

Consolidated Financial Statements for the Third 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 third quarter, but are based on the book inventory method, considering the actual inventories counted at the end of the interim 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 third quarter of the fiscal year ending March 31, 2007

(April 1, 2006 – December 31, 2006)

(1) Consolidated operating results

(Rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary profit		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Nine months ended December 31, 2006	1,221,094	14.2	20,094	91.7	24,440	73.4	12,219	81.2
Nine months ended December 31, 2005	1,068,954	19.0	10,483	112.6	14,095	77.4	6,744	59.0
[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
Nine months ended December 31, 2006	309.32	-
Nine months ended December 31, 2005	186.43	-
[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

During the third quarter period under review (April 1 to December 31, 2006), in ethical pharmaceutical markets, downward revision of the NHI drug prices by an average of 6.7% took effect on April 1, 2006. With an expansion of markets for medications for lifestyle diseases, etc., however, the market showed approximately 2% growth. Under such circumstances, the Group added Meisho Co., Ltd. (head office: Kanazawa) to our consolidated subsidiaries as a wholly owned subsidiary on April 1, 2006 by stock exchange following the conversion of SEIWA SANGYO CO., LTD. (head office: Hiroshima) into a wholly owned subsidiary by stock exchange effective October 1, 2005. As a result, consolidated results for the third quarter of the fiscal year under review recorded net sales of ¥1,221,094 million (up 14.2% from the previous year), operating income of ¥20,094 million (up 91.7% from the previous year), ordinary profit of ¥24,440 million (up 73.4% from the previous year), and net income of ¥12,219 million (up 81.2% from the previous year).

In the wholesaling business, net sales grew significantly due to the effect of full-line dealings with manufacturers and the strengthening of the sales structure for the dispensing pharmacy market through the full-fledged introduction of professional delivery staff in addition to the increase in number of consolidated subsidiaries. We have also expanded joint purchasing with Group companies and developed sales promotion activities focusing on securing appropriate profits while working toward further reduction of expenses.

As a result, net sales were ¥1,207,717 million (up 14.3% from the previous year) and operating income was ¥18,751 million (up 88.8% from the previous year). Net sales included inter-segment sales of ¥3 million.

In the manufacturing business, Alfresa Pharma Corporation worked to expand sales of pharmaceuticals such as the antidepressant agent Anafranil, whose manufacturing and marketing right was transferred in January 2006, generic drugs, as well as POCT diagnostic reagent (rapid diagnostic reagent).

As a result, net sales were ¥18,757 million (up 11.9% from the previous year) and operating income was ¥735 million (up 31.9% from the previous year). Net sales included inter-segment sales of ¥5,376 million.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended December 31, 2006	815,816	163,122	19.4	3,979.34
Nine months ended December 31, 2005	738,690	134,001	18.1	3,595.45
[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
Nine months ended December 31, 2006	17,357	(8,341)	(1,529)	77,669
Nine months ended December 31, 2005	12,205	(5,425)	(7,511)	60,575
[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 third quarter under review, total assets increased by ¥128,042 million compared with the end of the previous fiscal year, mainly because of addition of Meisho Co., Ltd. to the Group as a wholly-owned subsidiary on April 1, 2006 through the stock exchange and the increase in net sales.

Assets

Assets rose by ¥128,042 million. This was mainly due to an increase of ¥66,893 million in trade notes and accounts receivable, and an increase of ¥35,654 million in inventories.

Liabilities

Liabilities increased by ¥100,982 million. This was mainly due to a rise of ¥106,603 million in trade notes and accounts payable.

Net assets

Net assets rose by ¥27,059 million (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 ¥9,678 million in capital surplus, an increase of ¥9,044 million in retained earnings, and a decrease of ¥5,102 million in treasury stock (an increase in net assets).

