

August 10, 2004

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2005

Corporate Name: Alfresa Holdings Corporation (Code No.: 2784)

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

Listing: 1st sections of Tokyo Stock Exchange and Osaka Securities Exchange

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1. Matters related to the preparation of quarterly financial information

(1) Simplified accounting method is applied.

[Details] The figure for inventories were not actually counted at the end of the first quarter, but are based on the book inventory method, considering the actual inventories counted at the end of the previous fiscal year. In addition, simplified procedures were partially used for other insignificant amounts.

(2) There are no changes in accounting method from the most recent consolidated fiscal year.

(3) There are changes in the scope of consolidation and the application of equity method accounting:

Consolidation (new): 2 companies (Exclusion): -

Equity method (new): - (Exclusion): -

2. Consolidated financial statements for the first quarter of the fiscal year ending

March 31, 2005 (April 1, 2004 – June 30, 2004)

(1) Consolidated operating results

(Amounts below one million yen are omitted.)

	Net sales		Operating income		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3 months (June 30, 2004)	289,630	-	2,821	-	3,777	-	2,209	-
3 months (June 30, 2003)	-	-	-	-	-	-	-	-
[Ref.] Fiscal year ended March 2004	1,066,577		12,402		15,266		6,489	

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
3 months (June 30, 2004)	65.39		-	
3 months (June 30, 2003)	-		-	
[Ref.] Fiscal year ended March 2004	194.85		-	

Note: Since the Company was established on September 29, 2003, there is no basis for quarterly comparison of performance or rate of change over the previous fiscal year.

[Qualitative information on the progress of consolidated operating results]

In the pharmaceuticals wholesaling market during the first quarter, there were negative factors such as the 4.2% reduction in National Health Insurance drug prices in April 2004. However, sales of major new drugs were favorable, and an increase in the portion of medical expenses shouldered by individuals to 30% (which began April 2003) started to positively affect the market though the revision had previously been a negative factor. As a result, the market achieved slight growth.

Considering such circumstances, the Alfresa Group has developed sales activities suitable to market environment of each area. Concurrently, it has reinforced in-house cooperation so as to realize early-stage synergistic effects as a group.

In the pharmaceuticals wholesaling business, wholly-owned subsidiaries Azwell Inc. and Fukujin Co., Ltd. strove to expand sales and secure profits by conducting joint sales promotion activities. In addition, as Japanese government revised National Health Insurance drug prices, the Alfresa Group has successfully negotiated with customers to offer products at adequate prices.

In the pharmaceuticals manufacturing business, the Company focused on selling the oral cepheems antibiotic “Oraspor Dry Syrup”; the iron deficiency treatment “Incremin Syrup”; and three other products, for which the Company obtained sales rights in the previous fiscal year.

To further expand the Alfresa Group business, Fukujin Co., Ltd. acquired on April 1, 2004 the shares of DAIWA Pharmaceutical Wholesalers Co., Ltd. (Matsuyama, Ehime Prefecture) and Odashima Limited (Hanamaki, Iwate Prefecture), with which it had business cooperation agreement, to make both companies subsidiaries. Furthermore, the Company concluded a stock transfer agreement with Taishodo Co., Ltd. on May 6, 2004. With the transfer on July 1, 2004, Taishodo Co., Ltd. became a wholly-owned subsidiary of the Company.

Net sales, operating income, ordinary profit and net income of Azwell Inc. for the first quarter were ¥125,595 million (an increase of 0.9% over the same period last year), ¥324 million (a decrease of 69.3%), ¥733 million (a decrease of 49.4%), and ¥495 million (a decrease of 39.7%), respectively.

Net sales, operating income, ordinary profit and net income of Fukujin Co., Ltd. for the first quarter were ¥165,273 million (an increase of 17.3% over the same period last year), ¥2,612 million (an increase of 29.3%), ¥3,208 million (an increase of 30.7%), and ¥1,786 million (an increase of 36.3%), respectively. In addition, DAIWA Pharmaceutical Wholesalers Co., Ltd. and Odashima Limited are consolidated subsidiaries from the current term.

As a result, the Company posted consolidated net sales of ¥289,630 million in the first three months of the year ending March 31, 2005. Operating income was ¥2,821 million, with an ordinary profit of ¥3,777 million and net income of ¥2,209 million.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
3 months (June 30, 2004)	555,579	110,188	19.8	3,261.66
3 months (June 30, 2003)	-	-	-	-
[Ref.] Fiscal year ended March 2004	513,188	108,409	21.1	3,207.01

[Consolidated cash flows]

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of the first quarter
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
3 months (June 30, 2004)	3,957	(1,095)	(2,226)	58,534
3 months (June 30, 2003)	-	-	-	-
[Ref.] Fiscal year ended March 2004	2,297	(760)	1,428	57,900

[Qualitative information on consolidated financial position]

In the three-month period under review, total assets were ¥555,579 million, liabilities were ¥440,671 million, minority interests totaled ¥4,719 million and shareholders' equity stood at ¥110,188 million.

