

For the year ending March 31, 2008

**Interim Results Briefing (Consolidated)**

Corporate Name: Alfresa Holdings Corporation Listing: 1<sup>st</sup> Sections of Tokyo Stock Exchange and  
 Code No.: 2784 Osaka Securities Exchange  
 (URL: <http://www.alfresa.com>)  
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 Scheduled date for filing report for the interim period: December 14, 2007  
 Scheduled dividend payment start date: December 5, 2007

Note: Rounded down to the nearest million yen

## 1. Consolidated performance for the first half of the year ending March 31, 2008 (April 1, 2007 - September 30, 2007)

## (1) Consolidated operating results (Percentages indicate changes over the same period in the previous fiscal year.)

|                              | Net sales       |      | Operating income |       | Ordinary profit |      | Net income      |      |
|------------------------------|-----------------|------|------------------|-------|-----------------|------|-----------------|------|
|                              | Millions of yen | %    | Millions of yen  | %     | Millions of yen | %    | Millions of yen | %    |
| September 30, 2007 (interim) | 811,071         | 3.8  | 10,800           | 7.8   | 13,745          | 8.8  | 7,002           | 18.1 |
| September 30, 2006 (interim) | 781,139         | 17.0 | 10,021           | 136.4 | 12,628          | 94.6 | 5,929           | 84.8 |
| Year ended March 31, 2007    | 1,589,842       | –    | 21,987           | –     | 27,580          | –    | 11,941          | –    |

|                              | Earnings per share | Diluted earnings per share |
|------------------------------|--------------------|----------------------------|
|                              | Yen                | Yen                        |
| September 30, 2007 (interim) | 175.79             | –                          |
| September 30, 2006 (interim) | 150.45             | –                          |
| Year ended March 31, 2007    | 301.93             | –                          |

Reference: Profit or loss on equity method investments Sep. 2007: ¥ – million Sep. 2006: ¥ – million Mar. 2007: ¥ – million

## (2) Consolidated financial position

|                              | Total assets    | Net assets      | Equity ratio | Net assets per share |
|------------------------------|-----------------|-----------------|--------------|----------------------|
|                              | Millions of yen | Millions of yen | %            | Yen                  |
| September 30, 2007 (interim) | 760,517         | 166,638         | 21.3         | 4,068.81             |
| September 30, 2006 (interim) | 727,476         | 156,172         | 20.8         | 3,811.25             |
| Year ended March 31, 2007    | 770,207         | 161,391         | 20.5         | 3,959.80             |

Reference: Shareholders' equity: Sep. 2007: ¥162,072 million Sep. 2006: ¥151,268 million Mar. 2007: ¥157,738 million

## (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, 2007 (interim) | (18,636)                             | (2,120)                              | (1,657)                              | 74,369                                      |
| September 30, 2006 (interim) | 5,870                                | (4,626)                              | 218                                  | 71,639                                      |
| Year ended March 31, 2007    | 39,993                               | (11,422)                             | (1,991)                              | 96,769                                      |

## 2. Cash dividends

| Record date                           | Cash dividend per share |          |           |
|---------------------------------------|-------------------------|----------|-----------|
|                                       | Interim                 | Year-end | Full year |
|                                       | Yen                     | Yen      | Yen       |
| Year ended March 31, 2007             | 37.00                   | 40.00    | 77.00     |
| Year ending March 31, 2008            | 41.00                   | –        | 82.00     |
| Year ending March 31, 2008 (Forecast) | –                       | 41.00    |           |

### 3. Consolidated performance forecast for the year ending March 31, 2008 (April 1, 2007 - March 31, 2008)

(Percentages indicate changes from previous fiscal year.)

|                            | Net sales       |     | Operating income |      | Ordinary profit |      | Net income      |      | Earnings per share |
|----------------------------|-----------------|-----|------------------|------|-----------------|------|-----------------|------|--------------------|
|                            | Millions of yen | %   | Millions of yen  | %    | Millions of yen | %    | Millions of yen | %    | Yen                |
| Year ending March 31, 2008 | 1,743,000       | 9.6 | 25,700           | 16.9 | 31,500          | 14.2 | 16,800          | 40.7 | 411.73             |

Note: The earnings per share forecast figure was calculated based on the number of shares reflecting the increase in the number of shares issued following the stock exchange with CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. on October 1, 2007.

#### 4. Others

(1) Significant change to subsidiaries during the period (those changes accompanying change in scope of consolidation):  
No.

(2) Change to accounting policy, procedure, and method of presentation for preparing interim consolidated financial statements:

- i. Change due to amendment of accounting standard: Yes
- ii. Change due to reasons other than i.: No

(3) Outstanding shares (common shares):

|  |                    |                    |                   |
|--|--------------------|--------------------|-------------------|
|  | September 30, 2007 | September 30, 2006 | March 31, 2007    |
| i. Shares outstanding at period-end (including treasury stock) | 40,275,353 shares  | 40,275,353 shares  | 40,275,353 shares |
| ii. Treasury stock at period-end                               | 442,337 shares     | 585,297 shares     | 440,349 shares    |

#### Reference: Summary of non-consolidated performance

Non-consolidated performance for the first half of the year ending March 31, 2008 (April 1, 2007 - September 30, 2007)

(1) Non-consolidated operating results

(Percentages indicate changes over the same period in the previous fiscal year.)

|                              | Net sales       |       | Operating income |       | Ordinary profit |       | Net income      |       |
|------------------------------|-----------------|-------|------------------|-------|-----------------|-------|-----------------|-------|
|                              | Millions of yen | %     | Millions of yen  | %     | Millions of yen | %     | Millions of yen | %     |
| September 30, 2007 (interim) | 6,549           | 32.7  | 5,915            | 34.0  | 5,917           | 34.5  | 5,882           | 34.4  |
| September 30, 2006 (interim) | 4,934           | 226.5 | 4,416            | 313.7 | 4,399           | 317.0 | 4,378           | 311.7 |
| Year ended March 31, 2007    | 8,222           | -     | 7,086            | -     | 7,052           | -     | 6,095           | -     |

| Earnings per share           |        |
|------------------------------|--------|
| Yen                          |        |
| September 30, 2007 (interim) | 147.01 |
| September 30, 2006 (interim) | 110.30 |
| Year ended March 31, 2007    | 153.57 |

