

## Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2008

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. Consolidated performance for the first quarter of the fiscal year ending March 31, 2008

(April 1, 2007 – June 30, 2007)

#### (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, 2007	415,288	3.9	5,870	(16.9)	7,555	(11.1)	4,282	(3.4)
Three months ended June 30, 2006	399,744	17.8	7,062	415.7	8,493	232.2	4,433	246.0
Fiscal year ended March 31, 2007	1,589,842	-	21,987	-	27,580	-	11,941	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2007	107.51	-
Three months ended June 30, 2006	112.81	-
Fiscal year ended March 31, 2007	301.93	-

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

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
Three months ended June 30, 2007	785,292	163,740	20.4	4,015.54
Three months ended June 30, 2006	739,169	150,780	19.8	3,836.35
Fiscal year ended March 31, 2007	770,207	161,391	20.5	3,959.80

### (3) 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
	¥ Million	¥ Million	¥ Million	¥ Million
Three months ended June 30, 2007	(14,284)	(699)	(1,691)	80,093
Three months ended June 30, 2006	(3,097)	(407)	(2,585)	64,090
Fiscal year ended March 31, 2007	39,993	(11,422)	(1,991)	96,769

## 2. Consolidated performance forecast for the fiscal year ending March 31, 2008 (April 1, 2007 – March 31, 2008) [Reference]

	Net sales		Operating income		Ordinary profit		Net income		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Six months ending September 30, 2007	809,000	3.6	10,760	7.4	13,500	6.9	7,000	18.1	175.72
Fiscal year ending March 31, 2008	1,743,000	9.6	25,700	16.9	31,500	14.2	16,800	40.7	411.72

(Percentages in net sales, operating income, ordinary profit and net income show changes from the same period of the previous year.)

Note: The figures for consolidated performance forecast factor in the impact of the conversion of CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. into consolidated subsidiaries resulting from the scheduled management integration with these two companies on October 1, 2007. Since the stock exchange ratio has been determined through the conclusion of the stock exchange agreement, the figure announced on May 14, 2007 is revised only for the forecast of earnings per share for the full year.

### 3. Others

- (1) There is no transfer of principal subsidiaries during the term (transfer of specified subsidiaries in line with changes in the scope of consolidation).
- (2) Simplified accounting method is applied.
- (3) There are changes in the accounting method from the most recent consolidated fiscal year.

Note: For details, see page 4 **Qualitative information and financial statements**, 4. Others.

#### \*Explanation and note concerning the appropriate use of performance forecast

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.

## **Qualitative information and financial statements**

### 1. Qualitative information on the consolidated operating results

The Alfresa Group is pursuing “Expansion of the wholesaling business of pharmaceuticals, etc. and pursuit of group synergy effects”, “Solidifying the business base of the manufacturing of pharmaceuticals, etc.”, “Realization of Healthcare Consortium” and “Enhancement of the group management base and strengthening of the administration system” as strategic issues of “07–09 Medium-term Management Plan—Advancement and Expansion”.

With respect to the Group’s performance for the first quarter of the year ended 2007, the first year of the 07–09 Medium-term Management Plan, net sales amounted to ¥415,288 million (up 3.9% from the previous year), operating income came to ¥5,870 million (down 16.9% from the previous year), ordinary profit was ¥7,555 million (down 11.1% from the previous year), and net income came to ¥4,282 million (down 3.4% from the previous year).

In the wholesaling business, net sales continued to post strong results due to the effect of full-line dealings with manufacturers and the strengthening of the sales structure for customers. On the profit front, although emphasis was continuously given to securing appropriate profit in sales activities, the gross profit margin took a downturn. As a result of these, net sales amounted to ¥411,127 million (up 4.0% from the previous year) and operating income came to ¥5,489 million (down 16.4% from the previous year). Net sales included inter-segment sales of ¥1 million.

In the manufacturing business, net sales of pharmaceuticals and medical devices and equipment were steady while net sales of diagnostic reagents declined from the previous year. In terms of profit, research and development costs related to Modiodal increased while efforts are being made to expand its indications. This consequently led to a decline in the operating income margin. As a result, net sales came to ¥5,823 million (down 4.7% from the previous year) and operating income amounted to ¥74 million (down 72.2% from the previous year). Net sales included inter-segment sales of ¥1,661 million.

### 2. Qualitative information on consolidated financial position

#### (1) Changes in consolidated financial position

Compared with the end of the previous consolidated fiscal year, the consolidated financial position for the first quarter under review is as described below.

