

Consolidated Financial Statements for the Year Ended March 31, 2004

Corporate Name: Alfresa Holdings Corporation

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Code No.: 2784

Location of Head Office: Tokyo

(URL: <http://www.alfresa.com>)

Representative: Kunio Fukujin, President

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Board of Directors' Meeting for Account Settlement: May 18, 2004

U.S. Accounting Standards: Not applied

1. Consolidated performance for the year ended March 31, 2004 (April 1, 2003 - March 31, 2004)

(1) Consolidated operating results

Note: Amounts below one million yen are disregarded.

	Net Sales		Operating Income		Ordinary Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2004	1,066,577	(-)	12,402	(-)	15,266	(-)
Year ended March 31, 2003	-	(-)	-	(-)	-	(-)

	Net Income		Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Ordinary Profit to Total Assets	Ratio of Ordinary Profit to Net Sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2004	6,489	(-)	194.85	-	6.0	3.0	1.4
Year ended March 31, 2003	-	(-)	-	-	-	-	-

- Notes: (1) Profit or loss on equity method investments
 March 2004: ¥27 Million March 2003: ¥ - Million
- (2) Average number of shares outstanding during the period (consolidated)
 March 2004: 33,029,395 March 2003: -
- (3) Change in accounting method
 None
- (4) Percentage of Net Sales, Operating Income, Ordinary Profit and Net Income show the change from the previous year.

(2) Consolidated financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2004	513,188	108,409	21.1	3,207.01
Year ended March 31, 2003	-	-	-	-

Note: Number of outstanding shares at the end of the period (consolidated)
 March 2004: 33,787,009 March 2003: -

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Fiscal Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2004	2,297	(760)	1,428	57,900
Year ended March 31, 2003	-	-	-	-

(4) Scope of consolidation / application of equity method accounting

Number of consolidated subsidiaries: 6 Number of unconsolidated subsidiaries based on the equity method: - Number of affiliates based on the equity method: 1

(5) Change in scope of consolidation / application of equity method accounting

Consolidation: (New) - (Exclusion) Equity method: (New) - (Exclusion) -

2. Consolidated performance forecast for the year ending March 31, 2005 (April 1, 2004 - March 31, 2005)

	Net Sales	Ordinary Profit	Net Income
	Millions of yen	Millions of yen	Millions of yen
Interim period	581,500	8,200	4,070
Year ending March 31, 2005	1,206,000	18,200	8,700

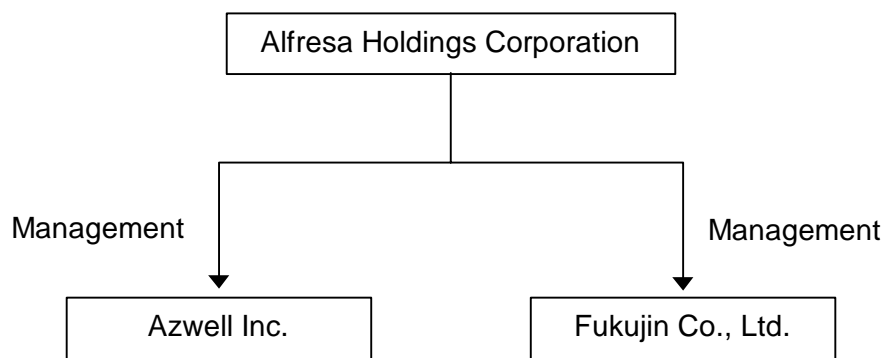
Reference: Estimated earnings per share for FY2005: ¥257.50

* The above-mentioned prognoses are based on currently available information, and thus include many uncertain factors. Actual results may differ from those forecasts depending on changes in the business conditions.

1. Current Status of the Group

The Alfresa Holdings Corporation group consists of Azwell Inc. and Fukujin Co., Ltd., and is engaged primarily in wholesaling, manufacturing and marketing of pharmaceuticals, diagnostic reagents and medical equipment.

The relationship between Alfresa and its main subsidiaries is as follows:



Note: Azwell Inc. and Fukujin Co., Ltd. are both wholly-owned subsidiaries of Alfresa Holdings Corporation.

2. Management Strategies

(1) Basic management policies

On September 29, 2003, Azwell Inc. and Fukujin Co., Ltd. established the holding company Alfresa Holdings Corporation through a stock transfer, with Azwell and Fukujin under its control as wholly-owned subsidiaries. Thus, the Alfresa group was created.

