



# IR Presentation of AMS Life Science Co., Ltd.

April 2006



**GMP**  
Good Manufacturing Practice



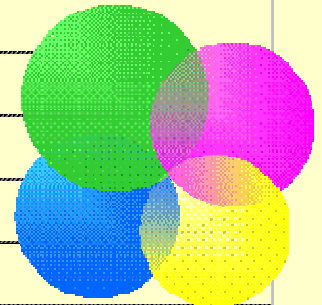
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# 1. Outline

# Corporate profile

<b>Company</b>	<b>: AMS Life Science Co., Ltd.</b>
<b>Activities</b>	<b>: Manufacturer (OEM) of dietary supplements and cosmetics</b>
<b>Address</b>	<b>: 3-6-36 Toyoda, Suruga-ku, Shizuoka, 422-8027 Japan</b>
<b>Paid-in capital</b>	<b>: ¥ 1,385,587,008 (as of Feb.2006)</b>
<b>Chairman &amp; CEO</b>	<b>: Tadahiko Asayama</b>
<b>President &amp; COO</b>	<b>: Takehiko Asayama</b>
<b>Founded</b>	<b>: June 8, 1969</b>
<b>Exchange listed</b>	<b>: JASDAQ (code 2927)</b>
<b>Number of employees</b>	<b>: 296 (consolidated basis as of Aug. 2005)</b>
<b>Subsidiaries</b>	<b>: AFC Co., Ltd.</b>
	<b>: Nihon Preventive Medical Laboratory Co., Ltd.</b>
	<b>: Kenko TV Co., Ltd.</b>



AMS is a fully integrated dietary supplement and cosmetic manufacturer (OEM) that covers all aspects of the business from R&D, marketing, advertising, to sales activities

**AMS Life Science Co.,Ltd**



Manufacturing dietary  
supplement & cosmetics

Approximately 250 clients

**AFC Co.,Ltd.**



Mail-order  
Wholesale distribution  
Overseas wholesale distribution

***Fully integrated dietary supplement  
and cosmetics manufacturer***

**AMS POWER**

**Nihon Preventive Medical  
Laboratory Co.,Ltd.**



R&D of dietary supplement  
& cosmetics

**KenkoTV Co.,Ltd.**



Advertisement

# History

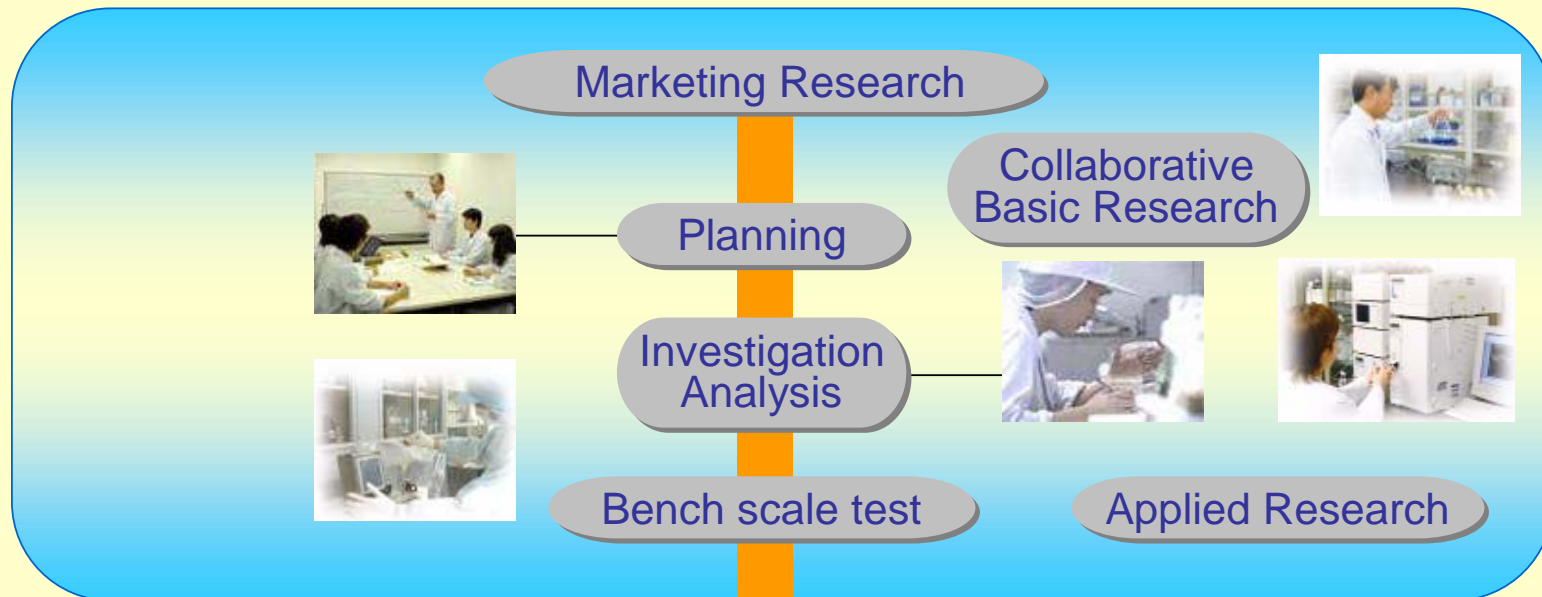
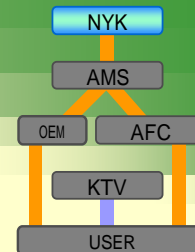
June 1969	" <b>Asayama Shoji</b> " was founded in Shizuoka City.
September 1975	"Asayama Shoji" changed its corporate structure to "Asayama Shoji Kabushiki Kaisha" (part of the current Company) as part of the Company's strategy to strengthen the health food department.
December 1980	" <b>Miou Shokuhin Kabushiki Kaisha</b> " (origin of the current Company) was established in Shizuoka City by Tadahiko Asayama (current Chairman & Chief Executive Officer of the Company) to manufacture health foods.
February 1982	" <b>Asayama Family Club</b> " was newly founded in Shizuoka City by Tadahiko Asayama to establish health food mail-order business. "Asayama Family Club" changed its corporate structure to " <b>AFC Co., Ltd.</b> " in Shizuoka City in August 2003.
December 1982	The factory with the head office of "Asayama Shoji Kabushiki Kaisha" was newly constructed in Shizuoka City.
January 2001	The name of "Miou Shokuhin Kabushiki Kaisha" was changed to " <b>AMS Life Science Co., Ltd.</b> " (current Company) following the completion of its new factory in Shizuoka City.
July 2001	The Company established a business department that specialized in cosmetic products and obtained a business license in association with cosmetic products. The Company
September 2004	" <b>Kenko TV Co., Ltd.</b> " was established in Shizuoka City as a subsidiary of Nihon Preventive Medical Laboratory Co., Ltd.
March 2005	The Company launched an Initial Public Offering. The shares of the Company were listed
July 2005	A large scale factory was constructed to extend the Company's health food business.
December 2005	Nihon Preventive Medical Laboratory Co., Ltd. Founded a new facility to further their R&D activities.