(2) Consolidated cash flows

Cash and cash equivalents (net cash) as of the end of third quarter under review were ¥77,669 million. There was an increase of ¥7,490 million over the beginning balance mainly due to an increase of ¥17,357 million from operating activities, a decrease of ¥8,341 million from investing activities, and a decrease of ¥1,529 million from financing activities. There was an additional decrease of ¥299 million due to changes in scope of consolidation and increase of ¥3,043 million due to stock exchange. Cash flows in different activities were as follows:

Cash flow from operating activities

Net cash provided by operating activities was ¥17,357 million. This was mainly due to income before income taxes amounted ¥23,705 million and an increase in trade notes and accounts payable amounted ¥83,678 million, whereas accounts receivable rose by ¥47,925 million, inventories grew by ¥31,536 million and corporate taxes amounted ¥12,185 million.

Cash flows from investing activities

Net cash used in investing activities was ¥8,341 million. This was attributable to payment of ¥5,211 million for the purchase of tangible fixed assets and ¥3,222 million for the payment for purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities was ¥1,529 million. This was due to a net decrease of ¥1,290 million in short term debt, cash dividends paid amounting to ¥2,764 million, whereas income of ¥3,028 million from sale of treasury stock offset.

Reference

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

(Millions of yen)

	Net sales	Operating income	Ordinary profit	Net income
Fiscal year ending March 31, 2007	1,597,000	21,400	27,000	11,200

Reference: Estimated earnings per share (full year): ¥282.20

Qualitative information on performance forecast

The consolidated performance forecast announced on November 13, 2006 has not been changed.

Note: The performance forecast above is based on the 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 3Q (Dec. 31, 2006)		As of the end of previous 3Q (Dec. 31, 2005)		Change		(Ref.) As of the end of previous FY (March 31, 2006)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Assets)								
Current assets	677,309	83.0	613,332	83.0	63,977	10.4	564,397	82.1
Cash and deposits	80,210		62,377				70,103	
Trade notes and accounts receivable	447,637		414,083				380,743	
Securities	114		204				84	
Inventories	106,388		90,426				70,734	
Deferred tax assets	2,416		2,596				3,440	
Miscellaneous receivables	39,065		43,366				38,748	
Others	2,436		1,108				1,376	
Allowance for doubtful accounts	(960)		(830)				(834)	
Fixed assets	138,506	17.0	125,357	17.0	13,148	10.5	123,376	17.9
Tangible fixed assets	66,973	8.2	62,761	8.5	4,212	6.7	62,141	9.0
Buildings and structures	23,096		22,678				22,514	
Machinery, equipment and vehicles	1,497		1,378				1,354	
Tools and fixtures	1,540		1,302				1,285	
Land	38,452		36,683				36,424	
Construction in progress	2,385		719				561	
Intangible fixed assets	8,760	1.1	7,052	1.0	1,707	24.2	6,830	1.0
Goodwill	4,776		-				-	
Consolidation-related adjustments	-		2,419				2,309	
Others	3,984		4,632				4,520	
Investments and other assets	62,772	7.7	55,543	7.5	7,228	13.0	54,404	7.9
Investment in securities	39,423		30,204				30,699	
Long-term loans	2,034		1,336				1,367	
Deferred tax assets	3,175		5,451				4,262	
Deferred tax assets on land revaluation	-		2,059				-	
Others	22,253		20,684				21,908	
Allowance for doubtful accounts	(4,114)		(4,193)				(3,832)	
Total	815,816	100.0	738,690	100.0	77,125	10.4	687,773	100.0

(Rounded down to the nearest million yen)

