

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2007

Corporate Name: Alfresa Holdings Corporation

(Code: 2784, 1st sections of Tokyo Stock Exchange and Osaka Securities Exchange)

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

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1. Matters related to the preparation of quarterly financial information

(1) Simplified accounting method is applied.

The figures 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): 1 company (Exclusion): 1 company

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

2. Consolidated performance for the first quarter of the fiscal year ending March 31, 2007

(April 1, 2006 – June 30, 2006)

(1) Consolidated operating results

(Rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary profit		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Three months ended June 30, 2006	399,744	17.8	7,062	415.7	8,493	232.2	4,433	246.0
Three months ended June 30, 2005	339,376	17.2	1,369	(51.5)	2,557	(32.3)	1,281	(42.0)
[Ref.] Fiscal year ended March 31, 2006	1,411,639		14,846		19,405		7,073	

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2006	112.81		-	
Three months ended June 30, 2005	36.11		-	
[Ref.] Fiscal year ended March 31, 2006	189.55		-	

Note: Percentages in net sales, operating income, ordinary profit and net income show changes from the same quarter of the previous year.

Qualitative information on the consolidated operating results

In April 2006, an average reduction of 6.7% in drug price standards through a National Health Insurance (NHI) drug price revision was implemented. However, consolidated net sales grew substantially during the first quarter under review (April 1 to June 30, 2006) as the Company made SEIWA SANGYO CO., LTD. (head office: Hiroshima, Hiroshima Prefecture) and Meisho Co., Ltd. (head office: Kanazawa, Ishikawa Prefecture) its wholly-owned consolidated subsidiaries through the stock exchanges on October 1, 2005 and April 1, 2006, respectively.

In the wholesaling business, the Company endeavored to expand the Group to secure a nationwide distribution system, while working on the reinforcement of unified sales promotion function within the Group, the securing of appropriate profits and the reduction in the ratio of general expenses. In the manufacturing business, the antidepressant “Anafranil”, whose production and marketing rights were acquired by Alfresa Pharma Corporation in January 2006, and the adenovirus detection reagent “Check Ad” contributed to the increase in net sales.

As a result, consolidated net sales for the first quarter under review were 399,744 million yen (up 17.8% from the previous year), operating income was 7,062 million yen (up 415.7% from the previous year), ordinary profit was 8,493 million yen (up 232.2% from the previous year) and net income was 4,433 million yen (up 246.0% from the previous year).

(2) Consolidated financial position

(Rounded down to the nearest million yen)

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended June 30, 2006	739,169	150,780	19.8	3,836.35
Three months ended June 30, 2005	640,970	115,789	18.1	3,262.14
[Ref.] Fiscal year ended March 31, 2006	687,773	131,483	19.1	3,537.89

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
Three months ended June 30, 2006	(3,097)	(407)	(2,585)	64,090
Three months ended June 30, 2005	1,652	(2,390)	(2,020)	56,546
[Ref.] Fiscal year ended March 31, 2006	24,665	(9,992)	(8,555)	67,435

Qualitative information on consolidated financial position

(1) Consolidated financial position

For the first quarter under review, total assets increased by 51,395 million yen compared with the end of the previous fiscal year, mainly because of the increase in net sales and because Meisho Co., Ltd. was made into a wholly-owned subsidiary on April 1, 2006 through the stock exchange.

Assets

Assets rose by 51,395 million yen. This was mainly due to an increase of 31,682 million yen in trade notes and accounts receivable, and an increase of 14,157 million yen in inventories.

Liabilities

Liabilities increased by 36,678 million yen. This was mainly due to an increase of 34,542 million yen in trade notes and accounts payable.

Net assets

Net assets rose by 14,716 million yen (compared with the total amount of minority interests and shareholders' equity at the end of previous fiscal year). This was mainly attributable to an increase of 9,150 million yen in capital surplus, an increase of 2,716 million yen in retained earnings, and an increase of 2,989 million yen in treasury stock (an increase in net assets).