The Alfresa group, as an entity engaged in promoting health, will engage in wide-ranging operations in the medical sector. In doing so, we will stick to our management principle: “to create innovative values and become a group that earns trust of society, through an extensive contribution to the health of people mainly in the field of medical care.” We will also help people lead a healthy and happy life, under the concept of *Healthcare Consortium*, which is intended to provide comprehensive healthcare services.

(2) Basic policies on profit share

Recognizing the importance of providing a dividend to shareholders, the Company will endeavor to stabilize and improve the dividend payout, while securing internal reserves to strengthen the management base. Internal reserves will be used to enhance our financial standing and consolidate the basis for expanding operations in the future.

(3) Methodology and policy to lower the trading unit of shares

As the lowering of the trading unit of the Company’s shares increases liquidity and encourages more investors to participate in the capital market, it is considered as one of the most important issues to address. Alfresa Group continues to contemplate its costs and effect, based on analyses of share prices, trading volume, the number of shareholders, composition of shareholders and other factors.

(4) Target management benchmark

The Alfresa group has compiled a mid-term business plan that lasts from October 1, 2003 through March 31, 2006, aiming to achieve net income ratio of 1.1% and an ROE of 9.7%.

(5) Medium to long term management strategies

Since its establishment on September 29, 2003, Alfresa Holdings Corporation, along with Azwell, Inc. and Fukujin Co., Ltd., has worked in unison toward the Group-wide consolidation of business operations scheduled for October 1, 2004. With the aim of creating enterprise value as the new Alfresa Group, we are aiming to integrate each company’s corporate culture at an early date, including various systems such as personnel. To achieve the Group’s net sales of ¥2,000 billion yen and above by March 2008, we continue to proactively develop our business operations and expand the Group, thus becoming a leading company in the industry.

For the mid-term business plan from October 1, 2003 to March 31, 2006, we have developed four basic strategies:

(i) expansion of our networks; (ii) pursuit of synergistic effects; (iii) business selection and concentration; and (iv) promotion of low-cost management. These strategies involve the following steps:

(i) Expansion of our networks

This strategy entails:

(a) Expanding marketing territories

To cope with significant changes in the industry, such as joint purchases by national hospitals and widespread deployment of large drugstore chains, the Alfresa Group will actively pursue business tie-ups and acquisitions to build up the Group’s nationwide network.

(b) Increasing the number of business partners

Amid increasing focus on nursing care, welfare and self-medication in addition to medical services, the Group will establish business relationships with not only pharmaceutical firms but also many other corporations at home and abroad, seeking to form a corporate group that can meet various health needs.

(c) Expanding our business operations

By establishing a *healthcare consortium*, the Group will make extensive contributions to the medical world and public health in general. To this end, we will actively expand our business operations while taking profitability into account.

(ii) Pursuit of synergistic effects

We have been regarding pursuit of synergistic effects as one of the major management issues confronting the expansion of the Group. In order to realize such effects, we will not only seek economies-of-scale but also efficiency, promptness and accuracy. These efforts will enable us to build an organization that has an effectively functioning internal network, centered on Alfresa Holdings Corporation. In order to precisely identify the diverse needs of customers, the Alfresa Group intends to integrate varied information, goods and services from every Group company, thereby increasing the value-added provided by the Group as a whole.

(iii) Business selection and concentration

The Alfresa Group strives to maximize corporate value by flexibly and promptly responding to changes in business climate and utilizing management resources efficiently for effective response to customer needs. These initiatives will enable the Group to realize the expectations of stakeholders and society at large.

The Group will further enhance the core business operations of wholesale pharmaceuticals by establishing nationwide marketing channels through Group expansion.

The Group has determined that pharmaceutical manufacture is one of the businesses that require strengthening, and this will be achieved by efficiently allocating management resources to enable business expansion.

(iv) Promotion of low-cost management

The Alfresa Group will reduce costs and improve productivity, by consolidating overlapping branches and other offices of Azwell and Fukujin primarily in the Tokyo Metropolitan area, as well as increasing efficiency in distribution centers. Superfluous workers resulting from the reorganization will be reconsidered, and assigned to territories with low market share or strategically selected business areas. These decisions will be implemented with the goal in mind of effectively utilizing human resources and strengthening every business sector.