(2) Non-consolidated financial position

|                              | Total assets    | Net assets      | Equity ratio | Net assets per share |
|------------------------------|-----------------|-----------------|--------------|----------------------|
|                              | Millions of yen | Millions of yen | %            | Yen                  |
| September 30, 2007 (interim) | 140,885         | 138,010         | 98.0         | 3,448.98             |
| September 30, 2006 (interim) | 134,099         | 130,642         | 97.4         | 3,291.56             |
| Year ended March 31, 2007    | 136,286         | 133,755         | 98.1         | 3,342.48             |

Reference: Shareholders' equity: Sep. 2007 ¥138,010 million Sep. 2006 ¥130,642 million Mar. 2007 ¥133,755 million

#### \*Disclaimer regarding appropriate use of forecasts and related points of note

The above-mentioned forecasts are based on currently available information, and thus include many uncertain factors. Actual performance and other factors may differ from these forecasts due to changes in the business conditions and other factors.

## 1. Business Results

### (1) Analysis of business results

#### Business results for the first half of the year ending March 31, 2008

In the first half of the year under review, Japan's economy was steady due to continued firm capital spending and an improvement in the employment situation despite causes of concern, such as a slowdown in the U.S. economy, instability of the financial markets, and a surge in crude oil and raw material prices.

In the ethical pharmaceutical market, the market registered a growth of about 3% (based on the Company's estimates) during the first half on the strength of the aging of the population and the expansion of markets for medications for lifestyle diseases, etc.

Under these conditions, the Group formulated "07-09 Medium-term Management Plan—Advancement and Expansion" for the three-year period from April 1, 2007 through March 31, 2010 and is endeavoring to achieve this objective. In an effort to pursue the theme of "Japan-wide expansion of the wholesaling business of ethical pharmaceuticals" and "Establishment of the self-medication wholesaling business" in the Medium-term Management Plan, we concluded a stock exchange agreement with RYUYAKU CO., LTD. (head office: Urasoe, Okinawa Prefecture) on July 25, 2007 and CS YAKUHIN CO., LTD. (head office: Nagoya, Aichi Prefecture) on August 6, 2007, thereby making them wholly-owned subsidiaries of the Company as of October 1.

In addition, on September 28 of this year, we reached an agreement with Hitachi, Ltd. to establish a joint venture, Alfresa System Corporation, to engage in information system operations of the Alfresa Group.

In the first half of the year under review, net sales amounted to 811,071 million yen (up 3.8% from the previous year), operating income came to 10,800 million yen (up 7.8% from the previous year), ordinary profit was 13,745 million yen (up 8.8% from the previous year), and net income amounted to 7,002 million yen (up 18.1% from the previous year).

An outline of performance by segment for the first half of the year under review is as follows:

In the Wholesaling Business, focus on the development of new accounts and the strengthening of the sales structure for dispensing pharmacy sales channel through the effective utilization of professional delivery staff resulted in the continuous growth of sales surpassing the market growth. In terms of profits, although the Company endeavored to undertake sales with emphasis on securing appropriate gross profit, gross profit margin declined. Meanwhile, the Company's efforts to continuously reduce cost and improve sales productivity led to a further decrease in the SG&A (selling, general and administrative) expenses ratio.

As a result, net sales reached 802,716 million yen (up 3.9% from the previous year) and operating income came to 10,366 million yen (up 9.3% from the previous year). The net sales figure includes inter-segment sales of 1 million yen.

In the Manufacturing Business, sales of diagnostic reagents dropped from the previous year, but sales of pharmaceuticals and medical devices/equipment were steady. Owing to an increase in research and development costs related to Modiodal for which efforts are being made to expand its indications, profit took a downturn.

As a result, net sales amounted to 11,920 million yen (up 1.0% from the previous year) and operating income came to 56 million yen (down 81.6% from the previous year). The net sales figure includes inter-segment sales of 3,563 million yen.

#### Performance forecast for the year ending March 31, 2008

We anticipate continued moderate growth in the ethical pharmaceutical market in the second half of the year ending March 31, 2008. In this market environment, our performance forecast by segment is as follows:

In the Wholesaling Business, we expect a substantial increase in sales from the previous fiscal year due to the addition of CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. as consolidated subsidiaries on October 1, 2007. Also, we will continue to focus on sales at appropriate prices and pursue efficient management in order to further reduce the SG&A expenses ratio.

In the Manufacturing Business, we will work towards the expansion of sales through the reinforcement of sales of influenza-related diagnostic reagents, as well as towards the reduction of the manufacturing cost through the conversion to in-house manufacture of transferred products.

As a result of these efforts, our outlook for consolidated results in the year ending March 31, 2008 is net sales of 1,743,000 million yen, operating income of 25,700 million yen, ordinary profit of 31,500 million yen, and net income of 16,800 million yen as announced on May 14, 2007.

## **(2) Analysis of financial position**

### **Analysis of assets, liabilities and net assets**

At the end of the first half of the fiscal year under review, total assets decreased by 9,689 million yen, or down 1.3% from the previous year, to 760,517 million yen. Meanwhile, liabilities contracted by 14,936 million yen, or down 2.5% from the previous year, to 593,879 million yen, while net assets expanded by 5,247 million yen, or up 3.3% from the previous year, to 166,638 million yen, which resulted in the equity ratio of 21.3%.

The details of the individual items with respect to changes from the end of the previous year are as follows:

Current assets decreased by 7,920 million yen, or down 1.2%, to 626,186 million yen. This was attributed to a 24,984 million yen decrease in cash and deposits in spite of an 8,938 million yen increase in trade notes and accounts receivable, a 3,462 million yen rise in inventories, and a 4,484 million yen expansion of purchase rebates receivable.

Fixed assets amounted to 134,331 million yen, down 1,768 million yen, or 1.3%. This was owing to a decrease of 1,806 million yen in investment securities, among other things.

Current liabilities declined by 14,743 million yen, or down 2.5%, to 565,905 million yen, mainly due to a 6,742 million yen decrease in trade notes and accounts payable and a 5,410 million yen contraction in income taxes payable.

Non-current liabilities came to 27,973 million yen, down 193 million yen, or 0.7% from the previous year.