## **2. Business activities**

# Nihon Preventive Medical Laboratory Co.,Ltd.

Advanced technologies surrounding tableting, capsulation and granulation based on 30 years of data compilation and experience in the dietary supplement industry



- Collect data, plan/design products, research commodities
- Partner with academia and government agencies to develop safe and effective (absorption, metabolism, etc.) products
- Improve quality of products and shorten shipping time by introducing advanced test facilities
- Design manuals for manufacturing process

next

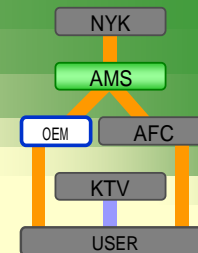




<< OEM manufacturer >>

# AMS Life Science Co.,Ltd.

High quality of products certified  
“GMP (Good Manufacturing Practices)”




## OEM for 250 companies

Mail-order companies  
Wholesale companies  
Major food and beverage companies  
Major pharmaceutical companies  
Planning companies, etc.

- Offer full range services, including consultation, planning and commercialization of products
- Provide various products in accordance with clients' unique needs and challenges by utilizing our advanced facilities
- Manage deadlines efficiently with our advanced production management system to handle products with a short-lead time

next

# Certified dietary supplement “GMP” !



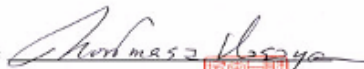
**Japan Health Food & Nutrition Food Association**  
2-7-27, Ichigaya 8-dohara-cho, Shinjuku-ku, Tokyo 162-0842, Japan  
Phone: +81-3-3268-3134 Fax: +81-3-3268-3136


**Good Manufacturing Practice Certificate**

This is to certify that, upon rigorous inspection, AMS Life Science Co., Ltd. Head Office Factory at 3-6-36, Toyoda, Suruga-ku, Shizuoka, Shizuoka Prefecture has been found to be in compliance with the requirements of the Japan Health Food & Nutrition Food Association Dietary Supplement Good Manufacturing Practice (GMP) authorization system.

1. Authorized manufacturing process: Formulation and packaging  
2. Name of plant representative: Takehiko Asayama  
Managing Director  
3. Authorization number: 111-01-01  
4. Authorization period: From July 29, 2005, to July 28, 2008

Date: September 27, 2005

Signature:   
Norimasa Hosoya, M.D., Ph.D.  
Director General  
Japan Health Food & Nutrition Food



AMS is the very first company to be certified by the Japan Health Food & Nutrition Food Association in its Good Manufacturing Practice (GMP) for the formulation and packaging of dietary supplements on July 29, 2005.

Safety · Reliability  
High Quality

AMS maintains strict quality assurance standards for every manufacturing process as outlined in the GMP authorization system. As a result of our efforts, we are able to provide value-added services and solutions to our customers.

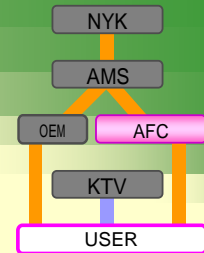
GMP stands for “Good Manufacturing Practice” and represents international standard for manufacturing management and quality management for health food and nutrition food.



<< Sales >>

# AFC Co.,Ltd.

Sales of PB (private brand named "AFC") products



## Mail-order Div.



Newspaper advertisement  
Internet  
TV shopping  
DM to members



## Wholesale Div.

Wholesalers/Agencies

Supermarkets, Drug stores  
Convenience stores, DIY stores



## Overseas Div.

Overseas agencies

Supermarkets, Drug stores  
Convenience stores



- Mail-order sales through newspaper advertisements, internet and DM (970,000 members)
- Promote sales to new customers through newspaper advertising, internet and by DM
- Promote our PB products through major wholesalers and agencies  
(currently selling at approximately 6,000 retail shops in Japan)



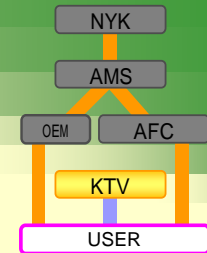
Domestic and Overseas Customers



<< Information Distribution >>

# Kenko TV Co.,Ltd.

Health and beauty information distribution



## Advertisement



Manage advertisements on major and local newspapers and magazines  
 Manage advertisements on TV (BS,CS,Conventional waves) and radio  
 Plan and design brochures

## Motion pictures








Plan and produce health care programs and TVCM, etc.  
 Plan and provide internet content material

- Promote health information programs and TV shopping programs which are produced at our studio
- Support AFC sales by using various channels

Customers

# What is AMS Group's competitiveness?

- Strict quality assurance system in accordance with GMP standards 
- Compliance with the following standards: Medicines Act, Health Promotion Policies and Advertising Policies 
- Product development and information distribution capability  
- Superior sales promotion through wide variety of sales channels 

High quality and reliable  
Further growth in the future

AMS Group



### **3. Trend of dietary supplement market and industry**

# Market overview in dietary supplement

	Europe	U.S.A.	Japan
<b>Market Size</b>	1.7 trillion yen (NBJ), 4 trillion yen including nutrition supplements (2003)	2.5 trillion yen (NBJ), 5 trillion yen including nutrition supplements (2004)	1.29 trillion yen, 2 trillion yen including nutrition supplements (2005)
<b>Market overview</b>	Market is growing. Strong demand in the market	Market is growing Burgeoning medical expenses has intensified the public's interest in the management of the health	Market is growing
<b>Main product</b>	Herbs	Vitamins	Overall (nutritional fortification, Diet, immunity )
	Nutrition supplements (Capsules, tablets)	Nutrition supplement (Capsules, tablets)	Nutrition supplement (Capsules, tablets)
<b>Market environment</b>	Aging society	Aging society	Aging society
<b>Sales method</b>	Drug stores, organic stores, etc.	Grocery stores, organic store, etc.	Mail order, drug stores, etc.