(6) Issues to address

The ethical pharmaceuticals market, where the Alfresa Group mainly operates, is in the growth phase due to such factors as aging society, lifestyle-related diseases, and the development of new drugs through genomic drug discovery. However, it is estimated that the market's growth rate will remain low, reflecting the negative impact of policies to constrain medical expenses. In addition, the wholesale pharmaceuticals industry has been undergoing active reorganization on a nationwide basis, as the market structure evolves due to progressive separation of medical practice and drug dispensation as well as the diversification of the management and purchasing structures of medical institutions. These changes have driven the market increasingly towards oligopoly and coverage of wider territories. On the other hand, we are not only concerned with pursuing economies of scale, but also interested in the promotion of structural and economic efficiency, and so reinforcement of the management base has become one of our major issues.

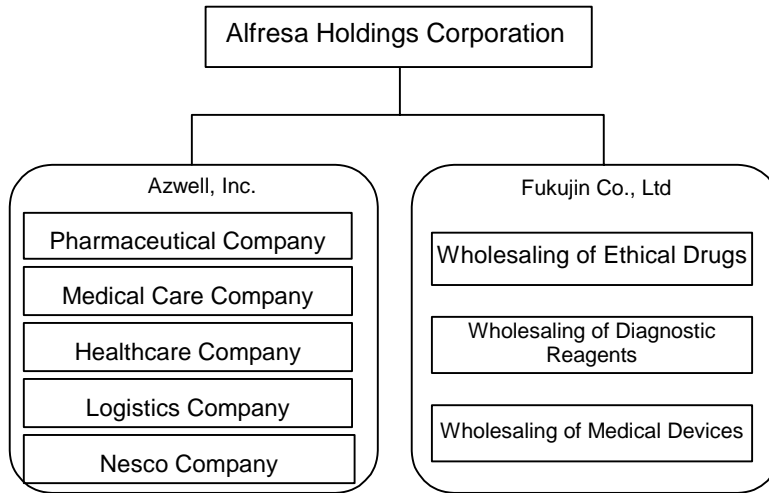
Considering such a market climate, Azwell Inc. and Fukujin Co., Ltd. have integrated operations, and the Group has been able to start anew to become a leading company in the industry. These two companies have established together a "management integration committee" to prepare for integration within the Group through discussion and study on the reorganization issues for each business field, such as sales and marketing, as well as information systems. Originally, the integration of information systems in particular was planned for implementation at about the same time as the business reorganization, but we have later decided to postpone it so that the information infrastructure would operate smoothly following integration.

The Alfresa Group plans to integrate Taishodo Co., Ltd. (Head Office: Kumagaya, Saitama Prefecture) as a wholly owned subsidiary through stock transfer on July 1, 2004. In addition, the Group will break off on October 1, 2004 the wholesale pharmaceuticals business of Azwell, Inc. and Taishodo Co., Ltd., to hand it over to Fukujin Co., Ltd., which will change its corporate name to "Alfresa Corporation" (Head Office: Tokyo). Meanwhile, Azwell, Inc. will keep its pharmaceuticals manufacturing business but change its corporate name to "Alfresa Pharma Corporation" (Head Office: Osaka). Establishing such an overall framework, the Alfresa Group will continue its efforts to prepare at every level for a new start from the current fiscal year and thereafter.