Major changes in net assets consisted of an increase in retained earnings of 5,409 million yen and a decrease in unrealized gain on securities of 1,088 million yen.

## Analysis of cash flows

As of the end of the first half of the fiscal year under review, cash and cash equivalents (hereinafter “Net Cash”) was 74,369 million yen (up 3.8% from the end of the previous first half), an decrease of ¥22,400 million compared with the end of the previous fiscal year. Net Cash used in operating activities was 18,636 million yen, Net Cash used in investing activities was 2,120 million yen, and Net Cash used in financing activities was 1,657 million yen.

### Cash flows from operating activities

Net Cash used in operating activities was 18,636 million yen (5,870 million yen was provided in the previous year). This amount was mainly attributable to income before income taxes of 13,264 million yen while there was a payment of 10,501 million yen in income taxes, an increase in trade notes and accounts receivable of 8,629 million yen, an decrease of 6,742 million yen in trade notes and accounts payable, an increase of 4,483 million yen in purchase rebates receivable, and an increase of 3,462 million yen in inventories.

### Cash flows from investing activities

Net Cash used in investing activities stood at 2,120 million yen (4,626 million yen was used in the previous year). This amount was mainly used for payments for purchase of tangible fixed assets totaling 2,016 million yen.

### Cash flows from financing activities

Net Cash used in financing activities was 1,657 million yen (218 million yen was provided in the previous year). This was principally due to payment of 1,593 million yen in cash dividends.

## Cash flow indicator trends

|   | September 30,<br>2007 (interim) | September 30,<br>2006 (interim) | Year ended<br>March 31, 2007 |
|---|---------------------------------|---------------------------------|------------------------------|
| Equity ratio (%)  | 21.3                            | 20.8                            | 20.5                         |
| Ratio of market capitalization to total assets (%)        | 38.4                            | 40.9                            | 38.8                         |
| Ratio of interest-bearing debt to operating cash flow (%) | –                               | 0.2                             | 0.0                          |
| Interest coverage ratio (times)                           | –                               | 267.4                           | 1,037.1                      |

- Notes:
1. Equity ratio: Shareholders' equity / Total assets
  2. Ratio of market capitalization to total assets: Market capitalization / Total assets
  3. Ratio of interest-bearing debt to operating cash flow: 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 (interim) consolidated balance sheets, on which interest is being paid.
  8. Interest payments indicate the amount of interest paid appearing on the (interim) consolidated statements of cash flows.
  9. Figures for the ratio of interest-bearing debt to operating cash flow and the interest coverage ratio are not shown in the above table when they are negative.

### **(3) Fundamental policy on the distribution of profits and dividend payment for current term**

The Company considers the distribution of profits to shareholders as a key management policy. The Company determines the amount of profits distributed to shareholders based on consolidated financial results, while taking all matters into consideration including the stability of the foundation for business operations and future business expansion. In doing so, the Company targets an annual dividend on equity ratio of 2% or more, taking into consideration business performance.

It is the Company's basic policy to distribute surplus profit twice a year in the form of interim dividends and term-end dividends. The Board of Directors is the body that determines the distribution of surplus profit.

For the current term, the Company plans to provide an interim cash dividend of 41 yen per share as determined by the Board of Directors on November 12, 2007. As for the term-end cash dividend, the Company plans to provide a dividend of 41 yen per share in accordance with the fundamental policy on the distribution of profits.

### **(4) Business risks**

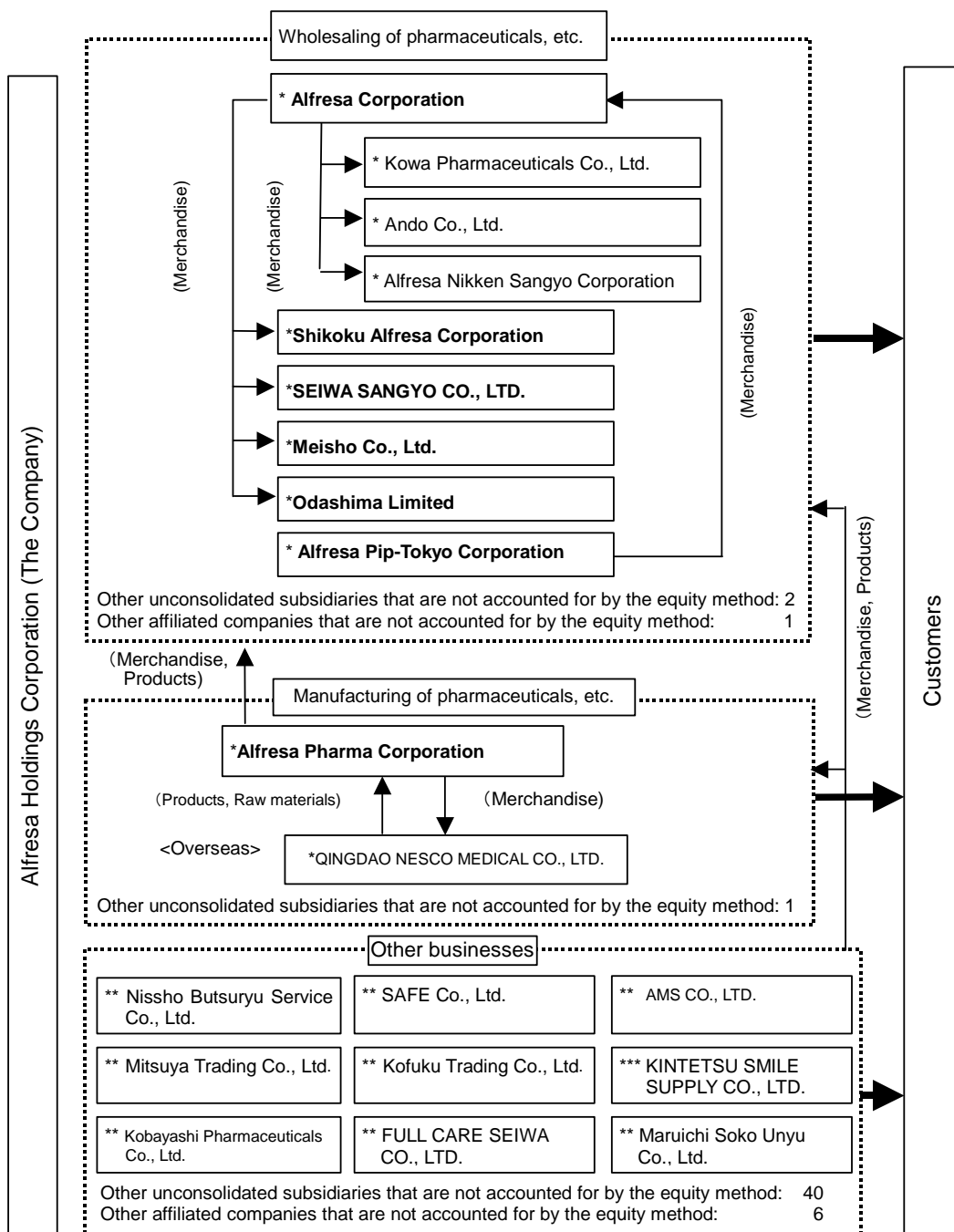
Disclosure of business risks will be omitted, as there are no new business risks of significance to disclosure that are not contained in "Business risks" of the most recent securities report (submitted on June 28, 2007).

