

Consolidated Financial Statements for the Third Quarter of Fiscal Year Ending March 31, 2011 [Japan GAAP]

Corporate Name: Alfresa Holdings Corporation

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

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Scheduled date for filing Quarterly Report: February 10, 2011

Scheduled dividend payment start date: –

Preparation of supplementary explanatory materials: None

Quarterly financial results meeting: None

1. Consolidated performance for the third quarter of the fiscal year ending March 31, 2011 (April 1, 2010 - December 31, 2010)

(1) Consolidated operating results (cumulative total) (Rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary profit		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Nine months ended December 31, 2010	1,639,322	4.0	14,292	45.8	20,516	30.0	10,001	36.6
Nine months ended December 31, 2009	1,576,763	7.0	9,800	(10.2)	15,778	(4.5)	7,322	(3.1)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2010	197.44	–
Nine months ended December 31, 2009	163.29	–

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
As of December 31, 2010	1,102,100	240,339	21.4	4,608.07
As of March 31, 2010	941,629	223,263	23.3	4,351.58

(Reference) Shareholders' equity: Third quarter of year ending March 31, 2011 ¥236,019 million Year ended March 31, 2010 ¥219,189 million

2. Cash dividends

	Annual cash dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	–	44.00	–	44.00	88.00
Year ending March 31, 2011	–	44.00	–		
Year ending March 31, 2011 (Forecast)				45.00	89.00

Note: Revision of dividend forecast for this quarter: None

**3. Consolidated performance forecast for the fiscal year ending March 31, 2011
(April 1, 2010 - March 31, 2011)**

(Percentages indicate changes from previous fiscal year)

	Net sales		Operating income		Ordinary profit		Net income		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Year ending March 31, 2011	2,166,000	5.2	14,700	0.3	22,600	1.4	9,900	(5.7)	194.91

Note: Revision of consolidated performance forecast for this quarter: Yes

4. Others (For details, please refer to “Other information” on page 4 of “Attachment”).

(1) Changes in principal subsidiaries during this quarter: None

New: – (Company name:) Excluded: – (Company name:)

Note: This item indicates whether or not there were changes in specified subsidiaries accompanying changes in scope of consolidation during this quarter.

(2) Adoption of simplified accounting method and special accounting method: Yes

Note: This item indicates whether or not simplified accounting methods and special accounting methods for preparing quarterly consolidated financial statements were adopted.

(3) Changes in accounting policy, procedure, and method of presentation

i. Change due to amendment of accounting standard: Yes

ii. Change due to reasons other than i.: None

Note: This item indicates whether or not there were changes in accounting policy, procedure, and method of presentation for preparing quarterly consolidated financial statements.

(4) Number of outstanding shares (common stock)

i. Number of shares outstanding (including treasury stock) at end of period:

Third quarter ended December 31, 2010 51,972,563 shares

Year ended March 31, 2010 51,824,563 shares

ii. Number of treasury stock at end of period:

Third quarter ended December 31, 2010 753,899 shares

Year ended March 31, 2010 1,454,567 shares

iii. Average number of outstanding shares for the period (accumulated):

Third quarter ended December 31, 2010 50,653,857 shares

Third quarter ended December 31, 2009 44,842,488 shares

With the implementation of the stock exchange to make TAMPEI NAKATA CO., LTD. a wholly owned subsidiary in the third quarter under review, there were changes in the number of shares due to newly issued shares (148,000 shares), treasury stock allocated and delivered (710,000 shares), and the Company's shares allocated to the common stock of TAMPEI NAKATA CO., LTD. owned by its consolidated subsidiaries (7,021 shares).

Implementation Status of Quarterly Review Procedure

At the time of disclosure of these quarterly financial results, the quarterly financial statement review procedure based on the Financial Instruments and Exchange Act has not been completed.

Disclaimer regarding the Appropriate Use of Performance Forecasts and Other Notes

1. The forward-looking statements contained herein are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual performance may differ from these forecasts due to various factors.

2. For items concerning performance forecasts, please refer to “1. Qualitative Information on Consolidated Performance for Quarter under Review, (3) Qualitative information on consolidated performance forecast” on page 4 of “Attachment”.