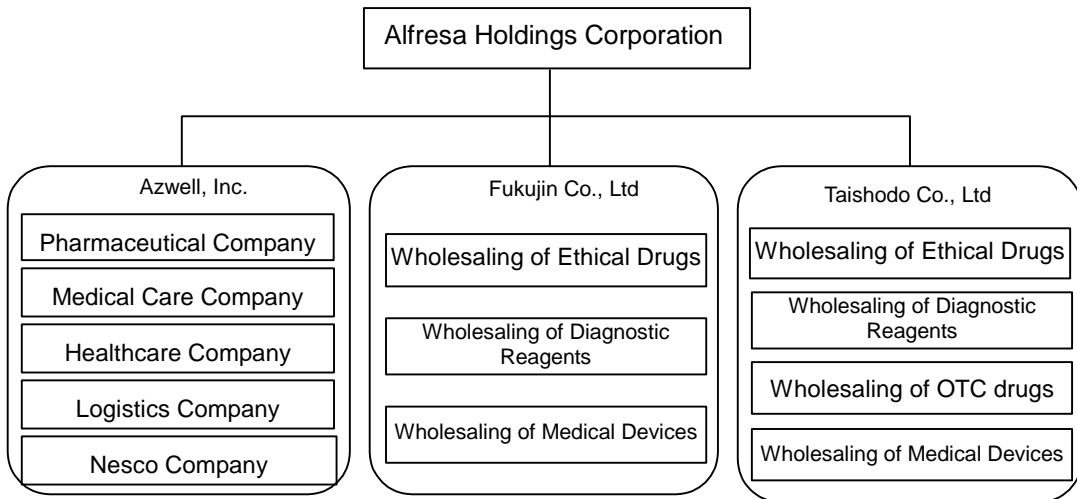
Business Reorganization Schedule

[Phase I]

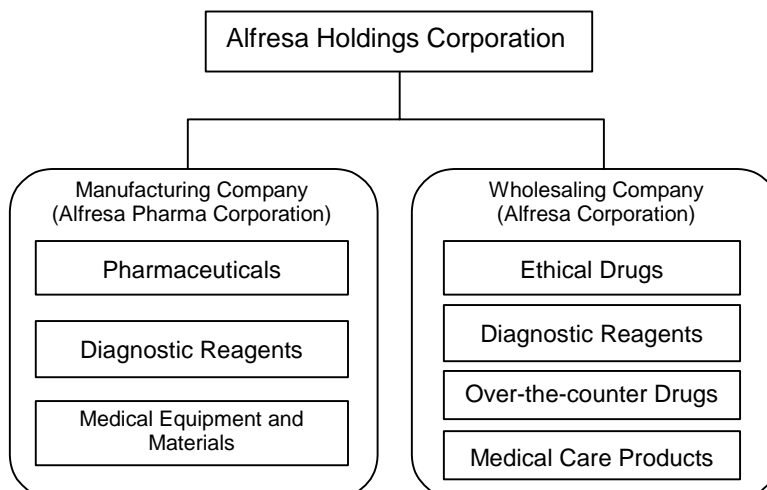
< Management integration through stock transfer >
(September 29, 2003 to June 30, 2004)



< Stock transfer with Taishodo Co., Ltd. >
(July 1, 2004 to September 30, 2004)



[Phase III] Reorganization by spin-off
(From October 1, 2004)



(7) Basic policy on corporate governance and related measures

<Basic policy on corporate governance>

Alfresa Holdings Corporation regards corporate governance to be one of the most important issues in controlling and supervising its subsidiaries' business activities. The company will strive to increase the corporate value for the shareholders, by making the group's management processes more efficient and transparent.

<Measures for corporate governance>

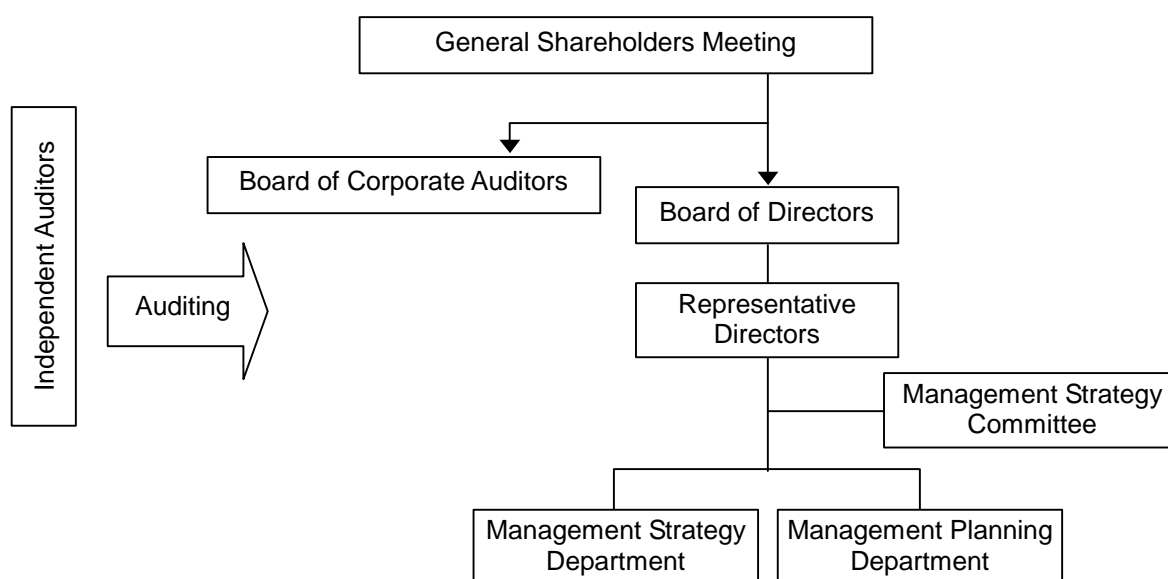
As a pure holding company, Alfresa Holdings Corporation will encompass the management visions and missions of the entire group, and incorporate them into the business plans. Given that its basic role is to raise corporate value through an effective use of the group's management resources, the Company will manage its group-wide operations based on a master contract for management guidelines.