(2) Consolidated cash flows

Cash and cash equivalents (net cash) at the end of the first quarter were 64,090 million yen. This was mainly due to a decrease of 3,097 million yen from operating activities, a decrease of 407 million yen from investing activities, and a decrease of 2,585 million yen from financing activities, resulting in a decrease of 6,089 million yen compared with the previous consolidated fiscal year. In addition, there were factors such as a decrease due to changes in scope of consolidation (decrease of 299 million yen) and an increase due to stock exchange (increase of 3,043 million yen). Cash flows in different activities were as follows:

Cash flows from operating activities

Net cash used in operating activities was 3,097 million yen. This was mainly because net income before income taxes amounted to 8,429 million yen and accounts payable increased by 11,616 million yen, whereas accounts receivable rose by 12,793 million yen, and inventories grew by 10,040 million yen.

Cash flows from investing activities

Net cash used in investing activities was 407 million yen. This was mainly attributable to payment of 542 million yen for the purchase of tangible fixed assets.

Cash flows from financing activities

Net cash used in financing activities was 2,585 million yen. This was mainly due to a net decrease of 1,120 million yen in short-term debt, and cash dividends paid amounting to 1,306 million yen.

Reference

Consolidated performance forecast for the fiscal year ending March 31, 2007
(April 1, 2006 – March 31, 2007)

(Millions of yen)

	Net sales	Ordinary profit	Net income
Six months ending September 30, 2006	757,000	10,700	4,000
Fiscal year ending March 31, 2007	1,533,000	23,600	10,000

Reference: Estimated earnings per share (full year): ¥254.43

Qualitative information on performance forecast

The consolidated performance forecast announced on May 12, 2006 for the full and interim year has not been changed.

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 yen)

Item	As of the end of current 1Q (June 30, 2006)		As of the end of previous 1Q (June 30, 2005)		Change		(Ref.) As of the end of previous FY (March 31, 2006)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Assets)								
Current assets	606,646	82.1	530,340	82.7	76,306	14.4	564,397	82.1
Cash and deposits	66,779		56,745				70,103	
Trade notes and accounts receivable	412,426		356,692				380,743	
Securities	2		1,669				84	
Inventories	84,892		73,850				70,734	
Deferred tax assets	5,730		3,940				3,440	
Miscellaneous receivables	35,637		36,637				38,748	
Others	2,104		1,680				1,376	
Allowance for doubtful accounts	(928)		(876)				(834)	
Fixed assets	132,522	17.9	110,630	17.3	21,892	19.8	123,376	17.9
Tangible fixed assets	64,240	8.7	58,560	9.2	5,680	9.7	62,141	9.0
Buildings and structures	23,325		20,325				22,514	
Machinery, equipment and vehicles	1,317		1,500				1,354	
Tools and fixtures	1,460		1,227				1,285	
Land	37,442		35,214				36,424	
Construction in progress	694		291				561	
Intangible fixed assets	9,814	1.3	4,708	0.7	5,106	108.4	6,830	1.0
Goodwill	5,325		-				-	
Consolidation-related adjustments	-		-				2,309	
Others	4,489		4,708				4,520	
Investments and other assets	58,467	7.9	47,361	7.4	11,105	23.4	54,404	7.9
Investment securities	32,155		22,987				30,699	
Long-term loans	1,698		1,359				1,367	
Deferred tax assets	4,355		7,326				4,262	
Deferred tax assets on land revaluation	-		2,051				-	
Others	24,628		17,928				21,908	
Allowance for doubtful accounts	(4,370)		(4,290)				(3,832)	
Total	739,169	100.0	640,970	100.0	98,198	15.3	687,773	100.0

(Rounded down to the nearest million yen)