## 2. Current Status of the Group

The Company has a 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 centered on Alfresa Corporation, and manufacturing and marketing of pharmaceuticals, diagnostic reagents and medical devices/equipment centered on Alfresa Pharma Corporation.

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

## 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.<br>Interlocking directors: 3    |
| Shikoku Alfresa Corporation       | Takamatsu, Kagawa Prefecture   | 161                       | Wholesaling of pharmaceuticals, etc.   | 100.0                      | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 1    |
| SEIWA SANGYO CO., LTD. *          | Nishi-ku, Hiroshima            | 1,144                     | Wholesaling of pharmaceuticals, etc.   | 100.0                      | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 2    |
| Meisho Co., Ltd.                  | Kanazawa, Ishikawa Prefecture  | 395                       | Wholesaling of pharmaceuticals, etc.   | 100.0                      | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 3    |
| Odashima Limited                  | Hanamaki, Iwate Prefecture     | 30                        | Wholesaling of pharmaceuticals, etc.   | 100.0                      | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 2    |
| 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.<br>Interlocking directors: 1    |
| Alfresa Pip-Tokyo Corporation     | Sumida-ku, Tokyo               | 400                       | Wholesaling of pharmaceuticals, etc.   | 85.1                       | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 1    |
| Kowa Pharmaceuticals Co., Ltd.    | Koriyama, Fukushima Prefecture | 104                       | Wholesaling of pharmaceuticals, etc.   | 58.1 (58.1)                | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 3    |
| Ando Co., Ltd.                    | Takasaki, Gunma Prefecture     | 300                       | Wholesaling of pharmaceuticals, etc.   | 51.3 (51.3)                | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: None |
| Alfresa Nikken Sangyo Corporation | Gifu, Gifu Prefecture          | 190                       | Wholesaling of pharmaceuticals, etc.   | 51.0 (51.0)                | It has concluded a basic contract with the Company relating to management services.<br>Interlocking directors: 1    |
| QINGDAO NESCO MEDICAL CO., LTD.   | Qingdao, Shandong, China       | 300                       | Manufacturing of pharmaceuticals, etc. | 100.0 (100.0)              | It manufactures surgical sutures.<br>Interlocking directors: None   |

Note 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.

### **3. Management Policies**

- (1) Basic management policies (2) Target management benchmarks (3) Medium- to long-term management strategies (4) Issues to address

Disclosure is omitted, as there are no significant changes to the contents disclosed in Consolidated Financial Statements for the Fiscal Year Ended March 2007 (disclosed on May 14, 2007).

Go to the following web sites to view Consolidated Financial Statements mentioned above.

(URL of the Company)

<http://www.alfresa.com/>

(URL of the Tokyo Stock Exchange (Search page of Listed Company Information))

<http://www.tse.or.jp/listing/compsearch/index.html>

## 4. Interim Consolidated Financial Statements

### (1) Interim Consolidated Balance Sheets

| Item                                   | As of the end of previous interim period<br>(September 30, 2006) |                | As of the end of current interim period<br>(September 30, 2007) |                | As of the end of previous fiscal year<br>(March 31, 2007) |                |
|--|--|----------------|---|----------------|---|----------------|
|  | Millions of Yen  | Percentage (%) | Millions of Yen   | Percentage (%) | Millions of Yen   | Percentage (%) |
| <b>(Assets)</b>                        |  |                |   |                |   |                |
| <b>I Current assets</b>                |  |                |   |                |   |                |
| 1. Cash and deposits                   | 74,114   |                | 76,122  |                | 101,106   |                |
| 2. Trade notes and accounts receivable | 399,698  |                | 410,961   |                | 402,022   |                |
| 3. Securities                          | 103  |                | 15  |                | 114   |                |
| 4. Inventories                         | 78,065   |                | 85,697  |                | 82,234  |                |
| 5. Purchase rebates receivable         | 35,120   |                | 45,457  |                | 40,972  |                |
| 6. Others                              | 6,112  |                | 8,831   |                | 8,516   |                |
| Allowance for doubtful accounts        | (889)  |                | (898)   |                | (860)   |                |
| Total current assets                   | 592,325  | 81.4           | 626,186   | 82.3           | 634,107   | 82.3           |
| <b>II Fixed assets</b>                 |  |                |   |                |   |                |
| 1. Tangible fixed assets               |  |                |   |                |   |                |
| (1) Buildings and structures           | 23,139   |                | 26,596  |                | 24,709  |                |
| (2) Land                               | 37,052   |                | 38,190  |                | 38,472  |                |
| (3) Others                             | 4,201  | 64,393         | 3,154   | 67,941         | 5,156   | 68,337         |
| 2. Intangible fixed assets             |  |                |   |                |   |                |
| (1) Goodwill                           | 5,050  |                | 3,764   |                | 4,002   |                |
| (2) Others                             | 4,256  | 9,306          | 3,228   | 6,992          | 3,718   | 7,720          |
| 3. Investments and other assets        |  |                |   |                |   |                |
| (1) Investment securities              | 36,231   |                | 35,724  |                | 37,531  |                |
| (2) Others                             | 29,372   |                | 28,819  |                | 27,573  |                |
| Allowance for doubtful accounts        | (4,153)  | 61,450         | (5,147)   | 59,397         | (5,063)   | 60,040         |
| Total fixed assets                     | 135,150  | 18.6           | 134,331   | 17.7           | 136,099   | 17.7           |
| Total assets                           | 727,476  | 100.0          | 760,517   | 100.0          | 770,207   | 100.0          |

