

Consolidated Financial Statements for the Third 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 third quarter of the fiscal year ending March 31, 2008

(April 1, 2007 – December 31, 2007)

(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, 2007	1,334,809	9.3	21,217	5.6	26,193	7.2	13,630	11.5
Nine months ended December 31, 2006	1,221,094	14.2	20,094	91.7	24,440	73.4	12,219	81.2
Fiscal year ended March 31, 2007	1,589,842	-	21,987	-	27,580	-	11,941	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2007	336.70	-
Nine months ended December 31, 2006	309.32	-
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
Nine months ended December 31, 2007	939,240	185,547	19.3	4,325.59
Nine months ended December 31, 2006	815,816	163,122	19.4	3,979.34
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
Nine months ended December 31, 2007	(21,292)	(5,623)	(3,690)	69,797
Nine months ended December 31, 2006	17,357	(8,341)	(1,529)	77,669
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
Fiscal year ending March 31, 2008	1,743,000	9.6	25,700	16.9	31,500	14.2	16,800	40.7	411.74

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

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.

3. Others

- (1) Significant change in subsidiaries during the period (those changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes
Increase 1 (CS YAKUHIN CO., LTD.)
- (2) Application of simplified accounting method: Yes
- (3) Changes in the accounting method from the most recent consolidated fiscal year: Yes

Note: For details, see page 5 **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 in the future.

Qualitative information and financial statements

1. Qualitative information on the consolidated operating results

The Alfresa Group is pursuing the strategy of “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” in the first year of the three-year medium term management plan “07–09 Medium-term Management Plan — Advancement and Expansion” for the period from April 2007 through March 2010.

CS YAKUHIN CO., LTD. (head office: Naka-ku, Nagoya) and RYUYAKU CO., LTD. (head office: Urasoe, Okinawa Prefecture) were made wholly-owned subsidiaries on October 1, 2007 through a stock exchange and were included in the scope of consolidation from the third quarter under review. Also, Alfresa System Corporation (head office: Chiyoda-ku, Tokyo) was jointly established with Hitachi, Ltd. on October 25, 2007. The new company, which will provide information system services to the Alfresa Group, started business operations in December 2007. This company, too, has been included in the scope of consolidation from the third quarter under review.

On the logistics front, Alfresa Corporation completed construction of the Kanagawa Distribution Center in November 2007 while Shikoku Alfresa Corporation commenced construction of a new distribution center in Takamatsu, Kagawa Prefecture which is due to start operation in May 2008.

Furthermore, as part of an effort to advance the self-medication business structure, the Company and CS YAKUHIN CO., LTD. concluded an agreement with TAMPEI NAKATA CO., LTD. (head office: Chuo-ku, Osaka) on November 12, 2007 regarding cooperation in strengthening the management structure of the self-medication products wholesaling business.

As a result of these efforts, the Company posted the following consolidated operating results for the third quarter under review: net sales of ¥1,334,809 million (up 9.3% from the previous year), operating income of ¥21,217 million (up 5.6% from the previous year), ordinary profit of ¥26,193 million (up 7.2% from the previous year), and net income of ¥13,630 million (up 11.5% from the previous year).

An outline of performance by segment for the third quarter under review is as follows.

In the wholesaling business, net sales continued to exceed the market growth due to the strengthening of efforts in the development of new accounts and promotion of new products and focus of energies on dispensing pharmacy sales channels through the effective utilization of professional delivery staff. On the profit front, although the Company endeavored to realize sales with emphasis on securing appropriate gross profit, the gross profit margin declined. Meanwhile, our efforts to continuously reduce cost and improve sales productivity resulted in a further decrease in the SG&A (selling, general and administrative) expenses ratio. As a result of this, net sales amounted to ¥1,321,815 million (up 9.4% from the previous year) and operating income came to ¥20,643 million (up 10.1% from the previous year). Net sales included inter-segment sales of ¥16 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, for which efforts are being made to expand its indications, increased. This and other factors led to a decline in the operating income margin. As a result, net sales came to ¥18,857 million (up 0.5% from the previous year) and operating income amounted to ¥453 million (down 38.4% from the previous year). Net sales included inter-segment sales of ¥5,847 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 third quarter under review showed a sharp increase in assets, liabilities and net assets as described below due to an increase in consolidated companies.

