

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2006

Corporate Name: Alfresa Holdings Corporation

(Code : 2784, 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.

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 performance for the first quarter of the fiscal year ending

March 31, 2006 (April 1, 2005 – June 30, 2005)

(1) Consolidated operating results

(Rounded down to the nearest million)

	Net sales		Operating income		Ordinary profit		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
3 months ended June 30, 2005	339,376	17.2	1,369	(51.5)	2,557	(32.3)	1,281	(42.0)
3 months ended June 30, 2004	289,630	-	2,821	-	3,777	-	2,209	-
[Ref.] Fiscal year ended March 2005	1,195,313		6,534		10,431		3,207	

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
3 months ended June 30, 2005	36.11		-	
3 months ended June 30, 2004	65.39		-	
[Ref.] Fiscal year ended March 2005	91.81		-	

Note: Percentages in net sales, operating income, ordinary profit and net income show changes from the same quarter of the previous year. Please note that the Company was established in September 2003, and therefore no change is given in results for the first quarter of the year ended March 31, 2005 as compared with those of the same quarter of the previous year.

Qualitative information on the consolidated operating results

Japan's economy during the first quarter has been on a moderate recovery path due to continued growth in capital investment and steady consumer spending. In the ethical drugs market, the group's core business field, the business environment remains difficult, while the falling in the selling prices, which had reduced significantly in the previous year, has calmed down. As a result, the ethical drugs market for the first quarter grew approximately 3% from the previous year, mainly due to the hay fever epidemic spreading since the beginning of the year.

Under such circumstances, the group launched a new three-year medium-term management plan, starting April 2005, aiming at: 1) strengthening of corporate governance system, 2) promotion of Corporate Social Responsibility (CSR), and 3) development of new main system, to enhance the group management framework. The group is also committed to achieve group-wide net sales of 2 trillion yen. As part of the group expansion, OKAUCHI KANKODO, Ltd. (head office: Kagawa Prefecture) and Kowa Yakuhin Co., Ltd. (head office: Tokushima Prefecture) became wholly owned subsidiaries of the Company through stock exchange as of April 1, 2005, and were newly consolidated from the first quarter. SEIWA SANGYO CO., LTD. (head office: Hiroshima Prefecture) is also scheduled to become a wholly owned subsidiary of the Company through stock exchange as of October 1, 2005.

Concerning the consolidated results for the first quarter, net sales reached 339,376 million yen (up 17.2% from the previous year) partly owing to the increase in the number of consolidated subsidiaries. The decline in the gross profit margin, however, lead to operating income of 1,369 million yen (down 51.5% from the previous year), ordinary profit of 2,557 million yen (down 32.3% from the previous year) and net income of 1,281 million yen (down 42.0% from the previous year).

(2) Consolidated financial position

(Rounded down to the nearest million)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
3 months ended June 30, 2005	640,970	115,789	18.1	3,262.14
3 months ended June 30, 2004	555,579	110,188	19.8	3,261.66
[Ref.] Fiscal year ended March 2005	609,351	111,075	18.2	3,281.01

Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
3 months ended June 30, 2005	1,652	(2,390)	(2,020)	56,546
3 months ended June 30, 2004	3,957	(1,095)	(2,226)	58,534
[Ref.] Fiscal year ended March 2005	10,169	(4,039)	(7,566)	57,379

Qualitative information on consolidated financial position

I. Consolidated financial position

Compared to the end of the previous fiscal year, the consolidated financial position for the first quarter was as follows:

Assets

Assets increased by 31,619 million yen. This was mainly on account of an increase of 18,489 million yen in trade notes and accounts receivable, an increase of 4,738 million yen in inventories, and an increase of 3,491 million yen in land.

Liabilities

Liabilities increased by 27,219 million yen. This was mainly due to an increase of 21,327 million yen in trade notes and accounts payable.

Shareholders' equity

Shareholders' equity increased by 4,713 million yen. This was mainly attributable to an increase of 4,852 million yen in capital surplus, reflecting the addition of new consolidated subsidiaries through stock exchange conducted on April 1, 2005.

. Consolidated cash flows

Cash and cash equivalents (net cash) at end of the first quarter were 56,546 million yen, down 833 million yen from the end of the previous consolidated fiscal year.