| Item  | As of the end of previous interim period<br>(September 30, 2006) |                | As of the end of current interim period<br>(September 30, 2007) |                | As of the end of previous fiscal year<br>(March 31, 2007) |                |
|---|--|----------------|---|----------------|---|----------------|
|   | Millions of Yen  | Percentage (%) | Millions of Yen   | Percentage (%) | Millions of Yen   | Percentage (%) |
| <b>(Liabilities)</b>                              |  |                |   |                |   |                |
| I Current liabilities                             |  |                |   |                |   |                |
| 1. Trade notes and accounts payable               | 522,886  |                | 547,121   |                | 553,864   |                |
| 2. Short-term debt                                | 568  |                | 205   |                | 230   |                |
| 3. Allowances                                     | 6,324  |                | 6,483   |                | 6,644   |                |
| 4. Others   | 13,213   |                | 12,094  |                | 19,909  |                |
| Total current liabilities                         | 542,992  | 74.6           | 565,905   | 74.4           | 580,648   | 75.4           |
| II Non-current liabilities                        |  |                |   |                |   |                |
| 1. Long-term debt                                 | 684  |                | 209   |                | 294   |                |
| 2. Allowance for employees' retirement benefits   | 21,937   |                | 21,825  |                | 21,744  |                |
| 3. Allowance for loss on debt guarantee           | 533  |                | 370   |                | 373   |                |
| 4. Allowance for loss on transfer of business     | 439  |                | 419   |                | 451   |                |
| 5. Allowance for directors' retirement benefits   | 587  |                | 633   |                | 617   |                |
| 6. Others   | 4,129  |                | 4,515   |                | 4,685   |                |
| Total non-current liabilities                     | 28,311   | 3.9            | 27,973  | 3.7            | 28,167  | 3.6            |
| Total liabilities                                 | 571,304  | 78.5           | 593,879   | 78.1           | 608,815   | 79.0           |
| <b>(Net assets)</b>                               |  |                |   |                |   |                |
| I Shareholders' equity                            |  |                |   |                |   |                |
| 1. Paid-in capital                                | 4,020  | 0.6            | 4,020   | 0.5            | 4,020   | 0.5            |
| 2. Capital surplus                                | 49,349   | 6.8            | 49,794  | 6.6            | 49,793  | 6.5            |
| 3. Retained earnings                              | 94,492   | 13.0           | 104,458   | 13.7           | 99,049  | 12.9           |
| 4. Treasury stock, at cost                        | (2,004)  | (0.3)          | (1,354)   | (0.2)          | (1,336)   | (0.2)          |
| Total shareholders' equity                        | 145,856  | 20.1           | 156,917   | 20.6           | 151,525   | 19.7           |
| II Valuation and translation adjustments          |  |                |   |                |   |                |
| 1. Unrealized gain on securities                  | 11,108   | 1.5            | 10,796  | 1.4            | 11,885  | 1.5            |
| 2. Gain or loss on deferred hedge                 | 0  | 0.0            | (0)   | (0.0)          | 0   | 0.0            |
| 3. Unrealized gain or loss on revaluation of land | (5,728)  | (0.8)          | (5,730)   | (0.7)          | (5,730)   | (0.7)          |
| 4. Foreign currency translation adjustments       | 31   | 0.0            | 88  | 0.0            | 58  | 0.0            |
| Total valuation and translation adjustments       | 5,412  | 0.7            | 5,155   | 0.7            | 6,213   | 0.8            |
| III Minority interests                            | 4,903  | 0.7            | 4,565   | 0.6            | 3,652   | 0.5            |
| Total net assets                                  | 156,172  | 21.5           | 166,638   | 21.9           | 161,391   | 21.0           |
| Total   | 727,476  | 100.0          | 760,517   | 100.0          | 770,207   | 100.0          |

**(2) Interim Consolidated Income Statements**

| Item  | Six months ended<br>September 30, 2006 |                   | Six months ended<br>September 30, 2007 |                   | Fiscal year ended March 31, 2007 |                   |
|---|--|-------------------|--|-------------------|----------------------------------|-------------------|
|   | Millions of Yen                        | Percentage<br>(%) | Millions of Yen                        | Percentage<br>(%) | Millions of Yen                  | Percentage<br>(%) |
| I Net sales   | 781,139                                | 100.0             | 811,071                                | 100.0             | 1,589,842                        | 100.0             |
| II Cost of sales                                    | 716,299                                | 91.7              | 744,593                                | 91.8              | 1,455,195                        | 91.5              |
| Total deduction                                     | 64,840                                 | 8.3               | 66,478                                 | 8.2               | 134,647                          | 8.5               |
| Reversal of allowance for<br>returned unsold goods  | 737                                    | 0.1               | 698                                    | 0.1               | 737                              | 0.0               |
| Allowance for returned unsold goods                 | 657                                    | 0.1               | 707                                    | 0.1               | 698                              | 0.0               |
| Gross profit  | 64,920                                 | 8.3               | 66,469                                 | 8.2               | 134,687                          | 8.5               |
| III Selling, general and<br>administrative expenses | 54,898                                 | 7.0               | 55,669                                 | 6.9               | 112,699                          | 7.1               |
| Operating income                                    | 10,021                                 | 1.3               | 10,800                                 | 1.3               | 21,987                           | 1.4               |
| IV Non-operating income                             |  |                   |  |                   |                                  |                   |
| 1. Interest income                                  | 76                                     |                   | 115                                    |                   | 180                              |                   |
| 2. Dividend income                                  | 339                                    |                   | 408                                    |                   | 577                              |                   |
| 3. Information fees received                        | 1,619                                  |                   | 1,891                                  |                   | 3,439                            |                   |
| 4. Others   | 667                                    | 2,702             | 640                                    | 3,055             | 1,623                            | 5,821             |
| V Non-operating expenses                            |  |                   |  |                   |                                  |                   |
| 1. Interest expenses                                | 23                                     |                   | 16                                     |                   | 40                               |                   |
| 2. Commission fees                                  | 20                                     |                   | 20                                     |                   | 43                               |                   |
| 3. Others   | 51                                     | 95                | 73                                     | 110               | 144                              | 228               |
| Ordinary profit                                     | 12,628                                 | 1.6               | 13,745                                 | 1.7               | 27,580                           | 1.7               |