NBJ = Nutrition Business Journal

# Dietary Supplements

	-----Health-promoting foods-----		
Medical Supply (Including quasi-drugs)	Specified Health Foods (Specificity approval)	Nutrition Functional Foods (Standard)	General Foods (Including “health foods”)

· Specified Health Foods · · · Foods that specifically indicate their expected function

· Nutrition Functional Foods · · · Foods that indicate specific nutritional ingredients and that follow standards established by Japanese Health Minister. E.g. foods contain vitamins

· “Health foods” include tablets, capsules, traditional health foods and foods used for alternative treatment

Currently there is not a valid definition for “health foods” except for “Health Promoting Foods”

(Health, Labour and Welfare Ministry)



# “Health foods” industry in Japan

**Niche market**  
**Undeveloped legal system**

Upsurge of small specialized companies

Ex,

1. Companies that specialize in product management and development (including raw materials development)
2. Companies that specialize in OEM
3. Companies that specialize in sales/retail

**Aging population, decreasing birth rates, metabolic syndrome lifestyle**

## Policies

Food Sanitation Law

Health-promotion law

Pharmaceutical law



Truth-in-advertising laws

JAS law

Etc...

JAS = Japanese Agricultural Standard

**Currently , no laws and acts monitor “health foods” in Japan**

**Growing market**

( Increase in medical expenses  
attention towards preventive medicine. )

**New entrants from players traditionally outside of the industry**  
Ex, Major Food producers, major pharmaceutical companies

**Increasing concerns for safety and comfort**

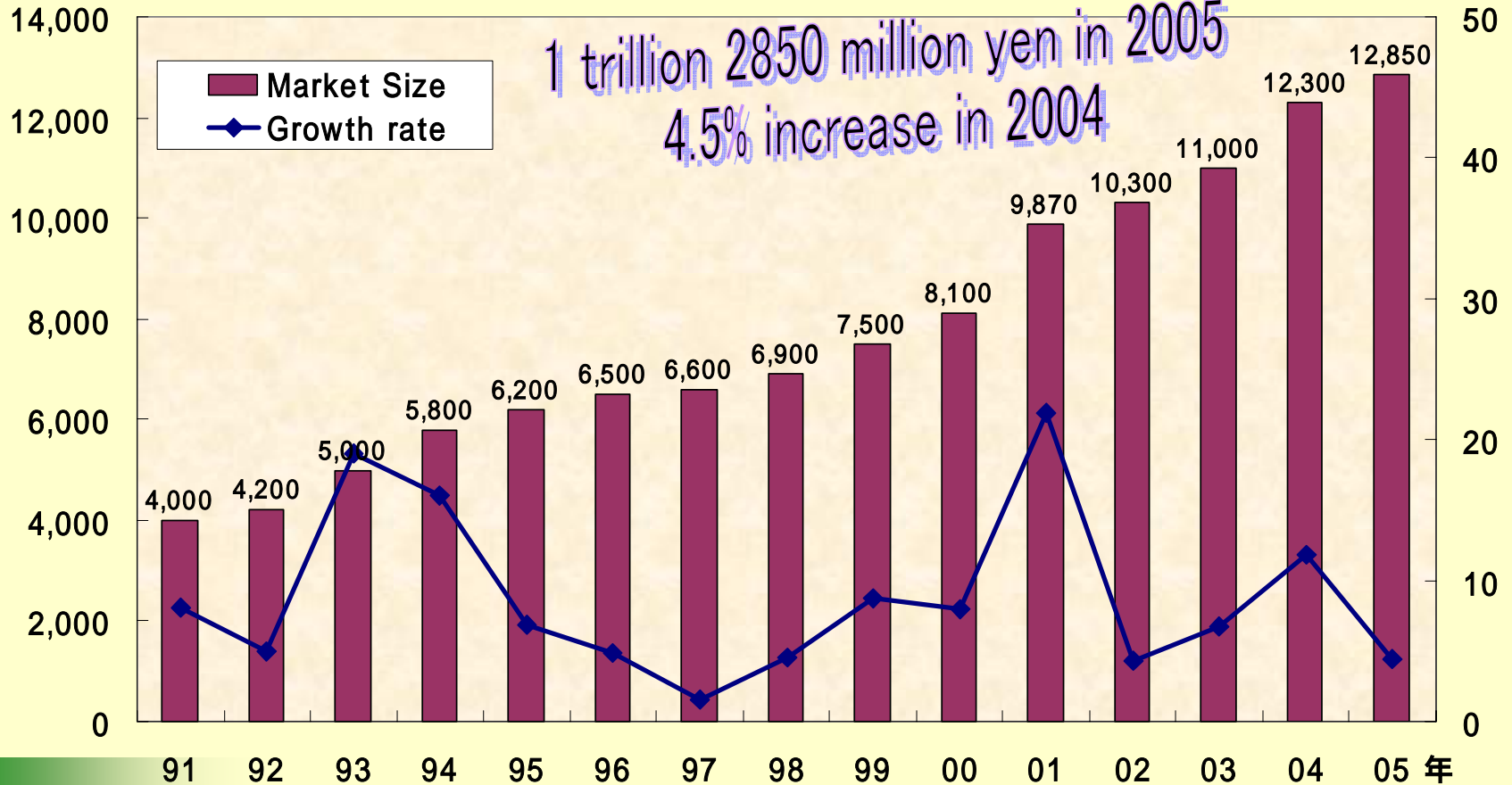
**Clear “winners” and “losers” are emerging within the dietary supplement industry**

# Industry Trends

Millions of Yen

Development of Health Foods Market (Not include specified health foods)

%



(Health, Labour and Welfare Ministry )