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

Cash flow from operating activities

Net cash provided by operating activities was 1,652 million yen, as income before income taxes totaled 2,553 million yen and trade notes and accounts payable increased by 12,426 million yen, while trade notes and accounts receivable increased by 10,278 million yen, and inventories increased by 2,667 million yen.

Cash flows from investing activities

Net cash used in investing activities was 2,390 million yen. This was mainly attributable to the payment of 2,083 million yen for the purchase of tangible fixed assets including land for the Meguro pharmaceuticals center.

Cash flows from financing activities

Net cash used in financing activities was 2,020 million yen. This was mainly due to a decrease in short-term debt of 1,954 million yen and dividends payments of 845 million yen.

Reference

Consolidated performance forecast for the fiscal year ending March 31, 2006
(April 1, 2005 - March 31, 2006)

(Millions of yen)

	Net sales	Ordinary profit	Net income
Six months ending September 30, 2005	650,000	5,700	3,100
Fiscal year ending March 31, 2006	1,340,000	14,700	7,500

Reference: Estimated earnings per share: ¥211.30

Qualitative information on performance forecast

The Company has not altered the consolidated interim and full year performance forecasts released on May 12, 2005, as at the end of the first quarter. Estimated earnings per share (for full year) has been adjusted due to the increased number of outstanding shares following stock exchange in this first quarter.

Note: The performance forecast above reflects the judgment by the Company and its group companies on the basis of information available at the time these materials were prepared. Please note that actual results may differ due to various factors.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Rounded down to the nearest million)

Item	As of the end of current 1Q (June 30, 2005)		As of the end of previous 1Q (June 30, 2004)		Change		(Ref.) As of the end of previous FY (March 31, 2005)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Assets)								
Current assets	530,340	82.7	461,031	83.0	69,308	15.0	505,006	82.9
Cash and deposits	56,745		48,357				57,148	
Trade notes and accounts receivable	356,692		313,520				338,202	
Securities	1,669		11,894				2,254	
Inventories	73,850		61,335				69,111	
Deferred tax assets	3,940		2,611				3,512	
Miscellaneous receivables	36,637		23,409				34,489	
Others	1,680		932				1,092	
Allowance for doubtful accounts	(876)		(1,029)				(805)	
Fixed assets	110,630	17.3	94,547	17.0	16,083	17.0	104,345	17.1
Tangible fixed assets	58,560	9.2	52,026	9.4	6,533	12.6	55,632	9.1
Buildings and structures	20,325		18,434				20,158	
Machinery, equipment and vehicles	1,500		1,584				1,461	
Tools and fixtures	1,227		1,211				1,205	
Land	35,214		30,521				31,723	
Construction in progress	291		274				1,083	
Intangible fixed assets	4,708	0.7	2,962	0.5	1,746	58.9	3,959	0.7
Investments and other assets	47,361	7.4	39,558	7.1	7,803	19.7	44,753	7.3
Investment in securities	22,987		16,442				20,914	
Long-term loans	1,359		1,282				1,429	
Deferred tax assets	7,326		5,915				6,572	
Deferred tax assets on land revaluation	2,051		2,200				2,051	
Others	17,928		14,082				17,939	
Allowance for doubtful accounts	(4,290)		(3,366)				(4,154)	
Total	640,970	100.0	555,579	100.0	85,391	15.4	609,351	100.0

(Rounded down to the nearest million)

