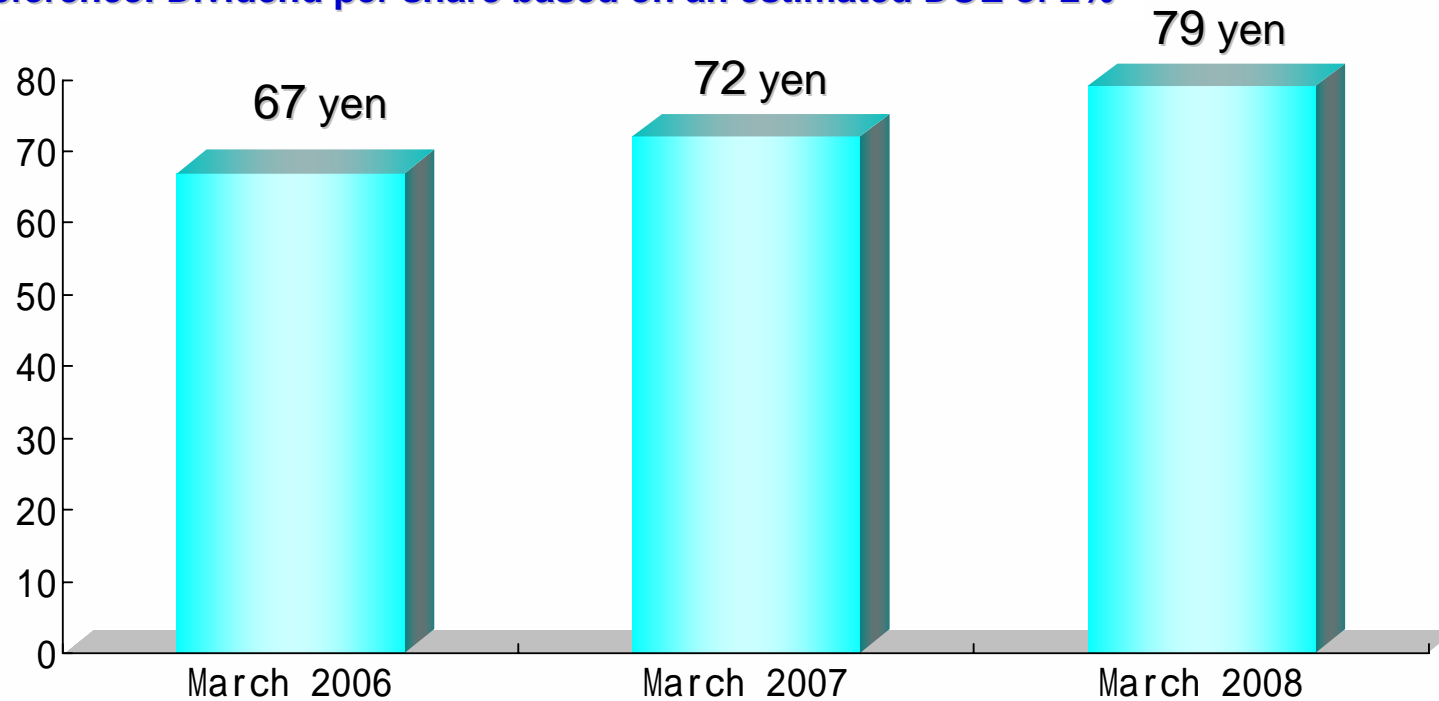
* Forecast figures announced in the interim results on November 11, 2004 are used for March 2005.

Management Target

2. Medium-term Dividend Policy

Over 2% of dividend on equity is the target with the exact rate to be determined according to the consolidated business performance of Alfresa Holdings, fully taking into consideration such factors as the enhancement of the corporate constitution as well as future business developments.