The Company adopts an auditor system, with two of four auditors being external ones, and there are no conflicts of interest between the Company and the external auditors. A total of four directors are nominated.

In addition, the Company adopts an executive officer system to accelerate business execution and clarify executive accountability.

The Company entrusts auditing firm KPMG AZSA & Co. with the auditing of corporate accounts.

The following chart shows the business execution and auditing structure.



To ensure that corporate activities attach importance to compliance, the Company's wholly owned subsidiaries Azwell Inc. and Fukujin Co., Ltd. have established a Risk Management Office and a Compliance Committee, with the aim of enhancing the compliance system and improving risk management.

3. Business Performance and Financial Position

(1) Business performance

Overview of the year ended March 31, 2004

On September 29, 2003, the Company was established as a holding company, with Azwell Inc. and Fukujin Co., Ltd. as wholly-owned subsidiaries, through a stock transfer. Accordingly, the Company's consolidated results for the fiscal year ended March 31, 2004 represent the total consolidated earnings numbers of Azwell and Fukujin and the non-consolidated results of Alfresa Holdings Corporation for the period between September 29, 2003 and March 31, 2004.

As a result, the Company posted consolidated net sales of ¥1,066,577 million, operating income of ¥12,402 million, ordinary profit of ¥15,266 million and net income of ¥6,489 million.

(2) Financial position

Consolidated cash flows

In the fiscal year under review, net cash provided by operating activities amounted to ¥2,297 million, net cash used in investing activities was ¥760 million, and net cash provided by financing activities amounted to ¥1,428 million. As a result, cash and cash equivalents stood at ¥57,900 million at the end of the period.

Cash flow indicator trends

	Year ended March 31, 2004
Shareholders' equity ratio (%)	21.1
Ratio of market capitalization to total assets (%)	37.9
Debt repayment period (years)	1.3
Interest coverage ratio (%)	69.6

- Notes:
1. Shareholders' equity ratio: Shareholders' equity / Total assets
 2. Ratio of market capitalization to total assets: Market capitalization / Total assets
 3. Debt repayment period: Interest-bearing debt / Operating cash flow
 4. Interest coverage ratio: Operating cash flow / Interest payments
 5. The company's stock was listed on the first section of the Tokyo Stock Exchange and Osaka Securities Exchange on September 29, 2003.
 6. All figures are from financial statements calculated on a consolidated basis.
 7. Market capitalization is calculated by multiplying the term-end closing price by the term-end number of outstanding shares (after deducting treasury stock).
 8. Interest-bearing debt indicates the total debt, appearing on the consolidated balance sheet, on which interest is being paid.
 9. Interest payments indicates the amount of interest appearing on the consolidated cash flow statement.

(3) Performance forecast for the year ending March 31, 2005

(Millions of yen)

	Net Sales	Operating Income	Ordinary Profit	Net Income	Earnings per Share (yen)
Year ending March 31, 2005	1,206,000	14,800	18,200	8,700	257.50
Year ended March 31, 2004	1,066,577	12,402	15,266	6,489	194.85
Rate of change (%)	13.1	19.3	19.2	34.1	-

Despite the National Health Insurance (NHI) revision in which drug prices are reduced by 4.2% since April, the ethical pharmaceuticals market for the fiscal year is expected to grow moderately due to the increase in demand naturally caused by such factors as the progressive aging of society, the spread of lifestyle-related diseases and so on. However, the drug industry is expected to suffer from a more severe business environment, due to such negative factors as the transformation of national hospitals into independent administrative institutions, the introduction of a comprehensive system of remuneration for medical services, the spread of generic drugs and so on.