18

## **4. Overview of Interim FY2006 ended March 31**

# Interim consolidated financial highlights

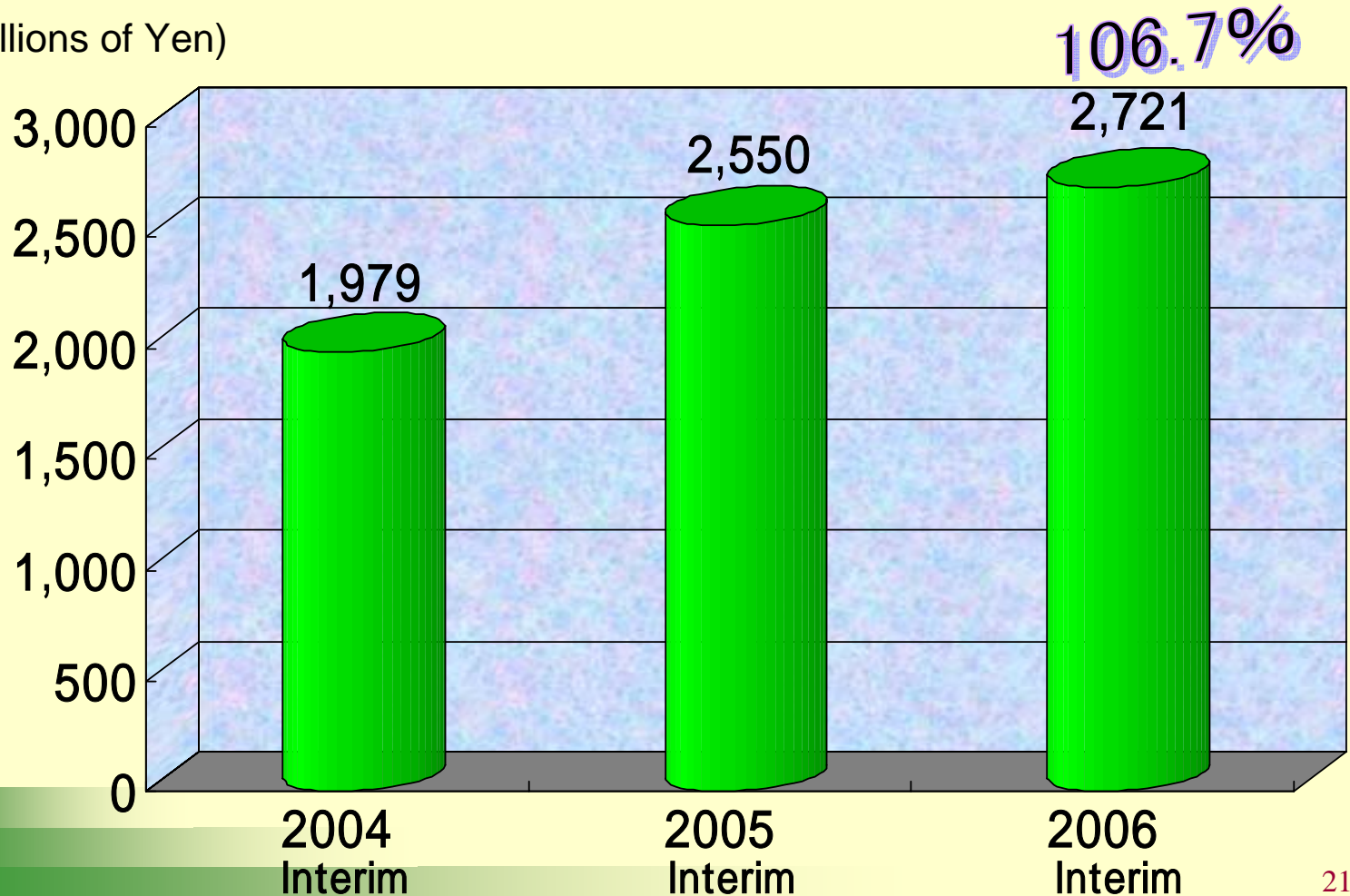
Fiscal year 2005 ended August 31

(Millions of Yen)

Consolidated	First half of FY04	First half of FY05	First half of FY06	Rate of inc. or dec.
Net sales	1,979	2,550	2,721	106.7%
Operating income	228	437	351	80.3%
Ordinary income	221	403	352	87.3%
Ordinary income ratio	11.2%	15.8%	13.0%	-