Item	As of the end of current 1Q (June 30, 2006)		As of the end of previous 1Q (June 30, 2005)		Change		(Ref.) As of the end of previous FY (March 31, 2006)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Liabilities)	588,389	79.6	520,824	81.2	67,564	13.0	551,710	80.2
Current liabilities	559,850	75.7	492,632	76.8	67,218	13.6	524,948	76.3
Trade notes and accounts payable	535,838		472,010				501,296	
Short-term debt	638		2,835				1,760	
Corporate bonds redeemed within a year	100		500				100	
Income taxes payable	6,172		2,463				7,667	
Deferred tax liabilities	-		-				176	
Accrued bonuses	7,708		6,220				5,371	
Allowance for sales rebates	71		58				71	
Allowance for loss on sales returns	699		634				704	
Others	8,622		7,909				7,801	
Non-current liabilities	28,538	3.9	28,192	4.4	346	1.2	26,761	3.9
Corporate bonds	-		100				-	
Long-term debt	745		1,090				847	
Deferred tax liabilities	2,773		3,750				2,162	
Deferred tax liabilities on land revaluation	852		-				773	
Allowance for employees' retirement benefits	21,875		19,927				20,950	
Allowance for loss on debt guarantee	526		588				473	
Allowance for loss on transfer of business	460		-				482	
Allowance for directors' retirement benefits	645		502				489	
Consolidation-related adjustments	-		1,585				-	
Others	658		647				583	
(Minority interests)	-	-	4,356	0.7	-	-	4,579	0.7
Minority interests	-	-	4,356	0.7	-	-	4,579	0.7
(Shareholders' equity)	-	-	115,789	18.1	-	-	131,483	19.1
Paid-in capital	-	-	3,635	0.6	-	-	3,872	0.6
Capital surplus	-	-	26,261	4.1	-	-	39,670	5.7
Retained earnings	-	-	85,631	13.4	-	-	90,282	13.1
Shortfall on land revaluation	-	-	(2,977)	(0.5)	-	-	(5,674)	(0.8)
Unrealized gain on securities	-	-	6,541	1.0	-	-	10,410	1.5
Foreign currency translation adjustments	-	-	(10)	(0.0)	-	-	38	0.0
Treasury stock, at cost	-	-	(3,292)	(0.5)	-	-	(7,116)	(1.0)
Total	-	-	640,970	100.0	-	-	687,773	100.0

(Rounded down to the nearest million yen)

Item	As of the end of current 1Q (June 30, 2006)		As of the end of previous 1Q (June 30, 2005)		Change		(Ref.) As of the end of previous FY (March 31, 2006)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Net assets)	150,780	20.4	-	-	-	-	-	-
Shareholders' equity	141,714	19.2	-	-	-	-	-	-
Paid-in capital	4,020	0.6	-	-	-	-	-	-
Capital surplus	48,821	6.6	-	-	-	-	-	-
Retained earnings	92,999	12.6	-	-	-	-	-	-
Treasury stock, at cost	(4,126)	(0.6)	-	-	-	-	-	-
Evaluation/translation difference	4,485	0.6	-	-	-	-	-	-
Unrealized gain on securities	10,174	1.4	-	-	-	-	-	-
Shortfall on land revaluation	(5,728)	(0.8)	-	-	-	-	-	-
Foreign currency translation adjustments	39	0.0	-	-	-	-	-	-
Minority interests	4,580	0.6	-	-	-	-	-	-
Total liabilities and net assets	739,169	100.0	-	-	-	-	-	-

(2) Quarterly Consolidated Income Statements

(Rounded down to the nearest million yen)

Item	Three months ended June 30, 2006		Three months ended June 30, 2005		Change		(Ref.) Year ended March 31, 2006	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Net sales								
Net sales	399,744	100.0	339,376	100.0	60,367	17.8	1,411,639	100.0
Cost of sales								
Cost of sales	365,132	91.3	313,849	92.4	51,283	16.3	1,296,444	91.8
Reversal of allowance for returned unsold goods	658	0.2	749	0.2			758	0.1
Allowance for returned unsold goods	619	0.2	634	0.2			706	0.1
Gross profit	34,650	8.7	25,641	7.6	9,008	35.1	115,247	8.2
Selling, general and administrative expenses	27,588	6.9	24,272	7.2	3,315	13.7	100,400	7.1
Operating income	7,062	1.8	1,369	0.4	5,692	415.7	14,846	1.1
Non-operating income	1,467	0.3	1,308	0.4	158	12.1	4,838	0.3
Interest income	24		19				113	
Dividend income	316		186				380	
Information fees received	840		751				2,983	
Depreciation of consolidation-related adjustments	-		98				-	
Others	285		252				1,361	
Non-operating expenses	35	0.0	121	0.0	(85)	(70.6)	279	0.0
Interest expenses	12		24				68	
Commission fees	5		3				27	
Others	18		94				183	
Ordinary profit	8,493	2.1	2,557	0.8	5,936	232.2	19,405	1.4