Item	As of the end of current 3Q (Dec. 31, 2006)		As of the end of previous 3Q (Dec. 31, 2005)		Change		(Ref.) As of the end of previous FY (March 31, 2006)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Liabilities)	652,693	80.0	600,289	81.3	52,403	8.7	551,710	80.2
Current liabilities	623,630	76.4	574,055	77.7	49,574	8.6	524,948	76.3
Trade notes and accounts payable	607,900		557,930				501,296	
Short-term debt	358		905				1,760	
Corporate bonds redeemed within a year	-		100				100	
Income taxes payable	5,512		4,391				7,667	
Deferred tax liabilities	-		164				176	
Accrued bonuses	2,892		2,603				5,371	
Allowance for sales rebates	96		86				71	
Allowance for loss on sales returns	729		697				704	
Others	6,141		7,176				7,801	
Non-current liabilities	29,062	3.6	26,233	3.6	2,828	10.8	26,761	3.9
Long-term debt	613		949				847	
Deferred tax liabilities	2,971		2,125				2,162	
Deferred tax liabilities on land revaluation	852		174				773	
Allowance for employees' retirement benefits	22,050		20,829				20,950	
Allowance for loss on debt guarantee	523		572				473	
Allowance for loss on transfer of business	417		482				482	
Allowance for directors' retirement benefits	596		448				489	
Others	1,036		651				583	
(Minority interests)	-	-	4,399	0.6	-	-	4,579	0.7
Minority interests	-	-	4,399	0.6	-	-	4,579	0.7
(Shareholders' equity)	-	-	134,001	18.1	-	-	131,483	19.1
Paid-in capital	-	-	3,872	0.5	-	-	3,872	0.6
Capital surplus	-	-	39,670	5.4	-	-	39,670	5.7
Retained earnings	-	-	89,900	12.2	-	-	90,282	13.1
Shortfall on land revaluation	-	-	(2,990)	(0.4)	-	-	(5,674)	(0.8)
Unrealized gain on securities	-	-	9,818	1.3	-	-	10,410	1.5
Foreign currency translation adjustments	-	-	19	0.0	-	-	38	0.0
Treasury stock, at cost	-	-	(6,290)	(0.9)	-	-	(7,116)	(1.0)
Total	-	-	738,690	100.0	-	-	687,773	100.0

(Rounded down to the nearest million yen)

Item	As of the end of current 3Q (Dec. 31, 2006)		As of the end of previous 3Q (Dec. 31, 2005)		Change		(Ref.) As of the end of previous FY (March 31, 2006)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Net assets)	163,122	20.0	-	-	-	-	-	-
Shareholders' equity	150,682	18.5	-	-	-	-	-	-
Paid-in capital	4,020	0.5	-	-	-	-	-	-
Capital surplus	49,349	6.0	-	-	-	-	-	-
Retained earnings	99,326	12.2	-	-	-	-	-	-
Treasury stock, at cost	(2,014)	(0.2)	-	-	-	-	-	-
Valuation and translation adjustments	7,252	0.9	-	-	-	-	-	-
Unrealized gain on securities	12,936	1.6	-	-	-	-	-	-
Unrealized gain or loss on revaluation of land	(5,730)	(0.7)	-	-	-	-	-	-
Foreign currency translation adjustment	46	0.0	-	-	-	-	-	-
Minority interests	5,187	0.6	-	-	-	-	-	-
Total	815,816	100.0	-	-	-	-	-	-

(2) Quarterly Consolidated Income Statements

(Rounded down to the nearest million yen)

Item	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Change		(Ref.) Year ended March 31, 2006	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Net sales	1,221,094	100.0	1,068,954	100.0	152,140	14.2	1,411,639	100.0
Cost of sales	1,118,142	91.6	984,330	92.1	133,812	13.6	1,296,444	91.8
Reversal of allowance for returned unsold goods	737		758				758	0.1
Allowance for returned unsold goods	729		698				706	0.1
Gross profit	102,960	8.4	84,684	7.9	18,276	21.6	115,247	8.2
Selling, general and administrative expenses	82,865	6.8	74,200	6.9	8,665	11.7	100,400	7.1
Operating income	20,094	1.6	10,483	1.0	9,611	91.7	14,846	1.1
Non-operating income	4,496	0.4	3,845	0.3	650	16.9	4,838	0.3
Interest income	106		84				113	
Dividend income	567		368				380	
Information fees received	2,580		2,230				2,983	
Depreciation of consolidation-related adjustments	-		90				-	
Others	1,241		1,072				1,361	
Non-operating expenses	150	0.0	233	0.0	(82)	(35.4)	279	0.0
Interest expenses	33		57				68	
Commission fees	25		19				27	
Others	91		156				183	
Ordinary profit	24,440	2.0	14,095	1.3	10,344	73.4	19,405	1.4