| Item   | Six months ended<br>September 30, 2006 |        |                   | Six months ended<br>September 30, 2007 |        |                   | Fiscal year ended March 31, 2007 |        |                   |
|--|--|--------|-------------------|--|--------|-------------------|----------------------------------|--------|-------------------|
|  | Millions of Yen                        |        | Percentage<br>(%) | Millions of Yen                        |        | Percentage<br>(%) | Millions of Yen                  |        | Percentage<br>(%) |
| VI Extraordinary income  |  |        |                   |  |        |                   |                                  |        |                   |
| 1. Gain on sale of fixed assets                                      | 8                                      |        |                   | 121                                    |        |                   | 374                              |        |                   |
| 2. Gain on sale of investment securities                             | 8                                      |        |                   | 21                                     |        |                   | 8                                |        |                   |
| 3. Reversal of allowance for loss on debt guarantee                  | -                                      |        |                   | 3                                      |        |                   | 152                              |        |                   |
| 4. Gain on sale of investments in affiliates                         | 44                                     |        |                   | -                                      |        |                   | 44                               |        |                   |
| 5. Return on welfare mutual aid premiums                             | -                                      |        |                   | 69                                     |        |                   | -                                |        |                   |
| 6. Subsidies of land plot readjustment programs                      | -                                      |        |                   | -                                      |        |                   | 20                               |        |                   |
| 7. Income for portion of joint development                           | -                                      | 61     | 0.0               | -                                      | 216    | 0.0               | 514                              | 1,115  | 0.1               |
| VII Extraordinary loss   |  |        |                   |  |        |                   |                                  |        |                   |
| 1. Loss on sale of fixed assets                                      | -                                      |        |                   | 42                                     |        |                   | 212                              |        |                   |
| 2. Loss on disposal of fixed assets                                  | 77                                     |        |                   | 92                                     |        |                   | 281                              |        |                   |
| 3. Loss on sale of investment securities                             | 17                                     |        |                   | -                                      |        |                   | 17                               |        |                   |
| 4. Loss on devaluation of investment securities                      | 10                                     |        |                   | 18                                     |        |                   | 89                               |        |                   |
| 5. Loss on impairment of fixed assets                                | 468                                    |        |                   | 63                                     |        |                   | 491                              |        |                   |
| 6. Voluntary retirement benefits                                     | -                                      |        |                   | -                                      |        |                   | 1,100                            |        |                   |
| 7. Loss on sale of shares of subsidiaries and affiliates             | 60                                     |        |                   | -                                      |        |                   | 60                               |        |                   |
| 8. Loss on devaluation of shares of subsidiaries and affiliates      | 9                                      |        |                   | -                                      |        |                   | 59                               |        |                   |
| 9. Loss on devaluation of investments in subsidiaries and affiliates | -                                      |        |                   | -                                      |        |                   | 498                              |        |                   |
| 10. Loss on changes in equity  | -                                      |        |                   | 480                                    |        |                   | -                                |        |                   |
| 11. Expenses for withdrawal from employee pension funds program      | -                                      |        |                   | -                                      |        |                   | 235                              |        |                   |
| 12. Expenses for system transition                                   | -                                      |        |                   | -                                      |        |                   | 670                              |        |                   |
| 13. Allowance for loss on debt guarantee                             | 7                                      |        |                   | -                                      |        |                   | -                                |        |                   |
| 14. Loss on transfer of operations                                   | 73                                     | 725    | 0.1               | -                                      | 697    | 0.1               | 82                               | 3,798  | 0.2               |
| Income before income taxes   |  | 11,965 | 1.5               |  | 13,264 | 1.6               |                                  | 24,897 | 1.6               |
| Corporate, residential and enterprise taxes                          | 5,607                                  |        |                   | 5,418                                  |        |                   | 14,905                           |        |                   |
| Corporate tax adjustments  | (24)                                   | 5,582  | 0.7               | 454                                    | 5,872  | 0.7               | (2,804)                          | 12,101 | 0.8               |
| Minority interests in net income                                     |  | 452    | 0.0               |  | 388    | 0.0               |                                  | 854    | 0.0               |
| Net income   |  | 5,929  | 0.8               |  | 7,002  | 0.9               |                                  | 11,941 | 0.8               |

**(3) Interim Consolidated Statement of Changes in Shareholders' Equity**  
**Previous Interim Period (April 1, 2006 - September 30, 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 interim period  |                      |                 |                   |                |                            |
| Dividends of surplus (Note)  |                      |                 | (1,306)           |                | (1,306)                    |
| Directors' bonuses (Note)  |                      |                 | (169)             |                | (169)                      |
| Net income   |                      |                 | 5,929             |                | 5,929                      |
| Purchase of treasury stocks  |                      |                 |                   | (24)           | (24)                       |
| Disposal of treasury stocks  |                      | 527             |                   | 2,136          | 2,663                      |
| Changes due to stock exchange  | 147                  | 9,150           |                   | 2,999          | 12,297                     |
| Decrease of consolidated subsidiaries  |                      |                 | (241)             |                | (241)                      |
| Others   |                      |                 | (2)               |                | (2)                        |
| Changes during the interim period in items other than shareholders' equity (net) |                      |                 |                   |                |                            |
| Total changes during the interim period  | 147                  | 9,678           | 4,210             | 5,111          | 19,146                     |
| Balance as of September 30, 2006   | 4,020                | 49,349          | 94,492            | (2,004)        | 145,856                    |

|  | Valuation and translation adjustments |                                |  |  |   | Minority interests | Total net assets |
|--|---------------------------------------|--------------------------------|--|--|---|--------------------|------------------|
|  | Unrealized gains on securities        | Gain or loss on deferred hedge | 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 interim period  |                                       |                                |  |  |   |                    |                  |
| Dividends of surplus (Note)  |                                       |                                |  |  |   |                    | (1,306)          |
| Directors' bonuses (Note)  |                                       |                                |  |  |   |                    | (169)            |
| Net income   |                                       |                                |  |  |   |                    | 5,929            |
| Purchase of treasury stocks  |                                       |                                |  |  |   |                    | (24)             |
| Disposal of treasury stocks  |                                       |                                |  |  |   |                    | 2,663            |
| Changes due to stock exchange  |                                       |                                |  |  |   |                    | 12,297           |
| Decrease of consolidated subsidiaries  |                                       |                                |  |  |   |                    | (241)            |
| Others   |                                       |                                |  |  |   |                    | (2)              |
| Changes during the interim period in items other than shareholders' equity (net) | 698                                   | 0                              | (53)   | (6)                                      | 638   | 324                | 962              |
| Total changes during the interim period  | 698                                   | 0                              | (53)   | (6)                                      | 638   | 324                | 20,109           |
| Balance as of September 30, 2006   | 11,108                                | 0                              | (5,728)  | 31                                       | 5,412                                       | 4,903              | 156,172          |