Item	As of the end of current 1Q (June 30, 2005)		As of the end of previous 1Q (June 30, 2004)		Change		(Ref.) As of the end of previous FY (March 31, 2005)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Liabilities)	520,824	81.2	440,671	79.3	80,153	18.2	493,605	81.0
Current liabilities	462,632	76.8	418,373	75.3	74,259	17.7	469,200	77.0
Trade notes and accounts payable	472,010		401,894				450,682	
Short-term debt	2,835		3,858				4,676	
Corporate bonds redeemed within a year	500		-				500	
Income taxes payable	2,463		1,901				493	
Accrued bonuses	6,220		3,866				4,635	
Allowance for sales rebates	58		37				63	
Allowance for loss on sales returns	634		657				742	
Others	7,909		6,158				7,407	
Non-current liabilities	28,192	4.4	22,298	4.0	5,893	26.4	24,405	4.0
Corporate bonds	100		-				100	
Long-term debt	1,090		-				700	
Deferred tax liabilities	3,750		-				1,593	
Allowance for employees' retirement benefits	19,927		18,737				19,339	
Allowance for directors' retirement benefits	502		1,175				369	
Allowance for loss on debt guarantee	588		661				588	
Consolidation-related adjustments	1,585		1,252				926	
Others	647		471				786	
(Minority interests)	4,356	0.7	4,719	0.9	(362)	(7.7)	4,670	0.8
Minority interests	4,356	0.7	4,719	0.9	(362)	(7.7)	4,670	0.8
(Shareholders' equity)	115,789	18.1	110,188	19.8	5,600	5.1	111,075	18.2
Paid-in capital	3,635	0.6	3,380	0.6	255	7.5	3,450	0.6
Capital surplus	26,261	4.1	18,623	3.3	7,637	41.0	21,356	3.5
Retained earnings	85,631	13.4	85,356	15.4	275	0.3	85,274	14.0
Shortfall on land revaluation	(2,977)	(0.5)	(3,201)	(0.6)	223	-	(2,977)	(0.5)
Unrealized gain on available-for-sale securities	6,541	1.0	6,129	1.1	412	6.7	6,520	1.0
Foreign currency translation adjustments	(10)	(0.0)	(16)	(0.0)	6	-	(22)	(0.0)
Treasury stock, at cost	(3,292)	(0.5)	(82)	(0.0)	(3,209)	-	(2,525)	(0.4)
Total	640,970	100.0	555,579	100.0	85,391	15.4	609,351	100.0

(2) Quarterly Consolidated Income Statements

(Rounded down to the nearest million)

Item	Three months ended June 30, 2005		Three months ended June 30, 2004		Change		(Ref.) Year ended March 31, 2005	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Net sales								
Net sales	339,376	100.0	289,630	100.0	49,746	17.2	1,195,313	100.0
Cost of sales								
Cost of sales	313,849	92.4	264,857	91.4	48,992	18.5	1,097,279	91.8
Reversal of allowance for returned unsold goods	749	0.2	589	0.2			681	0.1
Allowance for returned unsold goods	634	0.2	633	0.2			767	0.1
Gross profit	25,641	7.6	24,729	8.6	912	3.7	97,948	8.2
Selling, general and administrative expenses	25,272	7.2	21,908	7.6	2,364	10.8	91,414	7.6
Operating income	1,369	0.4	2,821	1.0	(1,451)	(51.5)	6,534	0.6
Non-operating income	1,308	0.4	1,101	0.4	207	18.9	4,458	0.4
Interest income	19		20				115	
Dividend income	186		151				258	
Information fees received	751		615				2,563	
Depreciation of consolidation-related adjustments	98		65				288	
Equity in earnings of unconsolidated subsidiaries and affiliates	-		5				-	
Others	252		241				1,233	
Non-operating expenses	121	0.0	145	0.1	(23)	(16.4)	561	0.1
Interest expenses	24		14				67	
Commission fees	3		4				47	
Allowance for doubtful accounts	-		26				-	
Others	94		100				447	
Ordinary profit	2,557	0.8	3,777	1.3	(1,220)	(32.3)	10,431	0.9
Extraordinary income	30	0.0	190	0.1	(160)	(84.1)	72	0.0
Gain on sale of fixed assets	30		-				-	
Reversal of allowance for doubtful accounts	-		190				-	
Reversal of allowance for loss on debt guarantee	-		-				72	
Extraordinary loss	33	0.0	-	-	33	-	4,932	0.4
Loss on sale of fixed assets	13		-				-	
Loss on disposal of fixed assets	19		-				273	
Loss on impairment of fixed assets	-		-				771	
Loss on cancellation of leases	-		-				153	
Integration expenses	-		-				286	
Loss on liquidation of affiliates	-		-				485	
Voluntary retirement benefits	-		-				2,961	
Income before income taxes	2,553	0.8	3,967	1.4	(1,413)	(35.6)	5,571	0.5
Corporate, residential and enterprise taxes	2,306	0.7	1,717	0.6	589	34.3	3,159	0.3
Corporate tax adjustments	(1,132)	(0.3)	(46)	(0.0)	(1,086)	-	(1,150)	(0.1)
Minority interests in net income	98	0.0	87	0.0	10	12.0	354	0.0
Net income	1,281	0.4	2,209	0.8	(927)	(42.0)	3,207	0.3

(3) Quarterly Consolidated Statements of Retained Earnings

(Rounded down to the nearest million)