(Rounded down to the nearest million yen)

Item	Three months ended June 30, 2006		Three months ended June 30, 2005		Change		(Ref.) Year ended March 31, 2006	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Extraordinary income	8	0.0	30	0.0	(21)	(72.1)	1,432	0.1
Gain on sale of fixed assets	8		30				505	
Gain on sale of available-for-sale securities	-		-				14	
Reversal of allowance for doubtful accounts	-		-				266	
Reversal of allowance for loss on debt guarantee	-		-				115	
Gain on sale of investments in affiliates	-		-				97	
Gain on transfer of business	-		-				165	
Charge for joint development	-		-				268	
Extraordinary loss	72	0.0	33	0.0	39	115.8	4,343	0.3
Loss on sale of fixed assets	-		13				17	
Loss on disposal of fixed assets	12		19				256	
Loss on devaluation of investment securities	-		-				276	
Loss on impairment of fixed assets	-		-				174	
Amortization of long-term prepaid expenses	-		-				94	
Voluntary retirement benefits	-		-				896	
Directors' retirement benefits	-		-				151	
Loss on transfer of business	-		-				2,237	
Loss on sale of investments in affiliates	60		-				47	
Amortization of leaseholds	-		-				83	
Loss on cancellation of operating consignment contract	-		-				72	
Loss on cancellation of leases	-		-				33	
Income before income taxes	8,429	2.1	2,553	0.8	5,875	230.1	16,494	1.2
Corporate, residential and enterprise taxes	6,106	1.5	2,306	0.7	3,800	164.8	8,868	0.7
Corporate tax adjustments	(2,263)	(0.6)	(1,132)	(0.3)	(1,130)	-	280	0.0
Minority interests in net income	151	0.1	98	0.0	53	54.9	271	0.0
Net income	4,433	1.1	1,281	0.4	3,152	246.0	7,073	0.5

(3) Quarterly Consolidated Statement of Shareholders' Equity

The first quarter under review (April 1 to June 30, 2006)

(Rounded down to the nearest million yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance on March 31, 2006	3,872	39,670	90,282	(7,116)	126,709
Changes in current quarter					
Allocation of retained earnings			(1,306)		(1,306)
Directors' bonuses due to appropriation of profit			(169)		(169)
Net income			4,433		4,433
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock				0	0
Changes due to stock exchange	147	9,150		2,999	12,297
Decrease of consolidated subsidiary			(241)		(241)
Changes in current quarter, other than shareholders' equity (net increase/decrease)					-
Total changes in current quarter	147	9,150	2,716	2,989	15,004
Balance on June 30, 2006	4,020	48,821	92,999	(4,126)	141,714

	Evaluation/translation difference				Minority interests	Total net assets
	Unrealized gain on securities	Shortfall on land revaluation	Foreign currency translation adjustments	Total evaluation/translation difference		
Balance on March 31, 2006	10,410	(5,674)	38	4,774	4,579	136,063
Changes in current quarter						
Allocation of retained earnings				-		(1,306)
Directors' bonuses due to appropriation of profit				-		(169)
Net income				-		4,433
Purchase of treasury stock				-		(9)
Disposal of treasury stock				-		0
Changes due to stock exchange				-		12,297
Decrease of consolidated subsidiary				-		(241)
Changes in current quarter, other than shareholders' equity (net increase/decrease)	(235)	(53)	1	(288)	0	(287)
Total changes in current quarter	(235)	(53)	1	(288)	0	14,716
Balance on June 30, 2006	10,174	(5,728)	39	4,485	4,580	150,780

(4) Quarterly Consolidated Statements of Retained Earnings

(Rounded down to the nearest million yen)