#### **Assets**

Assets grew by ¥15,085 million. This was mainly attributable to an increase of ¥21,013 million in trade notes and accounts receivable, an increase of ¥7,313 million in inventories, an increase of ¥5,030 million in purchase rebates receivable, and a decrease of ¥17,818 million in cash and deposits.

#### **Liabilities**

Liabilities rose by ¥12,735 million. This was mainly due to an increase of ¥19,390 million in trade notes and accounts payable and a decrease of ¥7,281 million in corporate taxes payable.

#### **Net assets**

Net assets rose by ¥2,349 million. This was mainly attributable to an increase of ¥2,689 million in retained earnings.

## (2) Consolidated cash flows

Cash and cash equivalents (net cash) as of the end of the first quarter under review amounted to ¥80,093 million. There was a decrease of ¥16,675 million over the beginning balance mainly due to a decrease of ¥14,284 million from operating activities, a decrease of ¥699 million from investing activities, and a decrease of ¥1,691 million from financing activities.

Cash flows in different activities were as follows:

### **Cash flow from operating activities**

Net cash used in operating activities amounted to ¥14,284 million. This was mainly because although net income before taxes for the quarter amounted to ¥7,587 million and trade notes and accounts payable increased by ¥19,390 million, trade notes and accounts receivable rose by ¥21,164 million, inventories grew by ¥7,313 million, purchase rebates receivable grew by ¥5,027 million and corporate taxes paid amounted to ¥10,501 million.

### **Cash flows from investing activities**

Net cash used in investing activities amounted to ¥699 million. This was mainly attributable to payment of ¥796 million for the purchase of tangible fixed assets.

### **Cash flows from financing activities**

Net cash used in financing activities amounted to ¥1,691 million. This was mainly due to the payment of cash dividends of ¥1,593 million.

## 3. Qualitative information on consolidated performance forecast

Both net sales and profit were for the most part as initially forecast, and the consolidated performance forecast announced on May 14, 2007 has not been changed. Since the stock exchange agreements with CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. have been concluded and the stock exchange ratio has been determined, the figure for the forecast of earnings per share for the full year has been revised.

## 4. Others

(1) Transfer of principal subsidiaries during the term (transfer of specified subsidiaries in line with changes in the scope of consolidation)

Not applicable.

(2) Adoption of simplified accounting method

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 consolidated fiscal year. In addition, simplified procedures were partially used for other insignificant amounts.

(3) Changes in the accounting method from the most recent consolidated fiscal year

Owing to the amendment to the Corporation Tax Law in fiscal 2007, the depreciation method for tangible fixed assets acquired on April 1, 2007 and thereafter is changed from the first quarter under review.

## 5. (Summary) Quarterly consolidated financial statements

### (1) (Summary) Quarterly consolidated balance sheets

(Rounded down to the nearest million yen)

Item	As of the end of current 1Q (June 30, 2007)		As of the end of previous 1Q (June 30, 2006)		Change		(Ref.) As of the end of previous FY (March 31, 2007)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Assets)								
I Current assets	651,087	82.9	606,646	82.1	44,441	7.3	634,107	82.3
Cash and deposits	83,288		66,779				101,106	
Trade notes and accounts receivable	423,036		412,426				402,022	
Inventories	89,547		84,892				82,234	
Purchase rebates receivable	46,002		35,637				40,972	
Others	10,101		7,838				8,631	
Allowance for doubtful accounts	(888)		(928)				(860)	
II Fixed assets	134,204	17.1	132,522	17.9	1,681	1.3	136,099	17.7
1. Tangible fixed assets	67,703	8.6	64,240	8.7	3,462	5.4	68,337	8.9
Buildings and structures	24,246		23,325				24,709	
Land	38,369		37,442				38,472	
Others	5,087		3,472				5,156	
2. Intangible fixed assets	7,140	0.9	9,814	1.3	(2,674)	(27.3)	7,720	1.0
Goodwill	3,752		5,325				4,002	
Others	3,387		4,489				3,718	
3. Investments and other assets	59,360	7.6	58,467	7.9	893	1.5	60,040	7.8
Investment in securities	36,648		32,155				37,531	
Others	27,994		30,682				27,573	
Allowance for doubtful accounts	(5,282)		(4,370)				(5,063)	
Total	785,292	100.0	739,169	100.0	46,123	6.2	770,207	100.0

(Rounded down to the nearest million yen)