(Rounded down to the nearest million yen)

Item	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Change		(Ref.) Year ended March 31, 2006	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Extraordinary income	89	0.0	532	0.0	(443)	(83.2)	1,432	0.1
Gain on sale of fixed assets	29		515				505	
Gain on sale of available-for-sale securities	12		-				14	
Gain on sale of investments in affiliates	44		-				97	
Reversal of allowance for doubtful accounts	-		-				266	
Reversal of allowance for loss on debt guarantee	2		16				115	
Gain on transfer of operations	-		-				165	
Income for portion of joint development	-		-				268	
Extraordinary loss	824	0.1	2,468	0.2	(1,644)	(66.6)	4,343	0.3
Loss on sale of fixed assets	-		44				17	
Loss on disposal of fixed assets	184		161				256	
Loss on sale of available-for-sale securities	17		47				-	
Loss on devaluation of investment securities	2		-				276	
Loss on impairment of fixed assets	468		176				174	
Amortization of long-term prepaid expenses	-		69				94	
Voluntary retirement benefits	-		891				896	
Directors' retirement benefits	-		151				151	
Loss on transfer of business	-		737				2,237	
Loss on sale of investments in affiliates	60		-				47	
Loss on devaluation of investments in affiliates	9		-				-	
Amortization of leaseholds	-		83				83	
Loss on cancellation of operating consignment contract	-		72				72	
Loss on cancellation of leases	-		33				33	
Loss on transfer of operations	82		-				-	
Income before income taxes	23,705	1.9	12,158	1.1	11,546	95.0	16,494	1.2
Corporate, residential and enterprise taxes	9,657	0.8	5,461	0.5	4,195	76.8	8,868	0.7
Corporate tax adjustments	1,089	0.1	(95)	(0.0)	1,184	-	280	0.0
Minority interests in net income	737	0.0	47	0.0	690	1,462.3	271	0.0
Net income	12,219	1.0	6,744	0.6	5,474	81.2	7,073	0.5

(3) Quarterly Consolidated Statement of Changes in Shareholders' Equity
The Third Quarter (April 1, 2006 to December 31, 2006)

(Rounded down to the nearest million yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	3,872	39,670	90,282	(7,116)	126,709
Changes during the third quarter period					
Dividends of surplus (*1)			(2,764)		(2,764)
Directors' bonuses (*2)			(169)		(169)
Net income			12,219		12,219
Purchase of treasury stocks				(35)	(35)
Disposal of treasury stocks		527		2,137	2,665
Changes due to stock exchange	147	9,150		2,999	12,297
Decrease of consolidated subsidiaries			(241)		(241)
Changes during the third quarter period in items other than shareholders' equity (net)					
Total changes during the third quarter period	147	9,678	9,044	5,102	23,972
Balance as of December 31, 2006	4,020	49,349	99,326	(2,014)	150,682

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on securities	Unrealized gain or loss on revaluation of land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	10,410	(5,674)	38	4,774	4,579	136,063
Changes during the third quarter period						
Dividends of surplus (*1)						(2,764)
Directors' bonuses (*2)						(169)
Net income						12,219
Purchase of treasury stocks						(35)
Disposal of treasury stocks						2,665
Changes due to stock exchange						12,297
Decrease of consolidated subsidiaries						(241)
Changes during the third quarter period in items other than shareholders' equity (net)	2,526	(55)	7	2,478	608	3,087
Total changes during the third quarter period	2,526	(55)	7	2,478	608	27,059
Balance as of December 31, 2006	12,936	(5,730)	46	7,252	5,187	163,122

Notes: *1 The profit appropriation items at the general meeting of shareholders held in June 2006, as well as the amount of interim dividend by a resolution of the Board of Directors held in November 2006.