	Three months ended June 30, 2005	(Ref.) Year ended March 31, 2006
Item	¥ Million	¥ Million
Capital surplus		
Beginning balance	21,356	21,356
Increase in capital surplus	4,904	18,314
(Increase due to stock exchange)	4,852	18,260
(Gain on disposal of treasury stock)	52	53
Ending balance	26,261	39,670
Retained earnings		
Beginning balance	85,274	85,274
Increase in retained earnings	1,281	7,139
(Net income)	1,281	7,073
(Reversal of gain on land revaluation)	-	65
Decrease in retained earnings	924	2,131
(Dividends)	845	2,052
(Directors' bonuses)	78	78
Ending balance	85,631	90,282

(5) Quarterly Consolidated Statements of Cash Flows

(Rounded down to the nearest million yen)

	Three months ended June 30, 2006	Three months ended June 30, 2005	(Ref.) Year ended March 31, 2006
Item	¥ Million	¥ Million	¥ Million
I Cash flows from operating activities			
Income before income taxes	8,429	2,553	16,494
Depreciation	1,147	722	4,006
Loss on impairment of fixed assets	-	-	174
Increase (decrease) in allowance for doubtful accounts	34	154	(530)
Increase in allowance for employees' retirement benefits	137	341	364
Increase (decrease) in allowance for directors' retirement benefits	14	(65)	(229)
Increase in allowance for bonuses	2,191	1,445	-
Interest and dividends income	(341)	(205)	(493)
Interest expenses	12	24	68
Amortization of goodwill	(274)	-	-
Depreciation of consolidation-related adjustments	-	(98)	19
Gain on sale of fixed assets	-	-	(505)
Loss on sale and disposal of fixed assets	12	33	274
Increase in trade notes and accounts receivable	(12,793)	(10,278)	(12,897)
Decrease (increase) in inventories	(10,040)	(2,667)	4,729
Decrease (increase) in miscellaneous receivables	4,128	(1,910)	(2,857)
Increase in trade notes and accounts payable	11,616	12,426	14,721
Others	167	(503)	2,517
Subtotal	4,442	1,971	25,858
Interest and dividends received	334	195	492
Interest paid	(10)	(25)	(72)
Income taxes paid	(7,864)	(488)	(1,613)
Net cash provided by (used in) operating activities	(3,097)	1,652	24,665

(Rounded down to the nearest million yen)

	Three months ended June 30, 2006	Three months ended June 30, 2005	(Ref.) Year ended March 31, 2006
Item	¥ Million	¥ Million	¥ Million
II Cash flows from investing activities			
Payments into time deposits	(11)	(110)	(843)
Proceeds from maturity of time deposits	76	165	114
Payments for purchase of securities	-	-	(285)
Payments for purchase of tangible fixed assets	(542)	(2,083)	(3,627)
Proceeds from sale of tangible fixed assets	46	203	1,855
Payments for purchase of intangible fixed assets	(14)	(211)	(1,662)
Payments for acquisition of long-term prepaid expenses	-	-	(5,283)
Payments for purchase of investment securities	(94)	(337)	(904)
Proceeds from sale of investment securities	75	29	291
Payments for loans provided	(128)	(94)	(266)
Proceeds from collection of loans	174	55	378
Others	10	(7)	241
Net cash used in investing activities	(407)	(2,390)	(9,992)
III Cash flows from financing activities			
Net increase/decrease in short-term debt	(1,120)	(1,954)	(2,844)
Proceeds from long-term loans	-	600	700
Repayments of long-term debt	(103)	(97)	(625)
Payments of corporate bond redemption	-	-	(500)
Payments for purchase of treasury stock	(9)	(18)	(3,532)
Proceeds from sale of treasury stock	0	316	320
Cash dividends paid	(1,306)	(845)	(2,052)
Cash dividends paid to minority shareholders	(46)	(21)	(21)
Net cash used in financing activities	(2,585)	(2,020)	(8,555)
IV Translation difference of cash and cash equivalents	0	11	31
V Increase (decrease) in cash and cash equivalents	(6,089)	(2,746)	6,149
VI Beginning balance of cash and cash equivalents	67,435	57,379	57,379
VII Decrease in cash and cash equivalents due to changes in scope of consolidation	(299)	-	-
VIII Increase in cash and cash equivalents due to stock exchange	3,043	1,912	3,906
IX Ending balance of cash and cash equivalents	64,090	56,546	67,435