Item	As of the end of current 1Q (June 30, 2007)		As of the end of previous 1Q (June 30, 2006)		Change		(Ref.) As of the end of previous FY (March 31, 2007)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Liabilities)	621,551	79.1	588,389	79.6	33,162	5.6	608,815	79.0
I Current liabilities	593,341	75.5	559,850	75.7	33,491	6.0	580,648	75.4
Trade notes and accounts payable	573,254		535,838				553,864	
Short-term debt	220		638				230	
Corporate bonds redeemed within a year	-		100				-	
Corporate taxes payable	3,708		6,172				10,989	
Accrued bonuses	7,785		7,708				5,633	
Others	8,373		9,392				9,931	
II Non-current liabilities	28,209	3.6	28,538	3.9	(328)	(1.2)	28,167	3.6
Long-term debt	249		745				294	
Allowance for employees' retirement benefits	21,942		21,875				21,744	
Others	6,017		5,916				6,128	
(Net assets)	163,740	20.9	150,780	20.4	12,960	8.6	161,391	21.0
I Shareholders' equity	154,205	19.7	141,714	19.2	12,491	8.8	151,525	19.7
Paid-in capital	4,020		4,020				4,020	
Capital surplus	49,793		48,821				49,793	
Retained earnings	101,738		92,999				99,049	
Treasury stock, at cost	(1,346)		(4,126)				(1,336)	
II Valuation and translation adjustments, etc.	5,748	0.7	4,485	0.6	1,263	28.2	6,213	0.8
Unrealized gain on securities	11,420		10,174				11,885	
Gain or loss on deferred hedge	-		-				0	
Unrealized gain or loss on revaluation of land	(5,730)		(5,728)				(5,730)	
Foreign currency translation adjustment	58		39				58	
III Minority interests	3,786	0.5	4,580	0.6	(793)	(17.3)	3,652	0.5
Total	785,292	100.0	739,169	100.0	46,123	6.2	770,207	100.0

## (2) (Summary) Quarterly consolidated income statements

(Rounded down to the nearest million yen)

Item	Three months ended June 30, 2007		Three months ended June 30, 2006		Change		(Ref.) Year ended March 31, 2007	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
I Net sales	415,288	100.0	399,744	100.0	15,544	3.9	1,589,842	100.0
II Cost of sales	381,567	91.9	365,132	91.3	16,435	4.5	1,455,195	91.5
Difference	33,720	8.1	34,611	8.7	(891)	(2.6)	134,647	8.5
Reversal of allowance for returned unsold goods	599	0.1	658	0.2			737	0.0
Allowance for returned unsold goods	580	0.1	619	0.2			698	0.0
Gross profit	33,740	8.1	34,650	8.7	(910)	(2.6)	134,687	8.5
III Selling, general and administrative expenses	27,869	6.7	27,588	6.9	281	1.0	112,699	7.1
Operating income	5,870	1.4	7,062	1.8	(1,192)	(16.9)	21,987	1.4
IV Non-operating income	1,728	0.4	1,467	0.3	261	17.8	5,821	0.3
Interest income and dividend income	400		341				758	
Information fees received	994		840				3,439	
Others	332		285				1,623	
V Non-operating expenses	43	0.0	35	0.0	7	21.7	228	0.0
Interest expenses	8		12				40	
Others	34		23				187	
Ordinary profit	7,555	1.8	8,493	2.1	(938)	(11.0)	27,580	1.7
VI Extraordinary income	113	0.0	8	0.0	104	1,243.3	1,115	0.1
Gain on sale of fixed assets	43		8				374	
Others	69		-				741	
VII Extraordinary loss	81	0.0	72	0.0	8	11.5	3,798	0.2
Loss on sale of fixed assets	9		-				212	
Loss on disposal of fixed assets	71		12				281	
Others	-		60				3,304	
Income before taxes	7,587	1.8	8,429	2.1	(842)	(10.0)	24,897	1.6
Tax Expenses	3,122	0.8	3,843	0.9	(721)	(18.8)	12,101	0.8
Minority interests in net income	182	0.0	151	0.1	30	20.1	854	0.0
Net income	4,282	1.0	4,433	1.1	(151)	(3.4)	11,941	0.8

(3) (Summary) Quarterly consolidated statement of changes in shareholders' equity  
 Previous first quarter (April 1, 2006 — June 30, 2006)

(Rounded down to the nearest million yen)

	Shareholders' equity					Total valuation and translation adjustments, etc.	Minority interests	Total net assets
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity			
Balance as of March 31, 2006	3,872	39,670	90,282	(7,116)	126,709	4,774	4,579	136,063
Changes during the first quarter period								
Dividends of surplus			(1,306)		(1,306)			(1,306)
Directors' bonuses by profit appropriation			(169)		(169)			(169)
Net income			4,433		4,433			4,433
Purchase of treasury stocks				(9)	(9)			(9)
Disposal of treasury stocks		0		0	0			0
Changes due to stock exchange	147	9,150		2,999	12,297			12,297
Decrease of consolidated subsidiaries			(241)		(241)			(241)
Changes during the first quarter period in items other than shareholders' equity (net)						(288)	0	(287)
Total changes during the first quarter period	147	9,150	2,716	2,989	15,004	(288)	0	14,716
Balance as of June 30, 2006	4,020	48,821	92,999	(4,126)	141,714	4,485	4,580	150,780