Cash and cash equivalents at end of the first quarter were ¥58,534 million, up ¥633 million from the end of the previous consolidated financial year.

Cash flows in different activities for the three months were as follows:

(Cash flow from operating activities)

Net cash provided by operating activities amounted to ¥3,957 million, as income before income taxes totaled ¥3,967 million and trade notes and accounts payable increased by ¥13,004 million, while trade notes and accounts receivable increased by ¥5,768 million, inventories increased by ¥5,872 million and income taxes paid totaled ¥4,133 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,095 million. This is mainly attributable to the payments of ¥899 million for the purchase of intangible fixed assets and of ¥440 million for the purchase of tangible fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥2,226 million. This is mainly attributable to a net decrease in short-term debt amounting to ¥902 million and the payment of cash dividends amounting to ¥844 million.

Reference

Consolidated performance forecast for the fiscal year ending March 31, 2005

(April 1, 2004 - March 31, 2005)

(Millions of yen)

	Net sales	Ordinary profit	Net income
Six months ending September 30, 2004	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

[Qualitative information on performance forecast]

During the first quarter, net sales, ordinary profit and net income were mostly in line with projections. Accordingly, interim and annual performance forecasts announced on May 18, 2004 have not been changed.

Note: The above-mentioned outlook for the fiscal year ending March 31, 2005 reflects the judgment by Alfresa Holdings Corporation and group companies on the basis of currently available information, and thus it contains risks and uncertainties. It should be noted that the actual results may differ from those described above depending on various factors, including the economic situation that affects the Company and group companies, as well as overall market trends.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

Item	As of June 30, 2004		(Reference) As of March 31, 2004	
	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)
(Assets)				
Current assets	461,031	83.0	427,277	83.3
Cash and deposits	48,357		45,642	
Trade notes and accounts receivable	313,520		290,020	
Securities	11,894		13,609	
Inventories	61,335		52,251	
Deferred tax assets	2,611		2,615	
Miscellaneous receivables	23,409		23,083	
Others	932		789	
Allowance for doubtful accounts	(1,029)		(734)	
Fixed assets	94,547	17.0	85,911	16.7
Tangible fixed assets	52,026	9.4	47,004	9.1
Buildings and structures	18,434		16,689	
Machinery, equipment and vehicles	1,584		1,653	
Tools and fixtures	1,211		1,242	
Land	30,521		27,416	
Construction in progress	274		2	
Intangible fixed assets	2,962	0.5	2,123	0.4
Investments and other assets	39,558	7.1	36,782	7.2
Investment in securities	19,442		17,570	
Long-term loans	1,282		1,064	
Deferred tax assets	5,915		5,975	
Deferred tax assets on land revaluation	2,200		2,200	
Others	14,082		13,050	
Allowance for doubtful accounts	(3,366)		(3,078)	
Total	555,579	100.0	513,188	100.0

Item	As of June 30, 2004		(Reference) As of March 31, 2004	
	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)
(Liabilities)	440,671	79.3	401,246	78.2
Current liabilities	418,373	75.3	382,078	74.5
Trade notes and accounts payable	401,894		366,302	
Short-term debt	3,858		2,863	
Income taxes payable	1,901		3,532	
Accrued bonuses	3,866		3,983	
Allowance for sales rebates	37		33	
Allowance for loss on sales returns	657		582	
Others	6,158		4,782	
Non-current liabilities	22,298	4.0	19,168	3.7
Allowance for employees' retirement benefits	18,737		17,335	
Allowance for directors' retirement benefits	1,175		1,074	
Allowance for loss on debt guarantee	661		503	
Consolidation-related adjustments	1,252		-	
Others	471		254	
(Minority interests)	4,719	0.9	3,532	0.7
Minority interests	4,719	0.9	3,532	0.7
(Shareholders' equity)	110,188	19.8	108,409	21.1
Paid-in capital	3,380	0.6	3,380	0.6
Additional paid-in capital	18,623	3.3	18,623	3.6
Retained earnings	85,356	15.4	84,048	16.4
Shortfall on land revaluation	(3,201)	(0.6)	(3,201)	(0.6)
Unrealized gain on available-for-sale securities	6,129	1.1	5,628	1.1
Foreign currency translation adjustments	(16)	(0.0)	(11)	(0.0)
Treasury stock, at cost	(82)	(0.0)	(58)	(0.0)
Total	555,579	100.0	513,188	100.0