*2 The profit appropriation items at the general meeting of shareholders held in June 2006.

(4) Quarterly Consolidated Statements of Cash Flows

(Rounded down to the nearest million yen)

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	(Ref.) Year ended March 31, 2006
Item	¥ Million	¥ Million	¥ Million
I Cash flows from operating activities			
Income before income taxes	23,705	12,158	16,494
Depreciation	3,661	2,663	4,006
Loss on impairment of fixed assets	468	176	174
Decrease in allowance for doubtful accounts	(190)	(173)	(530)
Increase in allowance for employees' retirement benefits	312	164	364
Decrease in allowance for directors' retirement benefits	(35)	(270)	(229)
Decrease in allowance for bonuses	(2,625)	(2,520)	-
Interest and dividends income	(674)	(452)	(493)
Interest expenses	33	57	68
Depreciation of consolidation-related adjustments	-	(90)	19
Amortization of goodwill	823	-	-
Gain on sale of fixed assets	(29)	(515)	(505)
Loss on sale and disposal of fixed assets	184	205	274
Increase in trade notes and accounts receivable	(47,925)	(46,575)	(12,897)
Decrease (increase) in inventories	(31,536)	(14,961)	4,729
Decrease (increase) in miscellaneous receivables	696	(6,116)	(2,857)
Increase in trade notes and accounts payable	83,678	71,281	14,721
Others	(1,646)	(1,596)	2,517
Subtotal	28,899	13,434	25,858
Interest and dividends received	672	443	492
Interest paid	(30)	(59)	(72)
Income taxes paid	(12,185)	(1,613)	(1,613)
Net cash provided by operating activities	17,357	12,205	24,665

(Rounded down to the nearest million yen)

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	(Ref.) Year ended March 31, 2006
Item	¥ Million	¥ Million	¥ Million
II Cash flows from investing activities			
Payments into time deposits	(1,116)	(723)	(843)
Proceeds from maturity of time deposits	1,337	245	114
Payments for purchase of securities	-	-	(285)
Payments for purchase of tangible fixed assets	(5,211)	(3,341)	(3,627)
Proceeds from sale of tangible fixed assets	156	1,411	1,855
Payments for purchase of intangible fixed assets	(176)	(1,415)	(1,662)
Proceeds from sale of intangible fixed assets	0	57	-
Payments for acquisition of long-term prepaid expenses	(19)	(2,392)	(5,283)
Payments for purchase of investment securities	(3,222)	(632)	(904)
Proceeds from sale of investment securities	201	1,399	291
Payments for loans provided	(665)	(205)	(266)
Proceeds from collection of loans	374	319	378
Others	0	(146)	241
Net cash used in investing activities	(8,341)	(5,425)	(9,992)
III Cash flows from financing activities			
Net decrease in short-term debt	(1,290)	(3,784)	(2,844)
Proceeds from long-term loans	-	700	700
Repayments of long-term debt	(345)	(437)	(625)
Payments of corporate bond redemption	(100)	(500)	(500)
Proceeds from sale of treasury stock	3,028	319	320
Payments for purchase of treasury stock	(35)	(1,735)	(3,532)
Cash dividends paid	(2,764)	(2,052)	(2,052)
Cash dividends paid to minority shareholders	(21)	(21)	(21)
Net cash used in financing activities	(1,529)	(7,511)	(8,555)
IV Translation difference of cash and cash equivalents	3	21	31
V Increase (decrease) in cash and cash equivalents	7,490	(710)	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	3,906	3,906
IX Ending balance of cash and cash equivalents	77,669	60,575	67,435