First Quarter under Review (April 1, 2007 — June 30, 2007)

(Rounded down to the nearest million yen)

	Shareholders' equity					Total valuation and translation adjustments, etc.	Minority interests	Total net assets
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity			
Balance as of March 31, 2007	4,020	49,793	99,049	(1,336)	151,525	6,213	3,652	161,391
Changes during the first quarter period								
Dividends of surplus			(1,593)		(1,593)			(1,593)
Net income			4,282		4,282			4,282
Purchase of treasury stocks				(10)	(10)			(10)
Disposal of treasury stocks		0		0	0			0
Changes during the first quarter period in items other than shareholders' equity (net)						(464)	134	(330)
Total changes during the first quarter period	-	0	2,689	(9)	2,680	(464)	134	2,349
Balance as of June 30, 2007	4,020	49,793	101,738	(1,346)	154,205	5,748	3,786	163,740

(Reference) Previous Consolidated Fiscal Period (April 1, 2006 – March 31, 2007)

(Rounded down to the nearest million yen)

	Shareholders' equity					Total valuation and translation adjustments, etc.	Minority interests	Total net assets
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity			
Balance as of March 31, 2006	3,872	39,670	90,282	(7,116)	126,709	4,774	4,579	136,063
Changes during the consolidated fiscal period								
Dividends of surplus (*1)			(2,764)		(2,764)			(2,764)
Directors' bonuses (*2)			(169)		(169)			(169)
Net income			11,941		11,941			11,941
Purchase of treasury stocks				(51)	(51)			(51)
Disposal of treasury stocks		528		2,138	2,667			2,667
Changes due to stock exchange	147	9,593		3,692	13,433			13,433
Decrease of consolidated subsidiaries			(241)		(241)			(241)
Changes during the consolidated fiscal period in items other than shareholders' equity (net)						1,439	(926)	512
Total changes during the consolidated fiscal period	147	10,122	8,766	5,779	24,815	1,439	(926)	25,327
Balance as of March 31, 2007	4,020	49,793	99,049	(1,336)	151,525	6,213	3,652	161,391

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) (Summary) Quarterly consolidated statements of cash flows

(Rounded down to the nearest million yen)

Item	Three months ended June 30, 2007	Three months ended June 30, 2006	(Ref.) Year ended March 31, 2007
	¥ Million	¥ Million	¥ Million
I Cash flows from operating activities			
Income before taxes	7,587	8,429	24,897
Depreciation	1,231	1,147	4,884
Increase in accounts receivable	(21,164)	(12,793)	(2,732)
Increase in inventories	(7,313)	(10,040)	(7,381)
Decrease (increase) in purchase rebates receivable	(5,027)	4,128	(1,219)
Increase in accounts payable	19,390	11,616	29,642
Corporate taxes paid	(10,501)	(7,864)	(12,123)
Others	1,512	2,278	4,026
Net cash used in (provided by) operating activities	(14,284)	(3,097)	39,993
II Cash flows from investing activities			
Payments for purchase of tangible fixed assets	(796)	(542)	(7,818)
Proceeds from sale of tangible fixed assets	467	46	1,693
Payments for purchase of investment securities	(48)	(94)	(3,315)
Others	(321)	182	(1,982)
Net cash used in investing activities	(699)	(407)	(11,422)
III Cash flows from financing activities			
Net decrease in short-term debt	-	(1,120)	(1,529)
Repayments of long-term debt	(54)	(103)	(553)
Cash dividends paid	(1,593)	(1,306)	(2,764)
Others	(43)	(56)	2,855
Net cash used in financing activities	(1,691)	(2,585)	(1,991)
IV Translation difference of cash and cash equivalents	0	0	9
V Increase (decrease) in cash and cash equivalents	(16,675)	(6,089)	26,589
VI Beginning balance of cash and cash equivalents	96,769	67,435	67,435
VII Decrease in cash and cash equivalents due to changes in scope of consolidation	-	(299)	(299)
VIII Increase in cash and cash equivalents due to stock exchange	-	3,043	3,043
IX Ending balance of cash and cash equivalents	80,093	64,090	96,769