

Interim Results Briefing (Consolidated)

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>)

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Board of Directors' Meeting on Interim Closing of Accounts: November 16, 2005

U.S. Accounting Standards: Not applied.

1. Consolidated performance for the first half of the year ending March 31, 2006 (April 1, 2005 - September 30, 2005)

(1) Consolidated operating results

Note: Rounded down to the nearest million

	Net sales		Operating income		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2005 (Interim)	667,726	17.6	4,239	18.4	6,489	15.3
September 30, 2004 (Interim)	567,944	8.6	3,579	(36.1)	5,627	(21.1)
Year ended March 31, 2005	1,195,313		6,534		10,431	

	Net income		Earnings per share		Diluted earnings per share	
	Millions of yen	%	Yen		Yen	
September 30, 2005 (Interim)	3,209	4.2	90.42		-	
September 30, 2004 (Interim)	3,080	(18.2)	90.41		-	
Year ended March 31, 2005	3,207		91.81		-	

- Notes: (1) Profit or loss on equity method investments Sep. 2005: ¥- Million Sep. 2004: ¥- Million Mar. 2005: ¥- Million
(2) Average number of shares outstanding during the period (consolidated) Sep. 2005: 35,494,638 Sep. 2004: 34,073,311 Mar. 2005: 34,020,682
(3) Change in accounting method None
(4) Percentages in net sales, operating income, ordinary profit and net income show changes from a year earlier.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2005 (Interim)	616,377	121,943	19.8	3,435.56
September 30, 2004 (Interim)	573,763	112,775	19.6	3,279.47
Year ended March 31, 2005	609,351	111,075	18.2	3,281.01

Note: Number of shares outstanding at the end of the period (consolidated) Sep. 2005: 35,494,421 Sep. 2004: 34,388,337 Mar. 2005: 33,828,402

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2005 (Interim)	(7,021)	(6,467)	(1,454)	44,360
September 30, 2004 (Interim)	(3,887)	(3,246)	(1,049)	50,641
Year ended March 31, 2005	10,169	(4,039)	(7,566)	57,379

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

Number of consolidated subsidiaries: 12 Number of unconsolidated subsidiaries based on the equity method: - Number of affiliates based on the equity method: -

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

Consolidation: (New) 2 (Exclusion) - Equity method: (New) - (Exclusion) -

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

	Net sales	Ordinary profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2006	1,340,000	14,700	7,500

Reference: Estimated earnings per share for March 2006: ¥204.46

Note: The estimated earnings per share for March 2006 is calculated based on the forecast average number of outstanding shares during the period, considering 2,379,505 shares to be issued at the scheduled stock exchange with SEIWA SANGYO CO., LTD. on October 1, 2005.

* 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 Company has its basic role to formulate the management vision of the entire group and establish the management plan based on the vision as well as continuously enhance the corporate value by effectively utilizing management resources of the group.

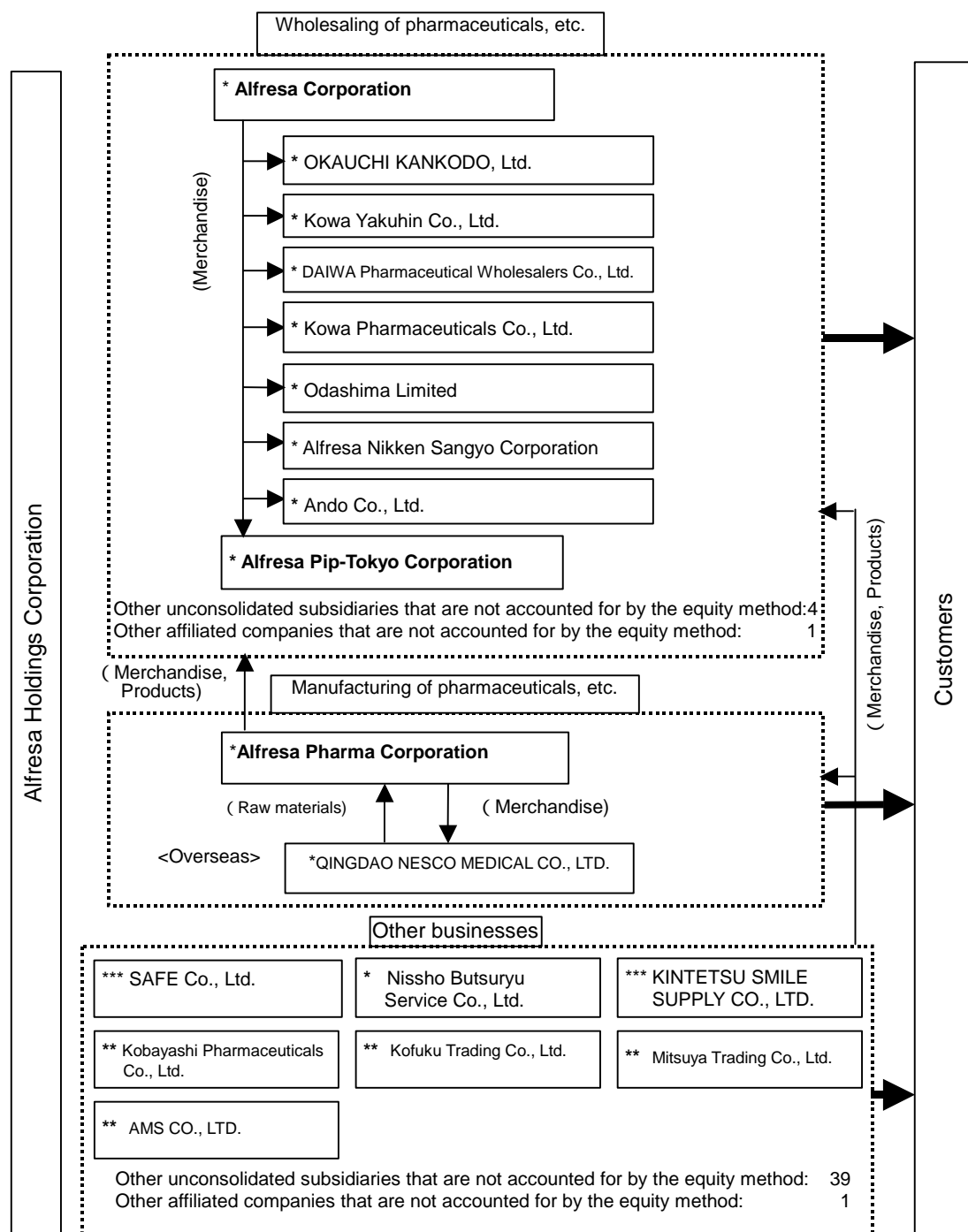
Our main businesses consist of wholesaling of pharmaceuticals, diagnostic reagents and medical devices/equipment, and manufacturing and marketing of pharmaceuticals, diagnostic reagents and medical devices/equipment.