# Interim consolidated net sales

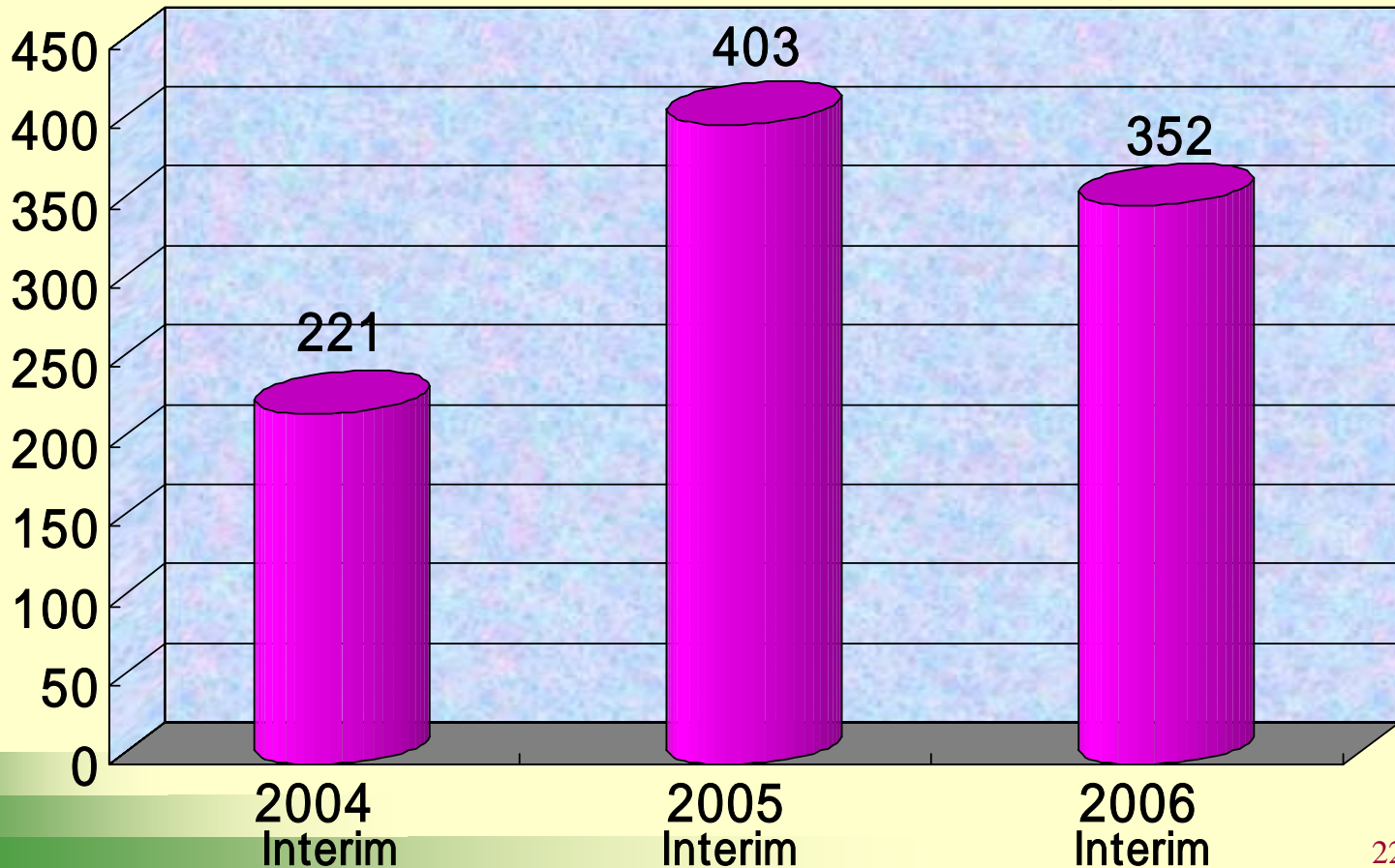
(Millions of Yen)



# Interim consolidated ordinary income

(Millions of Yen)

80.3%



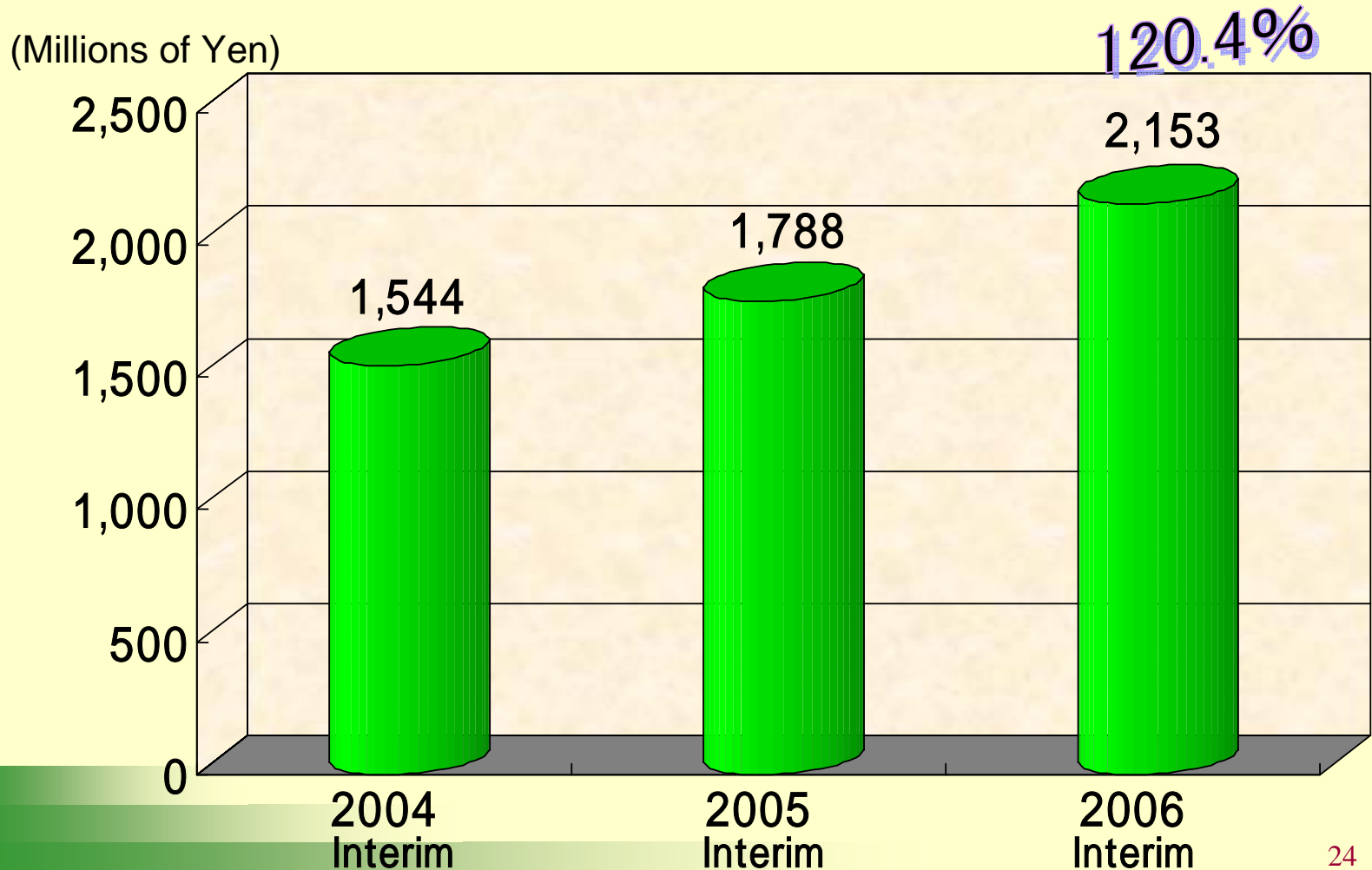
# Interim non-consolidated financial highlights

Fiscal year 2005 ended August 31

(Millions of Yen)