Considering such circumstances, the Alfresa Group steps up its efforts to proactively expand the Group's operations and promptly build up nationwide marketing channels, thus becoming a leading company in the industry. On April 1, 2004, the Company's wholly owned subsidiary Fukujin Co., Ltd. acquired shares of DAIWA Pharmaceutical Wholesalers Co., Ltd. (Head Office: Matsuyama, Ehime Prefecture) and Odashima Limited (Head Office: Hanamaki, Iwate Prefecture) to make them consolidated subsidiaries. In addition, the Company plans to integrate Taishodo Co., Ltd. as a wholly owned subsidiary through a stock transfer as of July 1, 2004. Furthermore, the Company is scheduled to break off Azwell Inc., Fukujin Co., Ltd. and Taishodo Co., Ltd. to reorganize them as Alfresa Corporation, which deals with the wholesale pharmaceuticals business, and Alfresa Pharma Corporation, which deals with the pharmaceuticals manufacturing business. Currently, the Alfresa Group continues its efforts to prepare at every level for a new start.

For the fiscal year ending March 31, 2005, Alfresa Holdings Corporation forecasts consolidated net sales of ¥1,206 billion, operating income of ¥14.8 billion, ordinary profit of ¥18.2 billion and net income of ¥8.7 billion.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheet

Item	As of March 31, 2004	
	Millions of Yen	Percentage (%)
(Assets)		
I Current assets		
1. Cash and deposits		45,642
2. Trade notes and accounts receivable		290,020
3. Securities		13,609
4. Inventories		52,251
5. Deferred tax assets		2,615
6. Miscellaneous receivables		23,083
7. Others		789
Allowance for doubtful accounts		(734)
Total current assets		427,277
II Fixed assets		83.3
1. Tangible fixed assets		
(1) Buildings and structures	39,331	
Accumulated depreciation	22,642	16,689
(2) Machinery, equipment and vehicles	7,301	
Accumulated depreciation	5,648	1,653
(3) Tools and fixtures	8,029	
Accumulated depreciation	6,787	1,242
(4) Land		27,416
(5) Construction in progress		2
Total tangible fixed assets		47,004
2. Intangible fixed assets		2,123
3. Investments and other assets		
(1) Investment in securities		17,570
(2) Long-term loans		1,064
(3) Deferred tax assets		5,975
(4) Deferred tax assets on land revaluation		2,200
(5) Others		13,050
Allowance for doubtful accounts		(3,078)
Total investments and other assets		36,782
Total fixed assets		85,911
Total		513,188
		100.0

Item	As of March 31, 2004	
	Millions of Yen	Percentage (%)
(Liabilities)		
I Current liabilities		
1. Trade notes and accounts payable	366,302	
2. Short-term debt	2,863	
3. Income taxes payable	3,532	
4. Accrued bonuses	3,983	
5. Allowance for sales rebates	33	
6. Allowance for loss on sales returns	582	
7. Others	4,782	
Total current liabilities	382,078	74.5
II Non-current liabilities		
1. Allowance for employees' retirement benefits	17,335	
2. Allowance for directors' retirement benefits	1,074	
3. Allowance for loss on debt guarantee	503	
4. Others	254	
Total non-current liabilities	19,168	3.7
Total liabilities	401,246	78.2
(Minority interests)		
Minority interests	3,532	0.7
(Shareholder' equity)		
I Paid-in capital	3,380	0.6
II Additional paid-in capital	18,623	3.6
III Retained earnings	84,048	16.4
IV Shortfall on land revaluation	(3,201)	(0.6)
V Unrealized gain on available-for-sale securities	5,628	1.1
VI Foreign currency translation adjustments	(11)	(0.0)
VII Treasury stock, at cost	(58)	(0.0)
Total shareholders' equity	108,409	21.1
Total	513,188	100.0