The description of business and the relationship relating to the relevant business between the Company and affiliates are as follows.

Classification of business	Company name	Main line of business
Wholesaling of pharmaceuticals, etc.	Alfresa Corporation	Ethical drugs, diagnostic reagents, over-the-counter drugs, medical devices/materials
	OKAUCHI KANKODO, Ltd.	Ethical drugs, diagnostic reagents, medical devices/materials
	Kowa Yakuhin Co., Ltd.	Ethical drugs, diagnostic reagents, medical devices/materials
	DAIWA Pharmaceutical Wholesalers Co., Ltd.	Ethical drugs, diagnostic reagents, medical devices/materials
	Alfresa Pip-Tokyo Corporation	Medical materials and other products, SPD business*
	Kowa Pharmaceuticals Co., Ltd.	Ethical drugs, diagnostic reagents, medical devices/materials
	Odashima Limited	Ethical drugs, diagnostic reagents, medical devices/materials
	Alfresa Nikken Sangyo Corporation	Ethical drugs, diagnostic reagents, medical devices/materials
	Ando Co., Ltd.	Ethical drugs, diagnostic reagents, medical devices/materials
	Advanced Healthcare Service Co., Ltd.	Over-the-counter drugs, quasi drugs
	Fine Small-Lot Packaging Center Co., Ltd.	Ethical drugs
Manufacturing of pharmaceuticals, etc.	FAMILY CARE CO., LTD.	Other (health foods, etc.)
	NORMECA ASIA CO., LTD.	Other (wholesaling of emergency and disaster supplies)
Other businesses	Alfresa Pharma Corporation	Pharmaceuticals, diagnostic reagents, medical devices/equipment and other products (pharmaceutical raw materials, etc.)
	QINGDAO NESCO MEDICAL CO., LTD.	Medical devices/equipment
	Nissho Butsuryu Service Co., Ltd.	Transportation, warehousing, insurance agency
	SAFE Co., Ltd.	Information services relating to pharmaceuticals, etc.
	AMS CO., LTD.	Insurance agency, real estate management, sales of daily necessity and miscellaneous goods, etc., staffing service
	Mitsuya Trading Co., Ltd.	Insurance agency
	Kofuku Trading Co., Ltd.	Insurance agency
KINTETSU SMILE SUPPLY CO., LTD.	Rental service of nursing care equipment, etc.	
Kobayashi Pharmaceuticals Co., Ltd. and other companies	Management of dispensing pharmacies, import and sales of pharmaceutical bulk powder, etc.	

*SPD (Supply Processing and Distribution): Concept to enhance rationalization, promote efficiency and improve the management system by consolidating everything from procurement to distribution and consumption for the entire range of in-hospital supplies. As medical institutions are required to operate more efficiently, they are increasingly outsourcing the product management.

The relationship of the Company and main affiliated companies is as follows:



→ : Business relation Parenthesis () : Main contents of business.

* Consolidated subsidiaries

** Unconsolidated subsidiaries that are not accounted for by the equity method

*** Affiliated companies that are not accounted for by the equity method

Notes:

1. OKAUCHI KANKODO, Ltd., Kowa Yakuhin Co., Ltd. and DAIWA Pharmaceutical Wholesalers Co., Ltd. became wholly owned subsidiaries of the Company by stock exchange on April 1, 2005.
2. OKAUCHI KANKODO, Ltd. absorbed Kowa Yakuhin Co., Ltd. and DAIWA Pharmaceutical Wholesalers Co., Ltd. and changed the corporate name to Shikoku Alfresa Corporation on October 1, 2005.
3. SEIWA SANGYO CO., LTD. became a wholly owned subsidiary of the Company by stock exchange on October 1, 2005. SEIWA SANGYO falls under the category of specified subsidiary (“Tokutei Kogaisha”) of the Company.