Non-consolidated	First half of FY04	First half of FY05	First half of FY06	Rate of inc. or dec.
Net sales	1,544	1,788	2,153	120.4%
Operating income	165	327	330	100.7%
Ordinary income	159	298	332	111.7%
Ordinary income ratio	10.3%	16.7%	15.5%	-

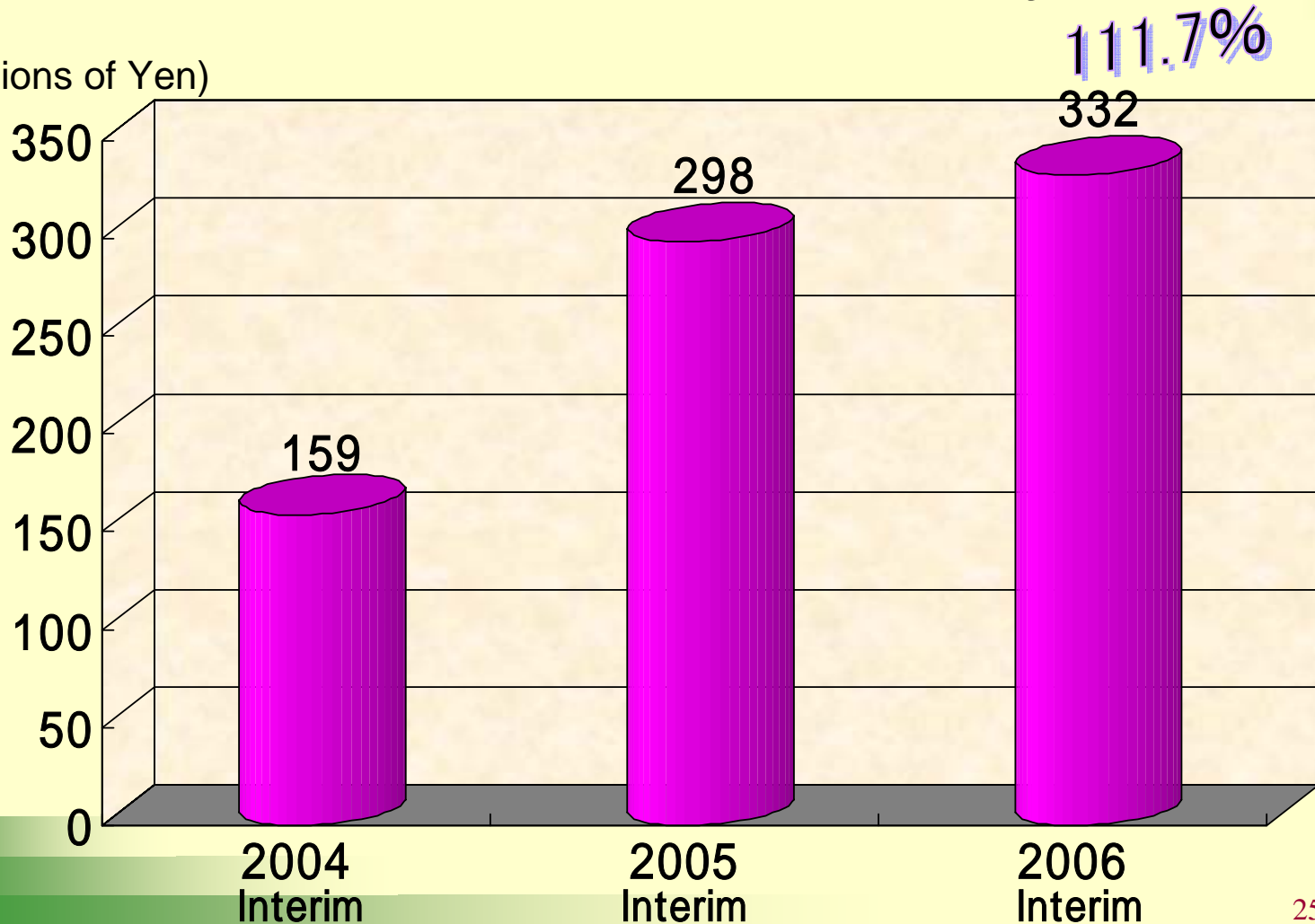
## Interim non-consolidated net sales





# Interim non-consolidated ordinary income

(Millions of Yen)

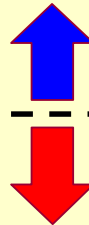


# Summary of Interim FY2006 ended March 31

Increase reliability through the listing on JASDAQ on March 3, 2006

Increase safety and reliability upon achieving GMP certification

Acquire new clients by introducing brand-new state-of-the-art facilities



Positive factors

Negative factors

Illegal advertisement by a dietary supplement company

Negative press coverage surrounding “forged ingredients” in the dietary supplement industry