(2) Consolidated Income Statement

Item	Year ended March 31, 2004		
	Millions of Yen	Percentage (%)	
I Net sales		1,066,577	100.0
II Cost of sales		972,173	91.1
Total deduction		94,404	8.9
Reversal of allowance for returned unsold goods		613	0.1
Allowance for returned unsold goods		582	0.1
Gross profit		94,435	8.9
III Selling, general and administrative expenses		82,032	7.7
Operating income		12,402	1.2
IV Non-operating income			
1. Interest income	125		
2. Dividend income	171		
3. Information fees received	2,215		
4. Depreciation of consolidation-related adjustments	116		
5. Equity in earnings of unconsolidated subsidiaries and affiliates	27		
6. Others	854	3,512	0.3
V Non-operating expenses			
1. Interest expenses	33		
2. Organizational inauguration expenses	49		
3. Commission fees	41		
4. Allowance for doubtful accounts	260		
5. Others	263	648	0.1
Ordinary profit		15,266	1.4
VI Extraordinary income			
1. Gain on sale of fixed assets	147		
2. Reversal of allowance for doubtful accounts	139		
3. Reversal of allowance for directors' retirement benefits	93		
4. Reversal of allowance for losses on debt guarantee	70		
5. Gain on sale of securities	161	610	0.1
VII Extraordinary loss			
1. Loss on sale of fixed assets	1,138		
2. Loss on disposal of fixed assets	223		
3. Loss on impairment of fixed assets	1,956	3,318	0.3
Income before income taxes		12,558	1.2
Corporate, residential and enterprise taxes	6,960		
Corporate tax adjustments	(1,289)	5,671	0.6
Minority interests in net income		397	0.0
Net income		6,489	0.6

(3) Consolidated Statement of Retained Earnings

	Year ended March 31, 2004	
Item	Millions of Yen	
(Capital surplus)		
I Beginning balance		17,803
II Increase in capital surplus		
1. Gain on disposal of treasury stock	820	820
III Ending balance		18,623
(Retained earnings)		
I Beginning balance		78,384
II Increase in retained earnings		
1. Net income	6,489	6,489
III Decrease in retained earnings		
1. Dividends	741	
2. Directors' bonuses	52	
3. Reversal of gain on land revaluation	32	825
IV Ending balance		84,048

(4) Consolidated Statement of Cash Flows

	Year ended March 31, 2004
Item	Millions of Yen
I Cash flows from operating activities	
1. Income before income taxes	12,558
2. Depreciation	2,414
3. Decrease in allowance for doubtful accounts	(487)
4. Increase in allowance for employees' retirement benefits	556
5. Decrease in allowance for loss on business restructuring	(581)
6. Interest and dividends income	(297)
7. Interest expenses	33
8. Depreciation of consolidation-related adjustments	(116)
9. Loss on impairment of fixed assets	1,956
10. Gain on sale of securities	(161)
11. Gains on sale of fixed assets	(147)
12. Loss on disposal of fixed assets	1,362
13. Decrease in unpaid employees' retirement benefits	(2,176)
14. Increase in trade notes and accounts receivable	(8,436)
15. Increase in inventories	(1,211)
16. Decrease in miscellaneous receivables	2,946
17. Increase in trade notes and accounts payable	7,216
18. Others	(1,556)
Subtotal	13,872
19. Interest and dividends received	332
20. Interest paid	(33)
21. Income taxes paid	(11,873)
Net cash provided by operating activities	2,297

	Year ended March 31, 2004
Item	Millions of Yen
II Cash flows from investing activities	
1. Increase in time deposits	(1,179)
2. Proceeds from maturity of time deposits	260
3. Payments for purchase of tangible fixed assets	(780)
4. Proceeds from sale of tangible fixed assets	1,030
5. Payments for purchase of intangible fixed assets	(611)
6. Payment for purchase of securities	(163)
7. Proceeds from sale of securities	346
8. Proceeds from collection of loans	348
9. Others	(11)
Net cash used in investing activities	(760)
III Cash flows from financing activities	
1. Net increase (decrease) in short-term debt	(90)
2. Repayments of long-term debt	(356)
3. Cash payments for share transfer	(820)
4. Proceeds from sale of treasury stock	3,515
5. Cash dividends paid	(741)
6. Cash dividends paid to minority shareholders	(18)
7. Others	(60)
Net cash provided by financing activities	1,428
IV Translation difference of cash and cash equivalents	(15)
V Increase in cash and cash equivalents	2,950
VI Beginning balance of cash and cash equivalents	54,950
VII Ending balance of cash and cash equivalents	57,900