Status of the consolidated subsidiaries

Name	Address	Capital (millions of yen)	Main line of business	Ratio of voting rights (%)	Relationship with the Company
Alfresa Corporation *	Chiyoda-ku, Tokyo	4,000	Wholesaling of pharmaceuticals, etc.	100.0	It has concluded a basic contract with the Company relating to management services. Interlocking director: 3
Alfresa Pharma Corporation *	Chuo-ku, Osaka	1,000	Manufacturing of pharmaceuticals, etc.	100.0	It has concluded a basic contract with the company relating to management services. Interlocking director: 2
OKAUCHI KANKODO, Ltd.	Takamatsu, Kagawa Prefecture	46	Wholesaling of pharmaceuticals, etc.	100.0	It has concluded a basic contract with the company relating to management services. Interlocking director: 1
Kowa Yakuhin Co., Ltd.	Tokushima, Tokushima Prefecture	55	Wholesaling of pharmaceuticals, etc.	100.0	It has concluded a basic contract with the company relating to management services. Interlocking director: 1
DAIWA Pharmaceutical Wholesalers Co., Ltd.	Matsuyama, Ehime Prefecture	60	Wholesaling of pharmaceuticals, etc.	100.0	It is responsible for Ehime Prefecture in the group. Interlocking director: 1
Alfresa Pip-Tokyo Corporation *	Sumida-ku, Tokyo	400	Wholesaling of pharmaceuticals, etc.	51.0	It is engaged in the SPD business. Interlocking director: 2
Nissho Butsuryu Service Co., Ltd.	Chuo-ku, Osaka	70	Other businesses (transportation, warehousing, etc.)	84.2 (84.2)	It mainly conducts transportation business for commercial products of Alfresa Corporation. Interlocking director: None
Kowa Pharmaceuticals Co., Ltd.	Koriyama, Fukushima Prefecture	104	Wholesaling of pharmaceuticals, etc.	67.6 (67.6)	It is responsible for the Tohoku region in the group. Interlocking director: 1
Odashima Limited	Hanamaki, Iwate Prefecture	30	Wholesaling of pharmaceuticals, etc.	55.1 (55.1)	It is responsible for the Tohoku region in the group. Interlocking director: 1
Alfresa Nikken Sangyo Corporation	Gifu, Gifu Prefecture	190	Wholesaling of pharmaceuticals, etc.	51.0 (51.0)	It is responsible for Gifu prefecture in the group. Interlocking director: None
Ando Co., Ltd.	Takasaki, Gunma Prefecture	300	Wholesaling of pharmaceuticals, etc.	50.9 (50.9)	It is responsible for Gunma Prefecture in the group. Interlocking director: None
QINGDAO NESCO MEDICAL CO., LTD.	Qingdao, Shandong, China	300	Manufacturing of pharmaceuticals, etc.	100.0 (100.0)	It supplies raw materials to Alfresa Pharma Corporation. Interlocking director: None

Notes 1. In the column of "Main line of business," segments by business type are stated.

2. Asterisk mark means specified subsidiaries.

3. Ratio of voting rights owned by subsidiaries of the Company is indicated within the parenthesis, which is included in the total ratio.

2. Management Policies

(1) Basic management policies

The Alfresa group, as a member of the healthcare industry, engages in wide-ranging businesses under our Group Mission “to maximize our corporate value by creating innovative value and earning the trust of society through contribution to people’s health mainly in the field of medical care.” Also, we would like to create a fresh life for all the people based on our “Healthcare Consortium” concept for providing comprehensive healthcare services.

(2) Basic policies on profit share

Returning profits to our shareholders is one of our key policies. As for dividends, over 2% dividend on equity is the target with the exact rate to be determined according to the consolidated business performance of the Company, fully taking into consideration such factors as the enhancement of the corporate constitution as well as future business developments.

(3) Target management benchmark

The Alfresa Group formulated a three-year medium-term management plan, which will be consummated in the year ending March 31, 2008, and strives for its implementation. Our target for the final year of the medium-term management plan is to achieve group-wide net sales of 2 trillion yen, net income margin of 1% and return on equity (ROE) of 10%.

(4) Medium to long term management strategies

Our priority issues in the medium-term management plan are “Strengthening of corporate governance system”, “Promotion of CSR” and “Development of new main system”.

“Strengthening of corporate governance system”

With regard to the corporate governance system, we conduct interdivisional group conferences such as group president conferences, and promote exchange of directors among the group companies to maximize synergies in the group as well as share information. We have also established an advisory board to utilize the advice and proposals that the external advisors make to the company’s overall management.

“Promotion of CSR”

With regard to corporate social responsibility (CSR), the entire group will make efforts to achieve various goals, including compliance, thorough corporate governance and environmental consciousness, and endeavor to ensure our sustainable development.

“Development of new main system”

With regard to the new main system, we will develop sharing systems among the group companies. Through standardization and integration of business processes within the group by this system, we will promote laborsaving of back-office operations.

(5) Issues to address

The pharmaceutical industry is in both a difficult business environment and major changes, caused by measures to constrain increasing medical expenses due to the aging society, joint purchasing of pharmaceuticals by National Hospital Organization and other medical institutions, and intensified competition among pharmaceutical wholesalers resulting from widening marketing territories.

The Alfresa Group is therefore pressing ahead with business/capital alliances with cooperative companies across Japan to construct a nationwide sales network and achieve the group-wide sales target of 2 trillion yen.

In the wholesaling business, the Alfresa Group is striving to increase sales as well as secure profits. The group spares no effort to sell products at fair prices, while aiming for reduction of selling, general and

administrative expenses. Also, the group is working hard to strengthen its marketing capacity by introducing specialized delivery staff in a wider area to respond to the needs for frequent deliveries, and improving inventory control systems for customers and sales support systems. At the same time, the group is proactively developing human resources to enhance services such as provision of information to customers.

In the manufacturing business, the Alfresa group is expanding its product lines centering on the central nervous system area and point-of care-testing (POCT) reagents through sales tie-ups with other companies and acquisition of production and distribution rights. On the R&D front, we aim to obtain early approval for “CN-801”, a treatment for chronic sleeping disorder (narcolepsy), of which the group has applied for manufacturing approval. We are also making efforts to expand its indications for obstructive sleep apnea syndrome and attention deficit hyperactivity disorder.

(6) Basic policy on corporate governance and related measures

Basic policy on corporate governance

The Alfresa Group regards enhancement of the corporate governance system as one of the most important issues in the medium-term management plan. In order to fulfill our responsibility for stakeholders including shareholders, customers, employees, business partners, investors, creditors and local communities, and increase the corporate value, we consider it is important to firmly establish corporate governance. As a concrete measure for reinforcement of the corporate governance system, we hold interdivisional group conferences such as group president conferences in order to examine and fully implement the group’s measures as well as promote exchange of directors, all for the purpose of establishing group-wide governance. In addition, we have established an advisory board comprising external influential individuals to receive advice from broader viewpoints with the aim of achieving a fair and transparent corporate management.

Measures for corporate governance

(i) Current status of the business administration organizations and other corporate governance systems regarding managerial decision-making, execution and oversight of the Company

As a pure holding company, Alfresa Holdings Corporation formulates the management vision and mission for the entire group, and lays out business plans based on those. Given that its basic role is to continuously raise corporate value through an effective use of the group’s management resources, the Company manages its group-wide operations based on guidelines for group company management.

(a) Outline of the Company’s organizations

- Auditor system

The Company adopts an auditor system consisting of four corporate auditors, which has an auditing function on the Company’s management. There are no conflicts of interest between the Company and the external auditors.