(2) Quarterly Consolidated Income Statements

Item	Three months ended June 30, 2004		(Ref.) Year ended March 31, 2004	
	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)
(Net sales)				
Net sales	289,630	100.0	1,066,577	100.0
(Cost of sales)				
Cost of sales	264,857	91.4	972,173	91.1
Reversal of allowance for returned unsold goods	589	0.2	613	0.1
Allowance for returned unsold goods	633	0.2	582	0.1
Gross profit	24,729	8.6	94,435	8.9
Selling, general and administrative expenses	21,908	7.6	82,032	7.7
Operating income	2,821	1.0	12,402	1.2
Non-operating income	1,101	0.4	3,512	0.3
Interest income	20		125	
Dividend income	151		171	
Information fees received	615		2,215	
Depreciation of consolidation-related adjustments	65		116	
Equity in earnings of unconsolidated subsidiaries and affiliates	5		27	
Others	241		854	
Non-operating expenses	145	0.1	648	0.1
Interest expenses	14		33	
Organizational inauguration expenses	-		49	
Commission fees	4		41	
Allowance for doubtful accounts	26		260	
Others	100		263	
Ordinary profit	3,777	1.3	15,266	1.4
Extraordinary income	190	0.1	610	0.1
Gain on sale of fixed assets	-		147	
Reversal of allowance for doubtful accounts	190		139	
Reversal of allowance for directors' retirement benefits	-		93	
Reversal of allowance for losses on debt guarantee	-		70	
Gain on sale of securities	-		161	
Extraordinary loss	-	-	3,318	0.3
Loss on sale of fixed assets	-		1,138	
Loss on disposal of fixed assets	-		223	
Loss on impairment of fixed assets	-		1,956	
Income before income taxes	3,967	1.4	12,558	1.2
Corporate, residential and enterprise taxes	1,717	0.6	6,960	0.7
Corporate tax adjustments	(46)	(0.0)	(1,289)	(0.1)
Minority interests in net income	87	0.0	397	0.0
Net income	2,209	0.8	6,489	0.6

(3) Quarterly Consolidated Statements of Retained Earnings

	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2004
Item	Millions of Yen	Millions of Yen
Capital surplus		
Beginning balance	18,623	17,803
Increase in capital surplus	-	820
(Gain on disposal of treasury stock)	-	820
Ending balance	18,623	18,623
Retained earnings		
Beginning balance	84,048	78,384
Increase in retained earnings	2,209	6,489
(Net income)	2,209	6,489
Decrease in retained earnings	901	825
(Dividends)	844	741
(Directors' bonuses)	56	52
(Reversal of gain on land revaluation)	-	32
Ending balance	85,356	84,048

(4) Quarterly Consolidated Statements of Cash Flows

	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2004
Item	Millions of Yen	Millions of Yen
I Cash flows from operating activities		
Income before income taxes	3,967	12,558
Depreciation	607	2,414
Decrease in allowance for doubtful accounts	(131)	(487)
Increase in allowance for employees' retirement benefits	255	556
Decrease in allowance for bonuses	(348)	-
Decrease in allowance for loss on business restructuring	-	(581)
Interest and dividends income	(172)	(297)
Interest expenses	14	33
Depreciation of consolidation-related adjustments	(65)	(116)
Loss on impairment of fixed assets	-	1,956
Gain on sale of securities	-	(161)
Gain on sale of fixed assets	-	(147)
Loss on sale and disposal of fixed assets	-	1,362
Decrease in unpaid employees' retirement benefits	-	(2,176)
Increase in trade notes and accounts receivable	(5,768)	(8,436)
Increase in inventories	(5,872)	(1,211)
Decrease in miscellaneous receivables	1,450	2,946
Increase in trade notes and accounts payable	13,004	7,216
Others	996	(1,556)
Subtotal	7,937	13,872
Interest and dividends received	167	332
Interest paid	(13)	(33)
Income taxes paid	(4,133)	(11,873)
Net cash provided by operating activities	3,957	2,297

	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2004
Item	Millions of Yen	Millions of Yen
II Cash flows from investing activities		
Increase in time deposits	(49)	(1,179)
Proceeds from maturity of time deposits	178	260
Payments for purchase of tangible fixed assets	(440)	(780)
Proceeds from sale of tangible fixed assets	10	1,030
Payments for purchase of intangible fixed assets	(899)	(611)
Payments for purchase of securities	(17)	(163)
Proceeds from sale of securities	102	346
Payments for the acquisition of shares of subsidiaries accompanying charge in scope of consolidation	(95)	-
Payments for the acquisition of shares from minority shareholders	(127)	-
Payments for loans provided	(140)	-
Proceeds from collection of loans	237	348
Others	146	(11)
Net cash used in investing activities	(1,095)	(760)
III Cash flows from financing activities		
Net increase (decrease) in short-term debt	(902)	(90)
Repayments of long-term debt	(428)	(356)
Cash payments for share transfer	-	(820)
Proceeds from sale of treasury stock	-	3,515
Cash dividends paid	(844)	(741)
Cash dividends paid to minority shareholders	(27)	(18)
Others	(24)	(60)
Net cash provided by (used in) financing activities	(2,226)	1,428
IV Translation difference of cash and cash equivalents	(2)	(15)
V Increase in cash and cash equivalents	633	2,950
VI Beginning balance of cash and cash equivalents	57,900	54,950
VII Ending balance of cash and cash equivalents	58,534	57,900