Assets

Assets grew by ¥169,033 million. This mainly owed to an increase of ¥125,335 million in trade notes and accounts receivable, an increase of ¥44,268 million in inventories, an increase of ¥17,843 million in purchase rebates receivable, and a decrease of ¥29,242 million in cash and deposits.

Liabilities

Liabilities expanded by ¥144,876 million. This was mainly attributed to an increase of ¥150,797 million in trade notes and accounts payable and a decrease of ¥8,466 million in corporate taxes payable.

Net assets

Net assets rose by ¥24,156 million. This was mainly due to an increase of ¥16,118 million in capital surplus and an increase of ¥10,406 million in retained earnings.

(2) Consolidated cash flows

Cash and cash equivalents (net cash) as of the end of the third quarter under review amounted to ¥69,797 million. There was an decrease of ¥26,971 million over the beginning balance due to a decrease of ¥21,292 million in net cash from operating activities, a decrease of ¥5,623 million in net cash from investing activities, and a decrease of ¥3,690 million in net cash from financing activities, as well as an increase of ¥3,633 million in net cash from the stock exchange.

Cash flows in different activities were as follows:

Cash flows from operating activities

Net cash used in operating activities amounted to ¥21,292 million. This was mainly because although net income before income taxes amounted to ¥25,868 million and trade notes and accounts payable increased by ¥86,609 million, trade notes and accounts receivable rose by ¥72,566 million, inventories expanded by ¥32,260 million, purchase rebates receivable grew by ¥13,153 million and corporate taxes paid amounted to ¥17,902 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥5,623 million. This was mainly due to payment of ¥2,973 million for the purchase of tangible fixed assets and payment of ¥1,439 million for the purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,690 million. This was mainly attributable to the payment of cash dividends of ¥3,224 million.

3. Qualitative information on 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. The figure for the forecast of earnings per share for the full year has been revised due to the issue of new shares accompanying the stock exchange with CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. on October 1, 2007.

4. Others

(1) Significant change in subsidiaries during the period (those changes in specified subsidiaries accompanying changes in the scope of consolidation)

The Company concluded a stock exchange agreement with CS YAKUHIN CO., LTD. on August 6, 2007 and made it the Company's consolidated subsidiary through a stock exchange for making CS YAKUHIN CO., LTD. a wholly-owned subsidiary of the Company on October 1, 2007.

(2) Adoption of simplified accounting method

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 period of the 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 consolidated fiscal year 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 3Q (Dec. 31, 2007)		As of the end of previous 3Q (Dec. 31, 2006)		Change		(Ref.) As of the end of previous FY (March 31, 2007)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Assets)								
I Current assets	790,242	84.1	677,309	83.0	112,933	16.7	634,107	82.3
Cash and deposits	71,864		80,210				101,106	
Trade notes and accounts receivable	527,358		447,637				402,022	
Inventories	126,502		106,388				82,234	
Purchase rebates receivable	58,816		39,065				40,972	
Others	7,024		4,967				8,631	
Allowance for doubtful accounts	(1,322)		(960)				(860)	
II Fixed assets	148,997	15.9	138,506	17.0	10,490	7.6	136,099	17.7
1. Tangible fixed assets	71,577	7.6	66,973	8.2	4,603	6.9	68,337	8.9
Buildings and structures	27,107		23,096				24,709	
Land	40,884		38,452				38,472	
Others	3,585		5,424				5,156	
2. Intangible fixed assets	11,230	1.2	8,760	1.1	2,470	28.2	7,720	1.0
Goodwill	8,077		4,776				4,002	
Others	3,153		3,984				3,718	
3. Investments and other assets	66,189	7.1	62,772	7.7	3,417	5.4	60,040	7.8
Investment in securities	35,531		39,423				37,531	
Others	36,383		27,463				27,573	
Allowance for doubtful accounts	(5,725)		(4,114)				(5,063)	
Total	939,240	100.0	815,816	100.0	123,424	15.1	770,207	100.0