- The Board of Directors and Executive Officer System

The Board of Directors holds in principle regular meetings once a month and extraordinary meetings when needed. Six directors are designated to constitute the Board of Directors, which decides matters specified by the relevant laws as well as important issues regarding the Company’s management, while supervising the status of business execution. In the first half of the fiscal year under review, the Board of Directors held 12 meetings. In addition, the Company has adopted an executive officer system to accelerate decision-making and to clarify the roles of supervision and execution.

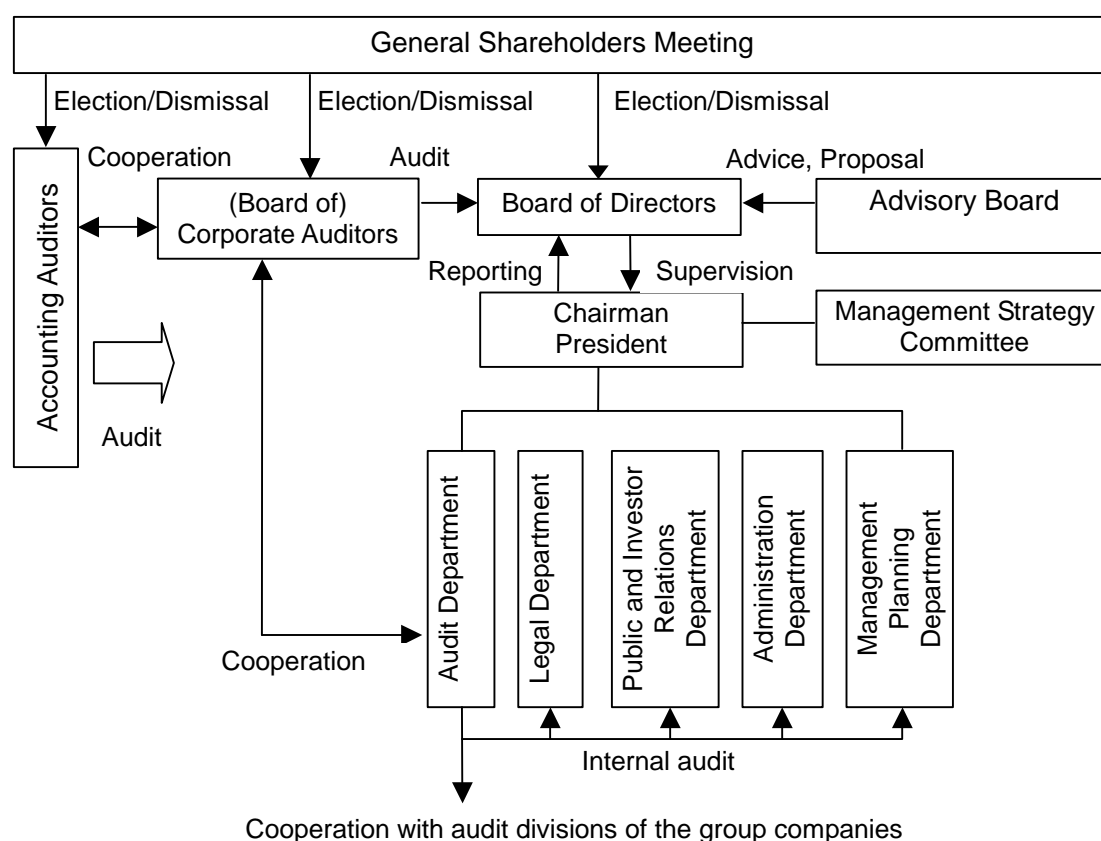
- Advisory Board

In order to give advice and recommendations to the overall management, and enhance the fairness and transparency of corporate management, the Company has established an Advisory Board comprising external influential individuals, all the directors and one representative from the board of corporate auditors, which in principle meets four times a year. The Advisory Board held 2 meetings in the first half of the fiscal year under review.

- Management Strategy Committee

Management Strategy Committee holds in principal regular meetings once a month and extraordinary meetings when needed. The Committee consists of directors and executive officers, which discuss matters concerning the Company’s business execution as an advisory organization to the representative directors. The Management Strategy Committee held 6 meetings in the first half of the fiscal year under review.

(b) Status of internal control system and risk management system



To ensure that corporate activities attach importance to compliance, the Company has established “Legal Department” and “Audit Department” as a part of efforts to enhance the compliance system and improve the risk management system.

(c) Status of internal audit and corporate auditors’ inspection

The Company has two external auditors out of four corporate auditors. In principle, the Board of Corporate Auditors meeting is held once in every three months, and there were 7 meetings in the first half of the fiscal year under review.

Furthermore, group corporate auditor meetings are held, to which auditors of consolidated subsidiaries are invited, to share information among auditors and learn/transfer auditing procedures. Accounting auditors also participate in the meetings for collaboration. There was one meeting in the first half of the fiscal year under review.

In addition to corporate auditors, Audit Department was established to implement the internal audits. The Audit Department provides specific advice and recommendations for operational improvements based on the audit results. Also, regular liaison meetings are held with internal audit divisions of consolidated subsidiaries twice a year to enhance the quality of internal audits and the internal control system of the group as a whole. There was one meeting in the first half of the fiscal year under review.

Regarding collaboration between corporate auditors and the Audit Department, they exchange information concerning internal audit results as needed. Also, internal audit plans of the Audit Department are prepared, taking into consideration requests and opinions from corporate auditors, with the goal of achieving improved performance by sharing the audit plans with each other.

(d) Status of contracts with accounting auditors and lawyers

The Company entrusts auditing firm KPMG AZSA & Co. with the auditing of corporate accounts and receives proposals for operational improvements through accounting audits. Certified Public Accountants who executed audit operations are as follows:

Designated Partner & Engagement Partner	Tomoyasu Kuwano
Designated Partner & Engagement Partner	Mamoru Yamamoto
Designated Partner & Engagement Partner	Kiyoshi Hirai
Designated Partner & Engagement Partner	Takao Matsui

Also, should legal judgment be required, advice can be received from corporate lawyers as deemed appropriate.