Contents of Attachment

1. Qualitative Information on Consolidated Performance for Quarter under Review
 - (1) Qualitative information on consolidated operating results
 - (2) Qualitative information on consolidated financial position
 - (3) Qualitative information on consolidated performance forecast
2. Other Information
 - (1) Overview of changes in principal subsidiaries
 - (2) Overview of simplified accounting method and special accounting method
 - (3) Overview of changes in accounting policy, procedure, and method of presentation
 - (4) Overview of key events concerning assumption on going concerns
3. Quarterly Consolidated Financial Statements
 - (1) Quarterly consolidated balance sheets
 - (2) Quarterly consolidated income statements
 - (3) Quarterly consolidated statements of cash flows
 - (4) Note concerning assumption on going concerns
 - (5) Segment information
 - (6) Notes concerning significant changes in shareholders' equity

1. Qualitative Information on Consolidated Performance for Quarter under Review

(1) Qualitative information on consolidated operating results

During the third quarter under review, harsh conditions continued to persist in Japan's economy with the unemployment rate remaining at a high level, in spite of visible signs of a recovery bolstered by an increase in demand from emerging countries and an improvement in overseas economies such as the United States.

In the ethical pharmaceutical market, NHI drug prices were reduced by 6.5% and "premiums for promoting the creation of new drugs and the elimination of off-label drug use" were newly introduced on a trial basis in April of last year. The market grew about 1.6% thanks to the steady performance of new products for lifestyle-related diseases and antineoplastic agents, in spite of the reaction to demand for influenza-related products stemming from preceding year's prevalence of the H1N1 flu.

The Alfresa Group has been taking initiatives focused on appropriate profits under a new NHI drug price scheme, as well as pursuing efficient management through the construction of distribution centers and joint use of the backbone information system, and the establishment of a nationwide marketing network and the reinforcement of the business foundations for the wholesaling business for self-medication products.

In the third quarter under review, partly owing to the conversion of TAMPEI NAKATA CO., LTD. (head office: Chuo-ku, Osaka) into a consolidated subsidiary on October 1, 2010, the Group posted net sales of ¥1,639,322 million (up 4.0% from the same period of the previous year), operating income of ¥14,292 million (up 45.8%), ordinary profit of ¥20,516 million (up 30.0%), and net income of ¥10,001 million (up 36.6%).

An outline of performance by business segment is as follows.

Wholesaling Business

Amid the reduction of NHI drug prices implemented in April of last year, we focused our energies on the sale of new products and pharmaceuticals for lifestyle-related diseases as well as took initiatives focused on appropriate profits and endeavored to further reduce SG&A expenses.

In October of last year, Kowa Pharmaceuticals Co., Ltd. newly established "Hokkaido Sales Management Division" in Hokkaido, an area in which the Group did not have operations. As a result of this move, the Group made headway in its initiatives aimed at establishing a nationwide marketing network for the wholesaling business.

Also, in September of last year, Odashima Limited (head office: Hanamaki, Iwate Prefecture) started operation of a new head office and distribution center. And along with the operation of this center, the joint use of the backbone information system commenced in line with the group system vision. Furthermore, at the end of last year, Alfresa Corporation (head office: Chiyoda-ku, Tokyo) completed construction of the Saitama Distribution Center (Niiza, Saitama Prefecture), which covers the entire metropolitan area, with its operation slated for February of this year. As a result, the groundwork has been laid for enhancing the distribution function and improving its efficiency.

In the wholesaling business for self-medication products, TAMPEI NAKATA CO., LTD. (head office: Chuo-ku, Osaka) was converted into a wholly owned subsidiary of Alfresa Holdings Corporation through a stock exchange on October 1, 2010. Furthermore, the wholesaling business for self-medication products of CS YAKUHIN CO., LTD. is scheduled to be integrated with TAMPEI NAKATA CO., LTD. on October 1 of this year for the purpose of further strengthening the business foundations.