➤ Negative impact on the dietary supplement industry

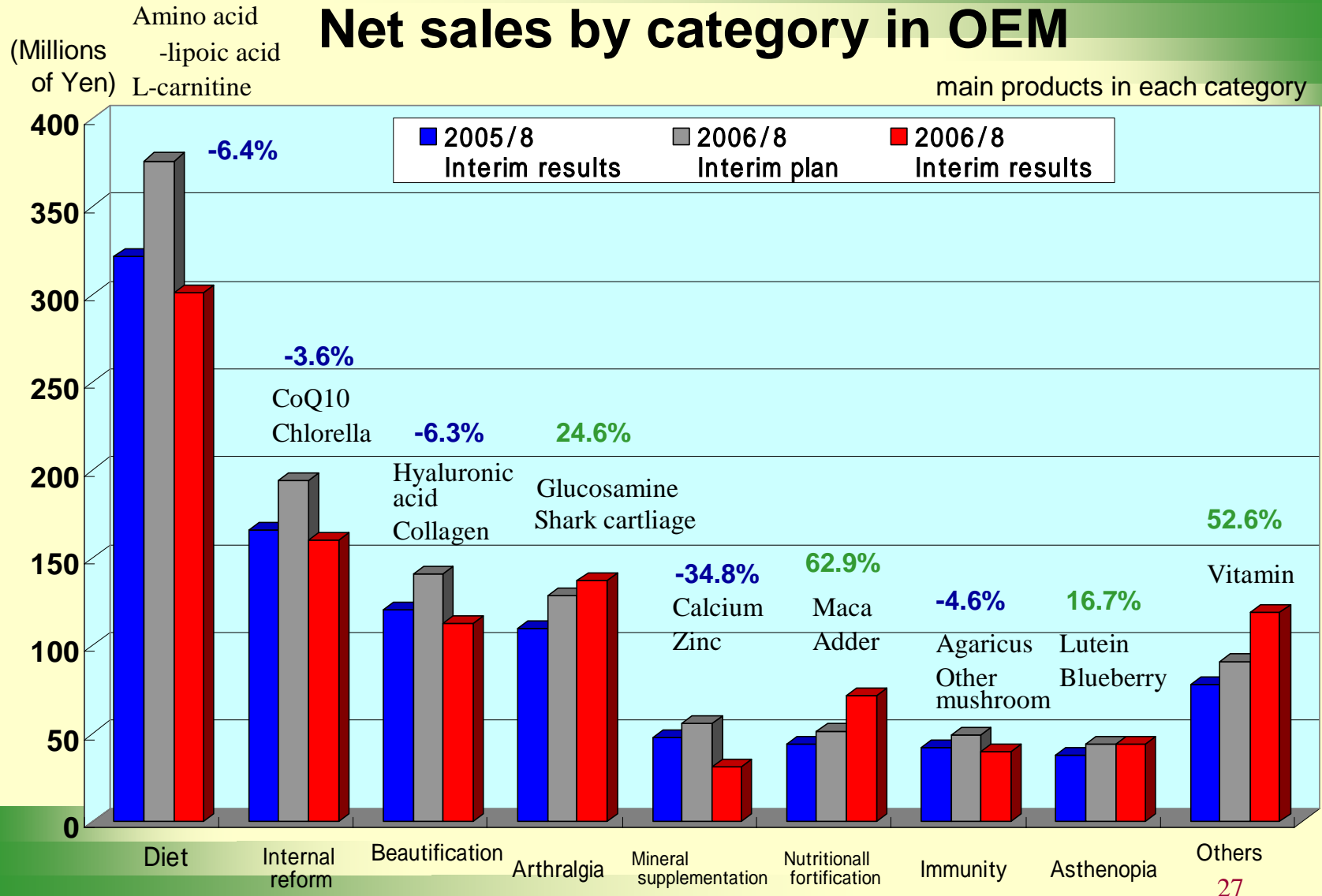
➤ Enforcement of laws against illegal marketing activities

Weak sales reported for “co-enzyme Q10” related products

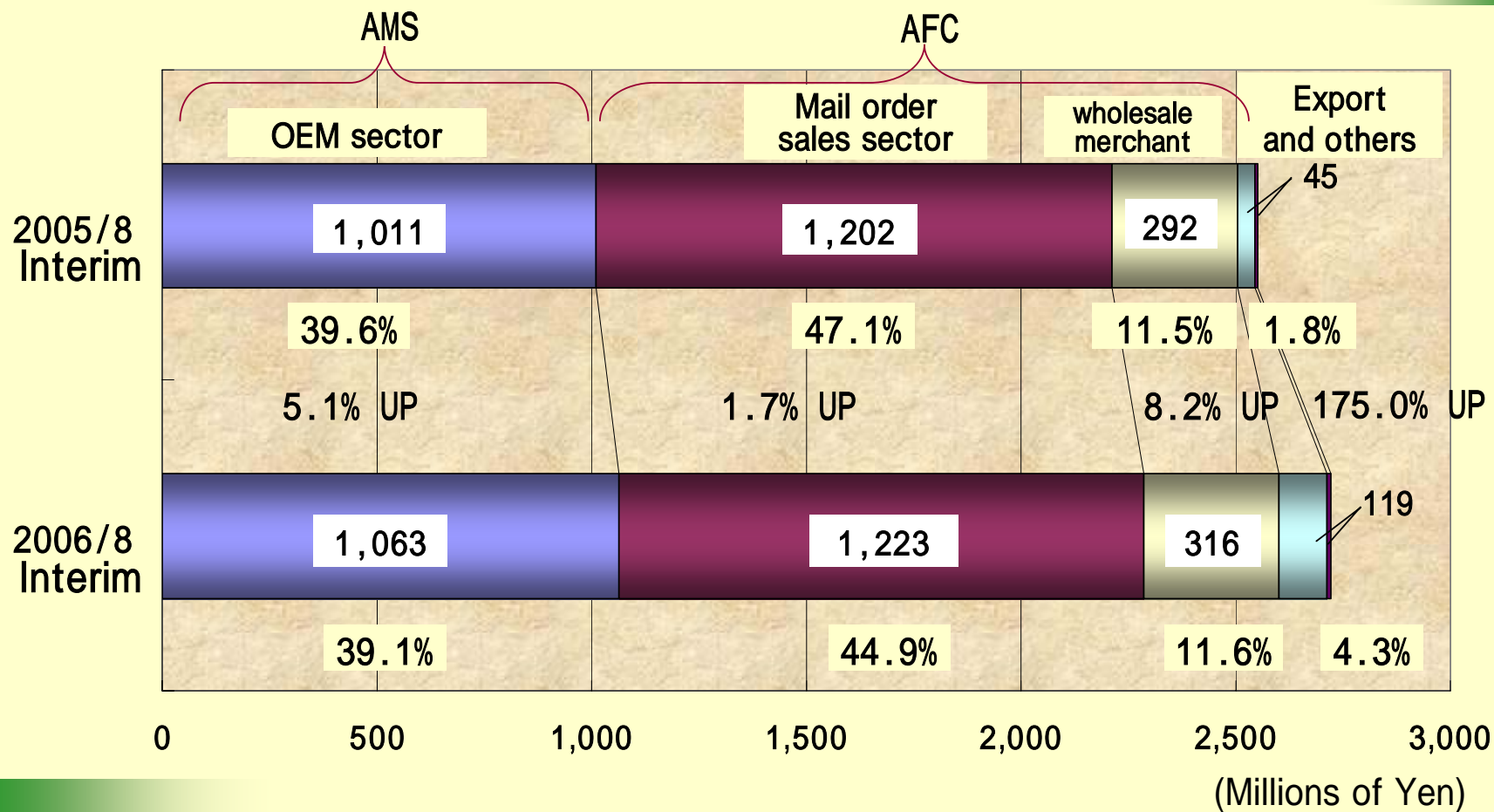
Weak sales reported for “amino acid, - lipoic acid, L-carnitine related products