(ii) Outline of personal, capital or business relationships and other interests between the Company and its external auditors

There are no personal, capital or business relationships or other interests between the Company and its external auditors.

3. Business Results and Financial Position

(1) Business results

Notwithstanding the sharp rise in crude oil prices, the Japanese economy during the first half of the fiscal year under review continued moderately on track toward recovery as seen in the increase of capital investment and consumer spending owing to the improvement of corporate profits.

The pharmaceuticals market grew approximately 5% during the period under review due to strong sales of drugs related to lifestyle diseases, the epidemic of pollen allergy since the beginning of the year, as well as other factors. The business environment surrounding the Company continued to be difficult, despite the remission in sales price decline resulting from the joint bulk purchase of pharmaceuticals by National Hospital Organization, tough price negotiations with chain dispensing pharmacies, intensified competitions in the industry and other factors.

Under such circumstances, the Alfresa Group in this fiscal year started its new medium-term management plan, which will be consummated in the fiscal year ending March 2008, and the group companies are jointly striving for the achievement of said plan by taking such measures as expanding the scope of joint purchase and conducting joint sales promotion activities.

The Group is expanding its network to be the “No.1 pharmaceuticals distributor” by means of business and capital alliances with cooperative companies across the country. In April 2005, the Company made OKAUCHI KANKODO, Ltd. (Kagawa Prefecture), Kowa Yakuhin Co., Ltd. (Tokushima Prefecture) and DAIWA Pharmaceutical Wholesalers Co., Ltd. (Ehime Prefecture) wholly owned subsidiaries through simplified stock exchanges, and together with Alfresa Corporation, the Company concluded a business cooperation agreement with CS YAKUHIN CO., LTD. (Aichi Prefecture). Also, in May 2005, the Company concluded a stock exchange agreement with SEIWA SANGYO CO., LTD. (Hiroshima Prefecture) to execute a stock exchange on October 1, 2005. Further, the Company concluded in September a basic agreement regarding the management integration with Meisho Co., Ltd. (Ishikawa Prefecture), with which the Company and Alfresa Corporation had been in business cooperation, and Alfresa Corporation concluded a business cooperation agreement regarding the Supply, Processing and Distribution (SPD) business with Konishi Medical Instruments Co., Ltd. (Osaka Prefecture). Through these initiatives, the Company and its group companies have proactively made efforts to expand the Alfresa Group.

As a result, the consolidated business results in the first half of the fiscal year under review posted net sales of 667,726 million yen (up 17.6% from the previous year), operating income of 4,239 million yen (up 18.4% from the previous year), ordinary profit of 6,489 million yen (up 15.3% from the previous year), and net income of 3,209 million yen (up 4.2% from the previous year).

The business results for each business segment in the first half of the fiscal year under review are as follows:

In the wholesaling business, the Company promoted the reinforcement of sales to dispensing pharmacies by partly introducing the high-frequency regular deliveries by Sales Assistants (SAs) to the Kansai and Tokai regions, which had been adopted mainly in the Tokyo metropolitan area. The Company has also made efforts to increase the sales of new products and to acquire new customers, which contributed to steady sales throughout the period. With respect to profits, the Company has thoroughly maintained a fair sales price in light of marginal gains as well as promoted low-cost management.

In addition, Alfresa Pip-Tokyo Corporation, established in December 2004 to be mainly engaged in the SPD business to hospitals and the wholesaling business of medical materials, started its operation in full swing from April 2005 and enhanced the Group’s hospital support system.

As a result, net sales of the wholesaling business were 659,523 million yen (up 17.9% from the previous year) and operating income was 4,048 million yen (up 22.0% from the previous year). The net sales include inter-segment sales of 2 million yen.

In the manufacturing business, the increased sales of a therapeutic agent for liver disorders and the hyperlipidemia improvement agent “EPL Capsule,” therapeutic agent for iron-deficiency anemia “Incremin Syrup,” thromboxane synthetase inhibitors “Okiricon” and cable for spinal fusion “Nespron Cable System,” belonging to the field of medical equipment, contributed to the business performance, although the sales of other conventional products saw sluggish growth.

As a result, net sales of the manufacturing business were 10,360 million yen (up 0.4% from the previous year) and operating income was 67 million yen (down 78.0% from the previous year). The net sales include inter-segment sales of 2,376 million yen.

In the other businesses, net sales were 1,818 million yen (up 5.1% from the previous year) and operating income was 31 million yen (down 66.2% from the previous year). The net sales include inter-segment sales of 1,595 million yen.

(2) Financial position

(i) Consolidated cash flows

Cash and cash equivalents (hereinafter referred to as “net cash”) decreased by 14,932 million yen from the end of the previous fiscal year to 44,360 million yen (down 22.7%) by the end of the first half of the fiscal year under review. This was mainly attributable to the fact that, despite income before income taxes of 5,990 million yen, there were a decrease in trade notes and accounts payable of 13,459 million yen, payments of 2,423 million yen for acquisition of tangible fixed assets, and payments of 2,392 million yen for acquisition of long-term prepaid expenses.

Cash flows from operating activities

Net cash used in operating activities was 7,021 million yen (a decrease of 3,887 million yen in the previous term). This was primarily owing to the fact that, despite income before income taxes of 5,990 million yen and a decrease in inventories of 4,188 million yen, there was a decrease in trade notes and accounts payable of 13,459 million yen.

Cash flows from investing activities

Net cash used in investing activities was 6,467 million yen (a decrease of 3,246 million yen in the previous year). The amount was mainly used for payments of 2,423 million yen for acquisition of tangible fixed assets and payment of 2,392 million yen for acquisition of long-term prepaid expenses.

Cash flows from financing activities

Net cash used in financing activities was 1,454 million yen (a decrease of 1,049 million yen in the previous term). This was mainly due to a decrease in short-term debt of 1,245 million yen and cash dividends paid of 845 million yen.