As a result of these efforts, in the third quarter under review, net sales amounted to ¥1,626,855 million (up 4.0% from the same period of the previous year) and operating income came to ¥13,539 million (up 62.3%). Net sales included inter-segment sales of ¥3 million (up 11.7%).

Manufacturing Business

Although the transfer of the manufacturing and marketing of Tofranil[®] 10 mg and 25 mg tablets for the treatment of depression, depressive disorders and enuresis from Novartis Pharma K.K. (head office: Minato-ku, Tokyo) in August of last year contributed to sales, conditions were harsh as a result of the reduction of NHI drug prices implemented in April of last year and a decline in sales of the influenza virus antigen detection agents.

As a result, in the third quarter under review, net sales were ¥18,630 million (down 5.0% from the same period of the previous year) and operating income came to ¥309 million (down 68.9%). Net sales included inter-segment sales of ¥6,159 million (down 12.4%).

(2) Qualitative information on consolidated financial position

1. Changes in consolidated financial position

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

Assets

Total assets grew ¥160,470 million from the end of the previous consolidated fiscal year to ¥1,102,100 million. Current assets grew ¥141,054 million from the end of the previous consolidated fiscal year to ¥927,931 million. This was principally attributable to an increase of ¥80,128 million in trade notes and accounts receivable, an increase of ¥29,212 million in inventories, an increase of ¥26,993 million in securities, an increase of ¥9,607 million in purchase rebates receivable and a decrease of ¥4,020 million in cash and deposits. Fixed assets expanded ¥19,416 million from the end of the previous consolidated fiscal year to ¥174,168 million. This mainly owed to an increase of ¥6,702 million in tangible fixed assets, an increase of ¥14,250 million in investment securities, and a decrease of ¥1,566 million in others under “Investments and other assets” including deferred tax assets.

Also, as a result of the conversion of TAMPEI NAKATA CO., LTD. into a consolidated subsidiary, total assets grew ¥47,102 million (¥43,012 million in current assets, ¥4,089 million in fixed assets).

Liabilities

Total liabilities increased ¥143,395 million from the end of the previous consolidated fiscal year to ¥861,760 million. Current liabilities grew ¥138,164 million to ¥827,913 million. This was mainly attributable to an increase of ¥140,626 million in trade notes and accounts payable, an increase of ¥2,117 million in other current liabilities, a decrease of ¥2,840 million in reserve for bonuses, a decrease of ¥1,098 million in income taxes payable, and a decrease of ¥700 million in short-term debt. Non-current liabilities expanded ¥5,230 million from the end of the previous consolidated fiscal year to ¥33,847 million. This mainly owed to an increase of ¥4,868 million in deferred tax liabilities and other non-current liabilities.

Also, as a result of the conversion of TAMPEI NAKATA CO., LTD. into a consolidated subsidiary, total liabilities grew ¥45,112 million (¥44,325 million in current liabilities, ¥786 million in non-current liabilities).

Net assets

Net assets expanded ¥17,075 million to ¥240,339 million. This was chiefly attributable to a decrease of ¥2,709 million in treasury stock, at cost, an increase of ¥8,242 million in unrealized gain on securities, and an increase of ¥5,951 million in retained earnings.

2. Consolidated cash flows

During the third quarter under review, cash and cash equivalents (hereinafter “Net Cash”) increased ¥23,010 million from the end of the previous consolidated fiscal year to ¥118,341 million. The status of cash flows and the factors behind for the third quarter under review are as described below.

Net Cash increased ¥1,324 million as a result of the conversion of TAMPEI NAKATA CO., LTD. into a consolidated subsidiary.

Cash flows from operating activities

Net Cash provided by operating activities was ¥37,473 million (¥7,826 million was used in the previous third quarter). While trade notes and accounts receivable rose ¥49,167 million, inventories expanded ¥23,664 million, income taxes of ¥8,546 million were paid, and purchase rebates receivable increased ¥5,334 million, income before income taxes amounted to ¥19,059 million, depreciations came to ¥5,306 million, amortization of goodwill amounted to ¥1,601 million, and trade notes and accounts payable rose ¥99,480 million

Cash flows from investing activities

Net Cash used in investing activities amounted to ¥6,975 million (a ¥20,482 million decrease from the previous third quarter). This amount was mainly used for payments of ¥7,394 million for the purchase of tangible fixed assets, including expenses for building distribution centers and branches, and payments of ¥1,040 million for the acquisition of long-term prepaid expenses as compensation for taking over products from other companies.