Note: The profit appropriation items at the General Meeting of Shareholders held in June 2006

**Current Interim Period (April 1, 2007 - September 30, 2007)**

(Rounded down to the nearest million yen)

|  | Shareholders' equity |                 |                   |                | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Paid-in capital      | Capital surplus | Retained earnings | Treasury stock |                            |
| Balance as of March 31, 2007   | 4,020                | 49,793          | 99,049            | (1,336)        | 151,525                    |
| Changes during the interim period  |                      |                 |                   |                |                            |
| Dividends of surplus   |                      |                 | (1,593)           |                | (1,593)                    |
| Net income   |                      |                 | 7,002             |                | 7,002                      |
| Purchase of treasury stocks  |                      |                 |                   | (20)           | (20)                       |
| Disposal of treasury stocks  |                      | 1               |                   | 2              | 3                          |
| Changes during the interim period in items other than shareholders' equity (net) |                      |                 |                   |                |                            |
| Total changes during the interim period  |                      | 1               | 5,409             | (18)           | 5,392                      |
| Balance as of September 30, 2007   | 4,020                | 49,794          | 104,458           | (1,354)        | 156,917                    |

|  | Valuation and translation adjustments |                                |  |  | Total valuation and translation adjustments | Minority interests | Total net assets |
|--|---------------------------------------|--------------------------------|--|--|---|--------------------|------------------|
|  | Unrealized gains on securities        | Gain or loss on deferred hedge | Unrealized gain or loss on revaluation of land | Foreign currency translation adjustments |   |                    |                  |
| Balance as of March 31, 2007   | 11,885                                | 0                              | (5,730)  | 58                                       | 6,213                                       | 3,652              | 161,391          |
| Changes during the interim period  |                                       |                                |  |  |   |                    |                  |
| Dividends of surplus   |                                       |                                |  |  |   |                    | (1,593)          |
| Net income   |                                       |                                |  |  |   |                    | 7,002            |
| Purchase of treasury stocks  |                                       |                                |  |  |   |                    | (20)             |
| Disposal of treasury stocks  |                                       |                                |  |  |   |                    | 3                |
| Changes during the interim period in items other than shareholders' equity (net) | (1,088)                               | (0)                            |  | 30                                       | (1,058)                                     | 913                | (145)            |
| Total changes during the interim period  | (1,088)                               | (0)                            |  | 30                                       | (1,058)                                     | 913                | 5,247            |
| Balance as of September 30, 2007   | 10,796                                | (0)                            | (5,730)  | 88                                       | 5,155                                       | 4,565              | 166,638          |

**Consolidated Statement of Changes in Shareholders' Equity**

**Previous Fiscal Year (April 1, 2006 - March 31, 2007)**

(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 fiscal year  |                      |                 |                   |                |                            |
| Dividends of surplus (Note 1)   |                      |                 | (2,764)           |                | (2,764)                    |
| Directors' bonuses (Note 2)   |                      |                 | (169)             |                | (169)                      |
| Net income  |                      |                 | 11,941            |                | 11,941                     |
| Purchase of treasury stocks   |                      |                 |                   | (51)           | (51)                       |
| Disposal of treasury stocks   |                      | 528             |                   | 2,138          | 2,667                      |
| Changes due to stock exchange   | 147                  | 9,593           |                   | 3,692          | 13,433                     |
| Decrease of consolidated subsidiaries   |                      |                 | (241)             |                | (241)                      |
| Changes during the fiscal year in items other than shareholders' equity (net) |                      |                 |                   |                |                            |
| Total changes during the fiscal year (net)                                    | 147                  | 10,122          | 8,766             | 5,779          | 24,815                     |
| Balance as of March 31, 2007  | 4,020                | 49,793          | 99,049            | (1,336)        | 151,525                    |

|   | Valuation and translation adjustments |                                |  |  |   | Minority interests | Total net assets |
|---|---------------------------------------|--------------------------------|--|--|---|--------------------|------------------|
|   | Unrealized gains on securities        | Gain or loss on deferred hedge | 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 fiscal year  |                                       |                                |  |  |   |                    |                  |
| Dividends of surplus (Note 1)   |                                       |                                |  |  |   |                    | (2,764)          |
| Directors' bonuses (Note 2)   |                                       |                                |  |  |   |                    | (169)            |
| Net income  |                                       |                                |  |  |   |                    | 11,941           |
| Purchase of treasury stocks   |                                       |                                |  |  |   |                    | (51)             |
| Disposal of treasury stocks   |                                       |                                |  |  |   |                    | 2,667            |
| Changes due to stock exchange   |                                       |                                |  |  |   |                    | 13,433           |
| Decrease of consolidated subsidiaries   |                                       |                                |  |  |   |                    | (241)            |
| Changes during the fiscal year in items other than shareholders' equity (net) | 1,475                                 | 0                              | (55)   | 19                                       | 1,439                                       | (926)              | 512              |
| Total changes during the fiscal year (net)                                    | 1,475                                 | 0                              | (55)   | 19                                       | 1,439                                       | (926)              | 25,327           |
| Balance as of March 31, 2007  | 11,885                                | 0                              | (5,730)  | 58                                       | 6,213                                       | 3,652              | 161,391          |

Note: 1. These were items for the appropriation of profits resolved at the General Meeting of Shareholders held in June 2006 and interim dividend amounts resolved at the Board of Directors' Meeting in November 2006.