	Three months ended June 30, 2005	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2005
Item	¥ Million	¥ Million	¥ Million
Capital surplus			
Beginning balance	21,356	18,623	18,623
Increase in capital surplus	4,904	-	2,732
(Increase due to stock exchange)	4,852	-	2,732
(Gain on disposal of treasury stock)	52	-	-
Ending balance	26,261	18,623	21,356
Retained earnings			
Beginning balance	85,274	84,048	84,048
Increase in retained earnings	1,281	2,209	3,214
(Net income)	1,281	2,209	3,207
(Increase due to exclusion from equity method)	-	-	6
Decrease in retained earnings	924	901	1,988
(Dividends)	845	844	1,707
(Directors' bonuses)	78	56	56
(Reversal of gain on land revaluation)	-	-	223
Ending balance	85,631	85,356	85,274

(4) Quarterly Consolidated Statements of Cash Flows

(Rounded down to the nearest million)

	Three months ended June 30, 2005	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2005
Item	¥ Million	¥ Million	¥ Million
I Cash flows from operating activities			
Income before income taxes	2,553	3,967	5,571
Depreciation	722	607	2,659
Increase (decrease) in allowance for doubtful accounts	154	(131)	(80)
Increase (decrease) in allowance for employees' retirement benefits	341	255	(789)
Decrease in allowance for directors' retirement benefits	(65)	-	(1,028)
Increase (decrease) in allowance for bonuses	1,445	(348)	-
Interest and dividends income	(205)	(172)	(373)
Interest expenses	24	14	67
Depreciation of consolidation-related adjustments	(98)	(65)	(288)
Loss on impairment of fixed assets	-	-	771
Loss on sale and disposal of fixed assets	33	-	273
Increase in trade notes and accounts receivable	(10,278)	(5,768)	(13,035)
Increase in inventories	(2,667)	(5,872)	(8,876)
Decrease (increase) in miscellaneous receivables	(1,910)	1,450	(8,161)
Increase in trade notes and accounts payable	12,426	13,004	36,002
Others	(503)	996	2,027
Subtotal	1,971	7,937	14,740
Interest and dividends received	195	167	366
Interest paid	(25)	(13)	(64)
Income taxes paid	(488)	(4,133)	(4,871)
Net cash provided by operating activities	1,652	3,957	10,169

(Rounded down to the nearest million)

	Three months ended June 30, 2005	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2005
Item	¥ Million	¥ Million	¥ Million
Cash flows from investing activities			
Increase in time deposits	(110)	(49)	(703)
Proceeds from maturity of time deposits	165	178	891
Payments for purchase of securities	-	-	(129)
Payments for purchase of tangible fixed assets	(2,083)	(440)	(2,227)
Proceeds from sale of tangible fixed assets	203	10	97
Payments for purchase of intangible fixed assets	(211)	(899)	(2,194)
Payments for purchase of securities	(337)	(17)	(77)
Proceeds from sale of securities	29	102	187
Payments for the acquisition of shares of subsidiaries accompanying change in scope of consolidation	-	(95)	-
Payments for the acquisition of shares from minority shareholders	-	(127)	-
Payments for loans provided	(94)	(140)	(265)
Proceeds from collection of loans	55	237	425
Others	(7)	146	(43)
Net cash used in investing activities	(2,390)	(1,095)	(4,039)
Cash flows from financing activities			
Net increase (decrease) in short-term debt	(1,954)	(902)	(1,835)
Proceeds from long-term loans	600	-	300
Repayments of long-term debt	(97)	(428)	(1,259)
Payments of corporate bond redemption	-	-	(100)
Payments for purchase of treasury stock	(18)	-	(2,097)
Proceeds from sale of treasury stock	316	-	-
Cash dividends paid	(845)	(844)	(2,546)
Cash dividends paid to minority shareholders	(21)	(27)	(27)
Others	-	(24)	-
Net cash used in financing activities	(2,020)	(2,226)	(7,566)
Translation difference of cash and cash equivalents	11	(2)	(6)
Increase (decrease) in cash and cash equivalents	(2,746)	633	(1,442)
Beginning balance of cash and cash equivalents	57,379	57,900	57,900
Increase in cash and cash equivalents due to stock exchange	1,912	-	921
Ending balance of cash and cash equivalents	56,546	58,534	57,379