(ii) Cash flow indicator trends

	September 30, 2005 (Interim)	September 30, 2004 (Interim)	Year ended March 31, 2005
Shareholders' equity ratio (%)	19.8	19.6	18.2
Ratio of market capitalization to total assets (%)	30.4	23.1	24.6
Debt repayment period (years)	-	-	0.6
Interest coverage ratio (%)	-	-	156.9

- 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. All figures are from financial statements calculated on a consolidated basis.
 6. Market capitalization is calculated by multiplying the term-end closing price by the term-end number of outstanding shares (excluding treasury stock).
 7. Interest-bearing debt indicates the total debt, appearing on the consolidated balance sheets, on which interest is being paid.
 8. Interest payments indicates the amount of interest paid appearing on the consolidated statements of cash flows.
 9. Figures for debt repayment period and interest coverage ratio are not shown in the above table when they are negative.

(3) Business risks

(i) Business environment

Japan's ethical pharmaceuticals market, where the Alfresa Group mainly conducts business, is strongly affected by the National Health Insurance system and medical policies. Therefore, notifications, as represented by NHI drug price revisions, may have direct impacts on business results of the Alfresa Group. If the medical system is dramatically changed, there could be a serious effect on the Group's business performance.

Currently, Japanese medical expenditures tend to increase due to an aging population and the increase in lifestyle diseases. However, with solvency of financial resources of medical care insurance system declining, medical system reforms are implemented for the purpose of restraining medical expenditures. These reforms include the reduction of medical service fees, the rise in the self-pay ratio of the elderly and reviews of the NHI drug price scheme. Also, the progress in the separation of drug dispensing from medical practice has been changing the composition of customers, replacing clinics and hospitals with a growing percentage of dispensing pharmacies. Further, there is concern about possible sales price decline due to bulk purchase by National Hospital Organization and dispensing pharmacy chains. The Alfresa Group will be responding to these trends by molding its chain of operations ranging from purchase to the collection of accounts receivable into a form that better fits present circumstances. Depending on the approach to such environment, however, there could be an impact on the Group's business results.

(ii) NHI drug price revisions

Prices of ethical pharmaceuticals, which are main products of the Alfresa Group, are officially fixed by notification from the Ministry of Health, Labor and Welfare. These officially fixed prices are referred to as "NHI drug prices".

NHI drug prices, which are virtually functioning as an upper limit on selling prices, are revised downward roughly once in every two years according to actual prices and demand trends in the market. Accordingly, the Group's business results could be influenced by NHI drug price revisions.

(iii) Influence of seasonal factors

The demand for pharmaceuticals is often affected by the patients' tendency to visit medical institutions due to such seasonal factors as the epidemics of pollen disease and influenza. However, since it is difficult to forecast the influence of such epidemic diseases, seasonal factors could possibly cause a discrepancy from the performance forecast or affect the operational results of the Group.

(iv) Laws and other regulations

The Alfresa Group's main business is wholesaling, manufacturing and sales of ethical pharmaceuticals. In accordance with Japan's Pharmaceutical Affairs Law and other regulations, the Group is required to register licenses and permits and obtain designations as well as various approvals and permissions relating to the development, manufacturing and import of ethical pharmaceuticals.

(v) Credit management

The Alfresa Group's main customers are medical institutions and dispensing pharmacies, and medical system reforms such as restraint of medical expenses could affect the business of these customers. The Alfresa Group promotes conclusion of trading contracts and, at the same time, credit management department and respective persons in charge strive to fully perform credit administration. Although we will continue to tighten credit management, the Group's results could be affected by unforeseeable circumstances that hamper the collection of trade receivables.

(vi) Risks associated with the manufacturing business

In the manufacturing business, one of our core businesses, we handle life-related products. Therefore, we allocate significant resources to processes ranging from product development to sales, and expend all possible means to ensure safety and reliability of the products. However, there are risks of product recalls, the cancellation of sales and other consequences of unforeseeable side effects of products or the contamination of product contents. These risks could be accompanied by lawsuits against the Group. In such case, there could be an impact on the Group's business results.

(vii) System integration

The Alfresa Group is currently integrating its systems to realize more efficient business operations. The group does utmost to ensure its smooth operation. However, if the systems fail to operate properly at the time of integration, it could pose a problem for business operations, primarily involving sales activities such as order input and product shipment. This could have an impact on the Group's business results.

() Overseas transactions

In the manufacturing business, we have a production base in China, while export/import-based product transactions can be affected by political conflicts and substantial fluctuations of foreign exchanges. These factors could have an impact on the Group's results.

(ix) Impairment of fixed assets

The Group has already adopted the asset-impairment accounting. However, the Group's business results or financial conditions can be affected when it becomes necessary to further decrease the book value of assets owned by the Group or offices of the Group with low profitability.

(x) Risks regarding the leakage of personal data

The Group keeps and manages personal data obtained from all kinds of business partners. The Group formulated the personal data management policy in order to avoid the leakage of such personal data and is paying utmost attention to its storage and use. However, should personal data leak due to unforeseeable eventualities or accidents, there could be an impact on the Group's business results or financial conditions.

(4) Performance forecast for the fiscal year ending March 31, 2006

The pharmaceutical industry in the second half of this fiscal year is assumed to remain under the difficult management environment with growing joint purchasing by medical institutions and so forth.

In the wholesaling business, the Company will review the deals with unprofitable customers and further pursue the sales by fair price in order to avoid the decrease of gross profit margin, while making efforts to curtail the sales, general and administrative expenses. In addition, the Company intends to reinforce the sales of high-profit products by exerting our promotion power.

In the manufacturing business, the Company will continue to focus on the sales of EPL Capsule, Incremin Syrup, Okiricon and Nespron Cable System, as we have done in the first half of the fiscal year under review, as well as reinforce the sales of conventional products.

In addition to the above mentioned efforts, as SEIWA SANGYO CO., LTD. was made into a wholly owned subsidiary of the Company by the stock exchange executed on October 1, 2005, the business performance of SEIWA SANGYO CO., LTD. in the second half of this fiscal year will be added to the consolidated business results of the Company in the second half year.