Reference: Dividend per share based on an estimated DOE of 2%



Business Plan

1. Medium-term P/L Target (Consolidated)

(in millions of Yen)

	Year ended March 2005			Year ending March 2006			Year ending March 2007			Year ending March 2008		
	Plan	of Sales (%)	YoY (%)	Plan	of Sales (%)	YoY (%)	Plan	of Sales (%)	YoY (%)	Plan	of Sales (%)	YoY (%)
Net sales	1,173,000		110.0	1,293,000		110.2	1,317,000		101.9	1,385,000		105.2
Gross profit	97,400	8.30	103.1	106,300	8.22	109.1	112,300	8.53	105.6	116,900	8.44	104.1
SG&A	92,800	7.91	113.1	95,700	7.40	103.1	95,800	7.27	100.1	96,400	6.96	100.6
Operating income	4,600	0.39	37.1	10,600	0.82	230.4	16,500	1.25	155.7	20,500	1.48	124.2
Ordinary profit	8,600	0.73	56.3	14,500	1.12	168.6	20,200	1.53	139.3	25,150	1.82	124.5
Net income	1,700	0.14	26.2	7,400	0.57	435.3	10,100	0.77	136.5	14,000	1.01	138.6
ROE	1.6%			6.2%			8.0%			10.1%		

* Figures for March 2006 include the increase due to additional consolidated subsidiaries and the decrease due to business reorganization.

* Forecast figures announced in the interim results on November 11, 2004 are used for March 2005.

2. Personnel Plan

	March 31, 2005	March 31, 2006		March 31, 2007		March 31, 2008		Optimization over 3 years
	Head count	Head count	Change	Head count	Change	Head count	Change	
Full-time employee	6,973	6,502	- 471	6,244	- 258	6,091	- 153	- 882
Corporate advisor/Director	20	17	- 3	16	- 1	16	0	- 4
Non-regular employee	234	237	3	254	17	276	22	42
Contract employee	865	983	118	1,075	92	1,179	104	314
Subtotal	8,092	7,739	- 353	7,589	- 150	7,562	- 27	- 530
Temporary staff	280	258	- 22	252	- 6	231	- 21	- 49
Part-time employee	1,780	1,858	78	2,011	153	2,197	186	417
Total	10,152	9,855	- 297	9,852	- 3	9,990	138	- 162
In full-timer equivalent	8,060	7,652	- 408	7,476	- 176	7,416	- 60	- 644
* Figures for March 31, 2005 include personnel of Alfresa PIP-Tokyo, Alfresa Nikken Sangyo, Kowa Yakuhin and OKAUCHI KANKODO.								
Ratio of full-time employee	69%	66%		63%		61%		

. Strategies for the Wholesaling Business

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1. Marketing Strategy

- (1) Introduction and utilization of SA (Sales Assistant) system to Tokai, Kansai and other regions of Japan
- (2) Introduction of dispensing pharmacy support system
- (3) Proactive sales proposals, utilizing group companies (e.g. Alfresa PIP-Tokyo)
- (4) Reinforcement of information provision/collection activities for the issuers of prescriptions
(e.g. post-marketing surveillance)
- (5) Promotion of a study group of strategy for clinical reagent business in preparation for nationwide expansion

2. Logistics Strategy

- (1) Establishment of logistics system to cope with sales growth and streamlining
- (2) Compliance with traceability requirements

3. Enhancement of SPD (Supply Processing and Distribution) and the Wholesaling Business of Medical Materials

Business operation centered on Alfresa PIP-Tokyo, which was established as a joint venture company

- (1) Regional development of SPD, putting market priority in Kanto, Tokai and Kansai
- (2) Provision of comprehensive SPD services for medical materials and pharmaceuticals
- (3) Establishment of a group's integrated procurement system for medical materials

4. Healthcare Business

Promotion of streamlining by business transfer to CS YAKUHIN CO., LTD.

. Strategies for the Manufacturing Business

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- (1) Placement of a new product (CN-801) on the market and expansion of its indications**
- (2) Enhancement of the central nervous system area**
- (3) Fecal occult blood area (expand range of new products through colloidal gold technology)**
- (4) Introduction of a new-type nebulizer to the market**
- (5) Enhancement of the cardiovascular surgery field**
- (6) Reinforcement of cooperation with wholesalers in the Alfresa Group**
- (7) Business expansion to China and other Asian countries through QINGDAO NESCO MEDICAL CO., LTD.**

. Medium-term Consortium Vision