(Rounded down to the nearest million yen)

Item	As of the end of current 3Q (Dec. 31, 2007)		As of the end of previous 3Q (Dec. 31, 2006)		Change		(Ref.) As of the end of previous FY (March 31, 2007)	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
(Liabilities)	753,692	80.2	652,693	80.0	100,999	15.5	608,815	79.0
I Current liabilities	722,544	76.9	623,630	76.4	98,913	15.9	580,648	75.4
Trade notes and accounts payable	704,661		607,900				553,864	
Short-term debt	2,535		358				230	
Corporate taxes payable	2,522		5,512				10,989	
Accrued bonuses	3,146		2,892				5,633	
Others	9,677		6,967				9,931	
II Non-current liabilities	31,148	3.3	29,062	3.6	2,086	7.2	28,167	3.6
Long-term debt	37		613				294	
Allowance for employees' retirement benefits	23,373		22,050				21,744	
Others	7,737		6,398				6,128	
(Net assets)	185,547	19.8	163,122	20.0	22,424	13.7	161,391	21.0
I Shareholders' equity	177,465	18.9	150,682	18.5	26,783	17.8	151,525	19.7
Paid-in capital	4,230		4,020				4,020	
Capital surplus	65,911		49,349				49,793	
Retained earnings	109,455		99,326				99,049	
Treasury stock, at cost	(2,131)		(2,014)				(1,336)	
II Valuation and translation adjustments, etc.	3,210	0.4	7,252	0.9	(4,042)	(55.7)	6,213	0.8
Unrealized gain on securities	8,878		12,936				11,885	
Gain or loss on deferred hedge	-		-				0	
Unrealized gain or loss on revaluation of land	(5,730)		(5,730)				(5,730)	
Foreign currency translation adjustment	61	-	46				58	
III Minority interests	4,871	0.5	5,187	0.6	(315)	(6.1)	3,652	0.5
Total	939,240	100.0	815,816	100.0	123,424	15.1	770,207	100.0

(2) (Summary) Quarterly Consolidated Income Statements

(Rounded down to the nearest million yen)

Item	Nine months ended December 31, 2007		Nine months ended December 31, 2006		Change		(Ref.) Year ended March 31, 2007	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
I Net sales	1,334,809	100.0	1,221,094	100.0	113,714	9.3	1,589,842	100.0
II Cost of sales	1,224,567	91.7	1,118,142	91.6	106,424	9.5	1,455,195	91.5
Balance	110,241	8.3	102,951	8.4	7,289	7.1	134,647	8.5
Reversal of allowance for returned unsold goods	857	0.1	737	0.1			737	0.0
Allowance for returned unsold goods	977	0.1	729	0.1			698	0.0
Gross profit	110,121	8.3	102,960	8.4	7,161	7.0	134,687	8.5
III Selling, general and administrative expenses	88,904	6.7	82,865	6.8	6,039	7.3	112,699	7.1
Operating income	21,217	1.6	20,094	1.6	1,122	5.6	21,987	1.4
IV Non-operating income	5,149	0.4	4,496	0.4	653	14.5	5,821	0.3
Interest income and dividend income	878		674				758	
Information fees received	3,024		2,580				3,439	
Others	1,246		1,241				1,623	
V Non-operating expenses	173	0.0	150	0.0	22	14.8	228	0.0
Interest expenses	33		33				40	
Others	139		117				187	
Ordinary profit	26,193	2.0	24,440	2.0	1,753	7.2	27,580	1.7
VI Extraordinary income	499	0.0	89	0.0	410	459.9	1,115	0.1
Gain on sale of fixed assets	187		29				374	
Others	312		59				741	
VII Extraordinary loss	824	0.1	824	0.1	(0)	(0.0)	3,798	0.2
Loss on sale of fixed assets	42		-				212	
Loss on disposal of fixed assets	118		184				281	
Others	663		639				3,304	
Income before income taxes	25,868	1.9	23,705	1.9	2,163	9.1	24,897	1.6
Tax expenses	11,618	0.9	10,747	0.9	870	8.1	12,101	0.8
Minority interests in net income	620	0.0	737	0.0	(117)	(15.9)	854	0.0
Net income	13,630	1.0	12,219	1.0	1,410	11.5	11,941	0.8