For the fiscal year ending March 31, 2006, Alfresa Holdings Corporation forecasts consolidated net sales of 1,340,000 million yen, ordinary profit of 14,700 million yen and net income of 7,500 million yen.

Note: The description relating to the forecast for the entire fiscal year stated in this data is based on assessments of information currently available to the Company and the Alfresa group, and thus it contains risks and uncertainties. Please be informed that there is a possibility that the actual results may differ from the forecasts stated herein due to various factors, such as the economic situation or market trends surrounding the Company and the Alfresa group.

4. Interim Consolidated Financial Statements
(1) Interim Consolidated Balance Sheets

Item	As of the end of previous interim period (September 30, 2004)		As of the end of current interim period (September 30, 2005)		As of the end of previous fiscal year (March 31, 2005)	
	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)
(Assets)						
Current assets						
1. Cash and deposits	42,990		45,801		57,148	
2. Trade notes and accounts receivable	320,527		349,706		338,202	
3. Securities	9,828		1,061		2,254	
4. Inventories	70,554		66,994		69,111	
5. Miscellaneous receivables	26,034		34,793		34,489	
6. Others	4,670		4,462		4,605	
Allowance for doubtful accounts	(1,046)		(769)		(805)	
Total current assets	473,560	82.5	502,049	81.5	505,006	82.9
Fixed assets						
1. Tangible fixed assets						
(1) Buildings and structures	19,982		20,392		20,158	
(2) Land	31,748		34,976		31,723	
(3) Others	3,894		2,807		3,750	
Total tangible fixed assets	55,625	9.7	58,176	9.4	55,632	9.1
2. Intangible fixed assets	3,691	0.7	4,633	0.7	3,959	0.7
3. Investments and other assets						
(1) Investment in securities	18,383		26,903		20,914	
(2) Others	25,639		28,690		27,993	
Allowance for doubtful accounts	(3,137)		(4,076)		(4,154)	
Total investments and other assets	40,885	7.1	51,518	8.4	44,753	7.3
Total fixed assets	100,202	17.5	114,327	18.5	104,345	17.1
Total	573,763	100.0	616,377	100.0	609,351	100.0

Item	As of the end of previous interim period (September 30, 2004)		As of the end of current interim period (September 30, 2005)		As of the end of previous fiscal year (March 31, 2005)	
	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)
(Liabilities)						
Current liabilities						
1. Trade notes and accounts payable	412,717		446,169		450,682	
2. Short-term debt	5,731		3,449		4,676	
3. Corporate bonds redeemed within a year	-		600		500	
3. Allowances	4,823		5,306		5,441	
4. Others	8,175		8,598		7,901	
Total current liabilities	431,448	75.2	464,124	75.3	469,200	77.0
Non-current liabilities						
1. Corporate bonds	600		-		100	
2. Long-term debt	433		1,044		700	
3. Allowance for employees' retirement benefits	19,948		19,863		19,339	
4. Allowance for directors' retirement benefits	308		287		369	
5. Allowance for loss on debt guarantee	659		572		588	
6. Consolidation-related adjustments	1,178		1,516		926	
7. Others	2,081		2,688		2,380	
Total non-current liabilities	25,209	4.4	25,972	4.2	24,405	4.0
Total liabilities	456,657	79.6	490,096	79.5	493,605	81.0
(Minority interests)						
Minority interests	4,329	0.8	4,337	0.7	4,670	0.8
(Shareholders' equity)						
Paid-in capital	3,450	0.6	3,635	0.6	3,450	0.6
Additional paid-in capital	21,356	3.7	28,201	4.6	21,356	3.5
Retained earnings	86,008	15.0	87,504	14.2	85,274	14.0
Shortfall on land revaluation	(2,976)	(0.5)	(2,922)	(0.5)	(2,977)	(0.5)
Unrealized gain on securities	5,410	0.9	8,820	1.4	6,520	1.0
Foreign currency translation adjustments	(7)	(0.0)	(0)	(0.0)	(22)	(0.0)
Treasury stock, at cost	(466)	(0.1)	(3,294)	(0.5)	(2,525)	(0.4)
Total shareholders' equity	112,775	19.6	121,943	19.8	111,075	18.2
Total	573,763	100.0	616,377	100.0	609,351	100.0

(2) Interim Consolidated Income Statements

Item	Six months ended September 30, 2004		Six months ended September 30, 2005		Fiscal year ended March 31, 2005	
	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)	Millions of Yen	Percentage (%)
Net sales	567,944	100.0	667,726	100.0	1,195,313	100.0
Cost of sales	520,055	91.6	615,352	92.2	1,097,279	91.8
Total deduction	47,888	8.4	52,374	7.8	98,034	8.2
Reversal of allowance for returned unsold goods	614	0.1	749	0.1	681	0.1
Allowance for returned unsold goods	666	0.1	638	0.1	767	0.1
Gross profit	47,835	8.4	52,484	7.8	97,948	8.2
Selling, general and administrative expenses	44,256	7.8	48,245	7.2	91,414	7.6
Operating income	3,579	0.6	4,239	0.6	6,534	0.6
Non-operating income						
1. Interest income	61		55		115	
2. Dividend income	179		205		258	
3. Information fees received	1,244		1,406		2,563	
4. Depreciation of consolidation- related adjustments	145		200		288	
5. Others	647	2,278	540	2,408	1,233	4,458
Non-operating expenses						
1. Interest expenses	28		41		67	
2. Commission fees	41		16		47	
3. Additional retirement benefits	53		-		-	
4. Others	107	230	100	158	447	561
Ordinary profit	5,627	1.0	6,489	1.0	10,431	0.9