2. The profit appropriation items at the General Meeting of Shareholders held in June 2006

**(4) Interim Consolidated Statements of Cash Flows**

|   | Six months ended<br>September 30, 2006 | Six months ended<br>September 30, 2007 | Fiscal year ended<br>March 31, 2007 |
|---|--|--|-------------------------------------|
| Item  | Millions of Yen                        | Millions of Yen                        | Millions of Yen                     |
| I Cash flows from operating activities                                    |  |  |                                     |
| 1. Income before income taxes   | 11,965                                 | 13,264                                 | 24,897                              |
| 2. Depreciation   | 2,434                                  | 2,530                                  | 4,884                               |
| 3. Loss on impairment of fixed assets                                     | 468                                    | 63                                     | 491                                 |
| 4. Increase (decrease) in allowance for doubtful accounts                 | (222)                                  | 121                                    | 659                                 |
| 5. Increase (decrease) in allowance for bonuses to directors and auditors | –                                      | (108)                                  | 215                                 |
| 6. Increase in allowance for employees' retirement benefits               | 199                                    | 80                                     | 6                                   |
| 7. Increase (decrease) in allowance for directors' retirement benefits    | (44)                                   | 15                                     | (14)                                |
| 8. Increase (decrease) in allowance for bonuses                           | 82                                     | (38)                                   | 115                                 |
| 9. Interest and dividends income  | (416)                                  | (523)                                  | (758)                               |
| 10. Interest expenses   | 23                                     | 16                                     | 40                                  |
| 11. Amortization of goodwill  | 548                                    | 505                                    | 1,097                               |
| 12. Gains on sale of fixed assets   | (8)                                    | (121)                                  | (374)                               |
| 13. Loss on sale and disposal of fixed assets                             | 77                                     | 134                                    | 493                                 |
| 14. Loss on changes in equity   | –                                      | 480                                    | –                                   |
| 15. Loss on devaluation of investments in subsidiaries and affiliates     | –                                      | –                                      | 498                                 |
| 16. Decrease (increase) in trade notes and accounts receivable            | 143                                    | (8,629)                                | (2,732)                             |
| 17. Increase in inventories   | (3,213)                                | (3,462)                                | (7,381)                             |
| 18. Decrease (increase) in purchase rebates receivables                   | 4,635                                  | (4,483)                                | (1,219)                             |
| 19. Increase (decrease) in trade notes and accounts payable               | (1,335)                                | (6,742)                                | 29,642                              |
| 20. Increase (decrease) in accounts payable, other                        | (146)                                  | (1,981)                                | 1,212                               |
| 21. Others  | (2,359)                                | 237                                    | (383)                               |
| Subtotal  | 12,834                                 | (8,640)                                | 51,390                              |
| 22. Interest and dividends received                                       | 419                                    | 521                                    | 765                                 |
| 23. Interest paid   | (21)                                   | (16)                                   | (38)                                |
| 24. Income taxes paid   | (7,361)                                | (10,501)                               | (12,123)                            |
| Net cash provided by (used in) operating activities                       | 5,870                                  | (18,636)                               | 39,993                              |

|   | Six months ended<br>September 30, 2006 | Six months ended<br>September 30, 2007 | Fiscal year<br>ended March<br>31, 2007 |
|---|--|--|--|
| Item  | Millions of Yen                        | Millions of Yen                        | Millions of Yen                        |
| II Cash flows from investing activities   |  |  |  |
| 1. Payments into time deposits  | (449)                                  | (101)                                  | (3,264)                                |
| 2. Proceeds from maturity of time deposits  | 729                                    | 198                                    | 1,544                                  |
| 3. Payments for purchase of tangible fixed assets                                 | (1,725)                                | (2,016)                                | (7,818)                                |
| 4. Proceeds from sale of tangible fixed assets                                    | 50                                     | 846                                    | 1,693                                  |
| 5. Payments for purchase of intangible fixed assets                               | (130)                                  | (134)                                  | (212)                                  |
| 6. Proceeds from sale of intangible fixed assets                                  | 0                                      | 0                                      | 0                                      |
| 7. Payments for acquisition of long-term prepaid expenses                         | (17)                                   | (21)                                   | (90)                                   |
| 8. Payments for purchase of investment securities                                 | (3,174)                                | (89)                                   | (3,315)                                |
| 9. Proceeds from sale of investment securities                                    | 197                                    | 221                                    | 182                                    |
| 10. Payments for additional acquisition of consolidated subsidiary equity         | –                                      | (260)                                  | –                                      |
| 11. Payments for loans provided   | (418)                                  | (901)                                  | (812)                                  |
| 12. Proceeds from collection of loans   | 314                                    | 134                                    | 671                                    |
| 13. Others  | 0                                      | 4                                      | 0                                      |
| Net cash used in investing activities   | (4,626)                                | (2,120)                                | (11,422)                               |
| III Cash flows from financing activities  |  |  |  |
| 1. Net decrease in short-term debt  | (1,120)                                | –                                      | (1,529)                                |
| 2. Repayments of long-term debt   | (235)                                  | (109)                                  | (553)                                  |
| 3. Payments of corporate bond redemption  | (100)                                  | –                                      | (100)                                  |
| 4. Proceeds from payments from minority shareholders                              | –                                      | 95                                     | –                                      |
| 5. Payments for purchase of treasury stock  | (24)                                   | (20)                                   | (51)                                   |
| 6. Proceeds from sale of treasury stock   | 3,026                                  | 3                                      | 3,029                                  |
| 7. Cash dividends paid  | (1,306)                                | (1,593)                                | (2,764)                                |
| 8. Cash dividends paid to minority shareholders                                   | (21)                                   | (33)                                   | (21)                                   |
| Net cash provided by (used in) financing activities                               | 218                                    | (1,657)                                | (1,991)                                |
| IV Translation difference of cash and cash equivalents                            | (3)                                    | 14                                     | 9                                      |
| V Increase (decrease) in cash and cash equivalents                                | 1,460                                  | (22,400)                               | 26,589                                 |
| VI Beginning balance of cash and cash equivalents                                 | 67,435                                 | 96,769                                 | 67,435                                 |
| VII Decrease in cash and cash equivalents due to change of 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                                    | 71,639                                 | 74,369                                 | 96,769                                 |