Delay in utilizing the new plant/facility that was built in August 2005

# Net sales by category in OEM



# Sales composition by business segment



# Changes of net sales (Consolidated)

( Millions of Yen )

		First half of fiscal year	Second half of fiscal year	Sum of 1st & 2nd half of fiscal year	% of 1st half of fiscal year	% of 2nd half of fiscal year
FY2003	23th	1,529	1,740	3,269	46.8%	53.2%
FY2004	24th	1,979	2,357	4,336	45.6%	54.4%
FY2005	25th	2,550	3,405	5,955	42.8%	57.2%
FY2006	26th	2,721	-	-	-	-
FY2006	Plan	3,000	4,000	7,000	42.9%	57.1%

## **5. Forecasting the second half of FY2006 and medium-term management strategies**



# Strategy for the second half of FY06

(2006/03 ~ 08)

1. Enhance sales activities
2. Strengthen nationwide sales promotions
3. Acquire OEM customers specifically in for the cosmetic business
4. Organize sales campaigns on large lot orders



# Sustainable growth strategy

( ~ 2011 )

## 1. Differentiate by producing original raw-materials

By developing and producing raw-materials, it is possible to monopolize orders for products created by those materials

## 2. Extend product range

Sugar-coated tablets, hard capsules made by plant materials, soft gel capsules made by fish gelatin, etc.

Large lot of drinks

## 3. Expand sales branches

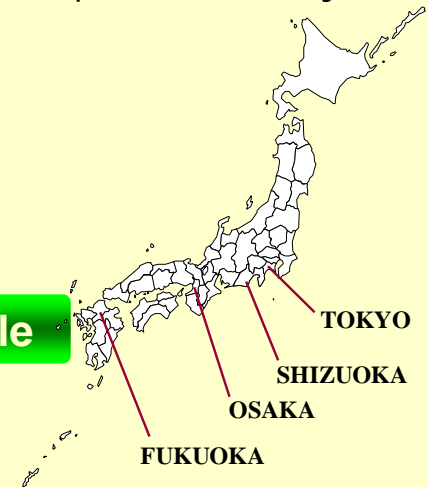
Expand into FUKUOKA, the biggest market in western Japan

## 4. Strengthen cost competitiveness via economies of scale

Reduce manufacturing cost by fully utilizing the equipment and resources

## 5. M & A

Mergers and acquisition of a mail-order system company, a wholesales company and/or an OEM maker potentially producing a synergy effect







# Strategy for the second half of FY06

(2006/03 ~ 08)

## Raising recognition through various channels

Feature a prominent actor and popular comedian for advertisement to raise recognition of AFC's brand image



## Expected Effect

Increase effectiveness through advertising by placing ads in national newspapers, broadcasting TV commercials and sending direct mail repeatedly

Generate sales through existing customers and revitalize sales among inactive customers through direct mail and/or phone sales

## Practical Contents

- |                           |  |
|---------------------------|--|
| ·TV commercials           | Launch in large quantities. Focus on certain areas intensively         |
| ·Radio commercials        | The first real test of radio commercials through a local radio station |
| ·Newspaper advertisements | Appear in national and sports newspapers frequently                    |
| ·Leaflets in newspapers   | New medium in its testing stage  |





# Sustainable growth strategy

( ~ 2011 )

## 1. Acquire 1 million active customers and achieve annual sales of 10 billion yen

Currently, there are 970,000 members of which 350,000 members are active customers

We anticipate an increase of 100,000-200,000 new customers each year



## 2. Sales promotion through “Kenko TV”

Develop various of sales methods through the television media such as shopping channels, health information programs, internet and/or other mass media in replacement of paper based media

## 3. Advertise aggressively





# Strategy for the second half of FY06

(2006/03 ~ 08)

## 1. Formulation Study

- Develop high contented and high concentrated formulation process
- Formulation study for ultra fine grinding technology
- Study of micromeritics and hydrodynamic analytic methods



## 2. Production development

- Develop new products for medical institutions (Sales promotion)  
(Research and development for specified health foods)
- Inform concept of new product concepts
- Research new raw materials and develop merchandising strategies
- Develop products utilizing ultra fine grinding technology

## 3. Scientific testing

- Examine the effectiveness of our products “Touka”  
(Anti-aging, Suppression of elevated blood-sugar levels)  
(Research presentation at the Pharmaceutical Society of Japan, March 2006)
- File a patent application for “Touka”





# Sustainable growth strategy

( ~ 2011 )

“Research and application of new technologies”

“Cooperation and support to enhance sales promotion”

## 1. Formulation Study

- Develop high contented and high concentrated formulation process
- Formulation study for ultra fine grinding technology
- Study of micromeritics and hydrodynamic analytic methods

## 2. Production development

- Develop new products for medical institutions (Sales promotion)  
(Research and development for specified health foods)
- Inform concept of new product concepts
- Research new raw materials and develop merchandising strategies
- Develop products utilizing ultra fine grinding technology

## 3. Scientific testing

- Examine the effectiveness of products in development (through animal testing)
- Examine the effectiveness and safety of products manufactured through ultra fine grinding technology (through animal testing)





# Strategy for the second half of FY06

(2006/03 ~ 08)

## Advertising business

Strategic advertising to increase AFC's sales

- Manage AFC marketing and planning as the main advertising agent for AMS group
- Gain know-how and experience in advertising
- Approaching other clients to expand the business and aiming increasing sales
- Aim to increase the number of new customers. Barter transaction with other mail-order selling companies

## Program production business

Enrich of visual contents.

Respond to multiple digital channels

- Produce programs that include of health information. Produce TV commercials
- Strengthen media promotion through newspaper advertising and direct mail
- Strengthen "AFC brand" through sales promotion



# Sustainable growth strategy

( ~ 2011 )

**1. Provide extended health information programs and CMs**

**2. Establish broadcasting network for information distribution**

Ex, Internet broadband casting  
Acquire BS/CS channel  
Acquire cable TV channel