Item	Six months ended September 30, 2004			Six months ended September 30, 2005			Fiscal year ended March 31, 2005		
	Millions of Yen		Percentage (%)	Millions of Yen		Percentage (%)	Millions of Yen		Percentage (%)
Extraordinary income									
1. Gain on sale of fixed assets	-			98			-		
2. Reversal of allowance for doubtful accounts	211			119			-		
3. Reversal of allowance for loss on debt guarantee	-	211	0.0	16	234	0.0	72	72	0.0
Extraordinary loss									
1. Loss on sale of fixed assets	-			10			-		
2. Loss on disposal of fixed assets	82			96			273		
3. Loss on sale of available-for-sale securities	-			47			-		
4. Loss on impairment of fixed assets	122			176			771		
5. Loss on cancellation of leases	-			32			153		
6. Integration expenses	207			-			286		
7. Loss on liquidation of affiliates	-			-			485		
8. Voluntary retirement benefits	-			-			2,961		
9. Full amortization of long-term prepaid expenses	-			69			-		
10. Amortization of leaseholds	-			83			-		
11. Directors' retirement benefits	-			144			-		
12. Loss on cancellation of operating consignment contract	-	412	0.1	72	733	0.1	-	4,932	0.4
Income before income taxes		5,425	0.9		5,990	0.9		5,571	0.5
Corporate, residential and enterprise taxes	2,474			3,042			3,159		
Corporate tax adjustments	(319)	2,155	0.4	(268)	2,773	0.4	(1,150)	2,009	0.2
Minority interests in net income		190	0.0		8	0.0		354	0.0
Net income		3,080	0.5		3,209	0.5		3,207	0.3

(3) Interim Consolidated Statements of Retained Earnings

Item	Six months ended September 30, 2004		Six months ended September 30, 2005		Fiscal year ended March 31, 2005	
	Millions of Yen		Millions of Yen		Millions of Yen	
(Capital surplus)						
Beginning balance		18,623		21,356		18,623
Increase in capital surplus						
1. Increase due to stock exchange	2,732		6,791		2,732	
2. Gain on disposal of treasury stock	-	2,732	53	6,844	-	2,732
Ending balance		21,356		28,201		21,356
(Retained earnings)						
Beginning balance		84,048		85,274		84,048
Increase in retained earnings						
1. Net income	3,080		3,209		3,207	
2. Increase due to exclusion from equity method	6	3,087	-	3,209	6	3,214
Decrease in retained earnings						
1. Dividends	844		845		1,707	
2. Directors' bonuses	56		78		56	
3. Reversal of gain on land revaluation	225	1,126	54	979	223	1,988
Ending balance		86,008		87,504		85,274

(4) Interim Consolidated Statements of Cash Flows

	Six months ended September 30, 2004	Six months ended September 30, 2005	Fiscal year ended March 31, 2005
Item	Millions of Yen	Millions of Yen	Millions of Yen
Cash flows from operating activities			
1. Income before income taxes	5,425	5,990	5,571
2. Depreciation	1,225	1,811	2,659
3. Decrease in allowance for doubtful accounts	(723)	(166)	(80)
4. Decrease in allowance for bonuses	(306)	(160)	-
5. Increase (decrease) in allowance for employees' retirement benefits	194	277	(789)
6. Decrease in allowance for directors' retirement benefits	(1,055)	(280)	(1,028)
7. Interest and dividends income	(240)	(261)	(373)
8. Interest expenses	28	41	67
9. Depreciation of consolidation-related adjustments	(145)	(200)	(288)
10. Loss on impairment of fixed assets	122	176	771
11. Gain on sale of fixed assets	-	(98)	-
12. Loss on sale and disposal of fixed assets	82	106	273
13. Decrease (increase) in trade notes and accounts receivable	2,797	(2,998)	(13,035)
14. Decrease (increase) in inventories	(11,979)	4,188	(8,876)
15. Increase in miscellaneous receivables	(221)	(121)	(8,161)
16. Increase (decrease) in trade notes and accounts payable	4,231	(13,459)	36,002
17. Decrease in accounts payable, other	-	(2,225)	-
18. Others	(435)	632	2,027
Subtotal	(1,001)	(6,749)	14,740
19. Interest and dividends received	234	256	366
20. Interest paid	(25)	(40)	(64)
21. Income taxes paid	(3,095)	(488)	(4,871)
Net cash provided by (used in) operating activities	(3,887)	(7,021)	10,169

	Six months ended September 30, 2004	Six months ended September 30, 2005	Fiscal year ended March 31, 2005
Item	Millions of Yen	Millions of Yen	Millions of Yen
Cash flows from investing activities			
1. Increase in time deposits	(433)	(723)	(703)
2. Proceeds from maturity of time deposits	200	243	891
3. Payments for purchase of securities	-	-	(129)
4. Payments for purchase of tangible fixed assets	(1,276)	(2,423)	(2,227)
5. Proceeds from sale of tangible fixed assets	37	343	97
6. Payments for purchase of intangible fixed assets	(1,714)	(1,222)	(2,194)
7. Proceeds from sale of intangible fixed assets	-	4	-
8. Payments for acquisition of long-term prepaid expenses	-	(2,392)	-
9. Payment for purchase of available-for sale securities	(40)	(484)	(77)
10. Proceeds from sale of available-for sale securities	164	106	187
11. Payments for loans provided	(151)	(102)	(265)
12. Proceeds from collection of loans	198	113	425
13. Proceeds from liquidation of affiliates	87	-	-
14. Others	(317)	70	(43)
Net cash used in investing activities	(3,246)	(6,467)	(4,039)
Cash flows from financing activities			
1. Net increase (decrease) in short-term debt	151	(1,254)	(1,835)
2. Repayments of long-term debt	(490)	(328)	(1,259)
3. Proceeds from long-term loans	200	700	300
4. Payments of corporate bond redemption	-	-	(100)
5. Payments for purchase of treasury stock	(38)	(24)	(2,097)
6. Proceeds from sale of treasury stock	-	318	-
7. Cash dividends paid	(843)	(845)	(2,546)
8. Cash dividends paid to minority shareholders	(27)	(21)	(27)
Net cash used in financing activities	(1,049)	(1,454)	(7,566)
Translation difference of cash and cash equivalents	2	11	(6)
Increase (decrease) in cash and cash equivalents	(8,180)	(14,932)	(1,442)
Beginning balance of cash and cash equivalents	57,900	57,379	57,900
Increase in cash and cash equivalents due to stock exchange	921	1,912	921
Ending balance of cash and cash equivalents	50,641	44,360	57,379