Cash flows from financing activities

Net Cash used in financing activities was ¥7,497 million (¥24,237 million was provided in the previous third quarter). This amount was mainly due to ¥4,432 million in payments of cash dividends, a ¥2,350 million net decrease in short-term debt, and ¥1,039 million in repayments of finance lease obligations.

(3) Qualitative information on consolidated performance forecast

Net sales are expected to be slightly lower than the previous forecast, primarily because the market grew at a lower-than-expected rate in the wholesaling business owing to the reaction to preceding year's increase in demand for influenza-related products and the growth of generic drugs. On the profit front, the Company continued initiatives focused on securing appropriate profits with a view to reducing the discrepancy rate between the NHI drug price and the actual sales price, in light of the April 2010 revision of NHI drug prices and introduction on a trial basis of premiums for promoting the creation of new drugs and the elimination of off-label drug use. However, owing chiefly to tough price negotiations with customers, gross profit is expected to be lower than initially forecast. Also, operating income, ordinary profit, and net income are anticipated to be lower than the previous forecast, largely because an initially unplanned loss on impairment of fixed assets is expected to be posted. For details, please refer to "Notice Concerning Revision of Financial Forecast" which was announced today (February 4, 2011).

2. Other Information

(1) Overview of changes in principal subsidiaries

Not applicable.

(2) Overview of simplified accounting method and special accounting method

1. Simplified accounting method

1) Calculation method of estimated loss for general claims (claims to debtors who are not facing serious financial problems)

When it is deemed that the ratio of actual losses and other factors have not changed significantly from the ratio and factors computed at the end of the previous consolidated fiscal year, the estimated loss for general claims is computed using a reasonable standard such as the ratio of actual losses computed at the end of the previous consolidated fiscal year.

2) Method of valuation of inventories

The process of counting inventory is eliminated at the end of the third quarter under review, and a rational computation method is used based on inventories counted at the end of the previous consolidated fiscal year.

3) Calculation method of depreciation of fixed assets

Some consolidated subsidiaries which adopt the declining balance method for computing the depreciation cost for fixed assets distribute the depreciation cost for the consolidated fiscal year proportionally over a period.

4) Calculation method of income taxes and deferred tax assets and liabilities

The calculation of the amount of income taxes to be paid at some consolidated subsidiaries is limited to significant taxable additions and subtractions and tax credits.

As for determining the collectability of deferred tax assets, it has been deemed that there are no significant changes in the business environment and the generation of temporary differences since the end of the previous consolidated fiscal year. For this reason, the method using future performance forecasts and tax planning applied at the end of the previous consolidated fiscal year is utilized.

2. Special accounting method

Not applicable.

(3) Overview of changes in accounting policy, procedure, and method of presentation

Changes in items concerning accounting standard

Application of Accounting Standard for Asset Retirement Obligations

“Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Application Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008) have been applied from the first quarter.

As a result, operating income and ordinary profit declined ¥16 million and income before income taxes was down ¥61 million in the third quarter under review. The amount of change in asset retirement obligations due to the commencement of application of this accounting standard, etc. was ¥92 million.

Application of Accounting Standard for Business Combinations and other accounting standards

“Accounting Standard for Business Combinations” (ASBJ Statement No.21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), “Partial Amendments to ‘Accounting Standard for Research and Development Costs’” (ASBJ Statement No.23, December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, December 26, 2008), “Accounting Standard for Equity Method” (ASBJ Statement No.16, December 26, 2008) and “Application Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, December 26, 2008) have been applied from the third quarter.