(3) (Summary) Quarterly Consolidated Statement of Changes in Shareholders' Equity
Previous Third Quarter (April 1, 2006 to December 31, 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 third quarter period								
Dividends of surplus (*1)			(2,764)		(2,764)			(2,764)
Directors' bonuses (*2)			(169)		(169)			(169)
Net income			12,219		12,219			12,219
Purchase of treasury stocks				(35)	(35)			(35)
Disposal of treasury stocks		527		2,137	2,665			2,665
Changes due to stock exchange	147	9,150		2,999	12,297			12,297
Decrease of consolidated subsidiaries			(241)		(241)			(241)
Changes during the third quarter period in items other than shareholders' equity (net)						2,478	608	3,087
Total changes during the third quarter period	147	9,678	9,044	5,102	23,972	2,478	608	27,059
Balance as of December 31, 2006	4,020	49,349	99,326	(2,014)	150,682	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

Third Quarter under Review (April 1, 2007 to December 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, 2007	4,020	49,793	99,049	(1,336)	151,525	6,213	3,652	161,391
Changes during the third quarter period								
Dividends of surplus			(3,224)		(3,224)			(3,224)
Net income			13,630		13,630			13,630
Purchase of treasury stocks				(42)	(42)			(42)
Disposal of treasury stocks		1		3	4			4
Changes due to stock exchange	210	16,117		(755)	15,571			15,571
Changes during the third quarter period in items other than shareholders' equity (net)						(3,003)	1,219	(1,783)
Total changes during the third quarter period	210	16,118	10,406	(795)	25,939	(3,003)	1,219	24,156
Balance as of December 31, 2007	4,230	65,911	109,455	(2,131)	177,465	3,210	4,871	185,547

(Reference) Previous Consolidated Fiscal Period (April 1, 2006 to 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	Nine months ended December 31, 2007	Nine months ended December 31, 2006	(Ref.) Year ended March 31, 2007
	¥ Million	¥ Million	¥ Million
I Cash flows from operating activities			
Income before income taxes	25,868	23,705	24,897
Depreciation	3,916	3,661	4,884
Increase in trade notes and accounts receivable	(72,566)	(47,925)	(2,732)
Increase in inventories	(32,260)	(31,536)	(7,381)
Decrease (increase) in purchase rebates receivable	(13,153)	696	(1,219)
Increase in trade notes and accounts payable	86,609	83,678	29,642
Corporate taxes paid	(17,902)	(12,185)	(12,123)
Others	(1,805)	(2,737)	4,026
Net cash used in (provided by) operating activities	(21,292)	17,357	39,993
II Cash flows from investing activities			
Payments for purchase of tangible fixed assets	(2,973)	(5,211)	(7,818)
Proceeds from sale of tangible fixed assets	944	156	1,693
Payments for purchase of investment securities	(1,439)	(3,222)	(3,315)
Others	(2,155)	(64)	(1,982)
Net cash used in investing activities	(5,623)	(8,341)	(11,422)
III Cash flows from financing activities			
Net decrease in short-term debt	111	(1,290)	(1,529)
Repayments of long-term debt	(602)	(345)	(553)
Cash dividends paid	(3,224)	(2,764)	(2,764)
Others	24	2,871	2,855
Net cash used in financing activities	(3,690)	(1,529)	(1,991)
IV Translation difference of cash and cash equivalents	1	3	9
V Increase (decrease) in cash and cash equivalents	(30,604)	7,490	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	3,633	3,043	3,043
IX Ending balance of cash and cash equivalents	69,797	77,669	96,769