(4) Overview of key events concerning assumption on going concerns

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of the end of current 3rd quarter (December 31, 2010)	As of the end of previous fiscal year (March 31, 2010)
(Assets)		
Current assets		
Cash and deposits	84,614	88,635
Trade notes and accounts receivable	586,138	506,009
Securities	56,048	29,054
Merchandise and finished goods	131,047	102,087
Work in process	474	107
Raw materials and supplies	1,354	1,470
Purchase rebates receivable	60,850	51,242
Others	8,117	9,035
Allowance for doubtful accounts	(714)	(765)
Total current assets	927,931	786,876
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	34,694	30,175
Land	49,888	47,891
Others (net)	9,081	8,895
Total tangible fixed assets	93,665	86,963
Intangible fixed assets		
Goodwill	3,256	3,557
Others	4,724	4,105
Total intangible fixed assets	7,980	7,663
Investments and other assets		
Investment in securities	48,185	33,935
Others	29,294	30,860
Allowance for doubtful accounts	(4,957)	(4,669)
Total investments and other assets	72,522	60,126
Total fixed assets	174,168	154,752
Total assets	1,102,100	941,629

(Millions of yen)

	As of the end of current 3rd quarter (December 31, 2010)	As of the end of previous fiscal year (March 31, 2010)
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	801,613	660,986
Short-term debt	3,403	4,103
Current portion of bonds	60	-
Income taxes payable	4,085	5,184
Reserve for bonuses	2,957	5,798
Others	15,792	13,675
Total current liabilities	827,913	689,748
Non-current liabilities		
Bonds payable	30	-
Long-term debt	3,709	3,507
Allowance for employees' retirement benefits	14,948	14,818
Others	15,160	10,291
Total non-current liabilities	33,847	28,616
Total liabilities	861,760	718,365
(Net assets)		
Shareholders' equity		
Paid-in capital	18,454	18,454
Capital surplus	84,205	84,204
Retained earnings	126,445	120,493
Treasury stock, at cost	(845)	(3,554)
Total shareholders' equity	228,260	219,597
Valuation and translation adjustments		
Unrealized gain on securities	13,570	5,327
Gain or loss on deferred hedge	0	0
Unrealized gain or loss on revaluation of land	(5,778)	(5,739)
Foreign currency translation adjustments	(32)	3
Total valuation and translation adjustments	7,758	(408)
Minority interests	4,320	4,074
Total net assets	240,339	223,263
Total liabilities and net assets	1,102,100	941,629

(2) Quarterly consolidated income statements
(Third quarter ended December 31)

(Millions of yen)

	Previous 3rd quarter (Apr. 1, 2009 – Dec. 31, 2009)	Current 3rd quarter (Apr. 1, 2010 – Dec. 31, 2010)
Net sales	1,576,763	1,639,322
Cost of sales	1,470,133	1,525,327
Reversal of allowance for returned unsold goods	902	911
Allowance for returned unsold goods	859	937
Gross profit	106,673	113,968
Selling, general and administrative expenses	96,872	99,676
Operating income	9,800	14,292
Non-operating income		
Interest income and dividend income	1,055	1,200
Information fees received	3,669	3,743
Others	1,617	1,565
Total non-operating income	6,342	6,508
Non-operating expenses		
Interest expenses	93	105
Shares issuance expenses	153	–
Others	117	179
Total non-operating expenses	364	284
Ordinary profit	15,778	20,516
Extraordinary profit		
Gain on sale of fixed assets	76	72
Gain on sale of investment securities	89	215
Reversal of allowance for directors' retirement benefits	43	–
Gain on revision of retirement benefit plan	–	18
Gain on extinguishment of tie-in shares	–	41
Compensation for expropriation	–	110
Total extraordinary profit	210	457
Extraordinary loss		
Loss on sale of fixed assets	111	63
Loss on retirement of fixed assets	181	225
Loss on impairment of fixed assets	218	618
Loss on sale of investment securities	–	241
Loss on valuation of investment securities	92	176
Allowance for operation loss of affiliates	–	296
Loss on valuation of golf club membership	16	8
Loss on revision of retirement benefit plan	157	–
Special retirement benefits	37	98
Directors' retirement benefits	–	78
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	44
Loss on waiver of affiliates' debt	–	36
Loss on step acquisitions	–	26
System transition expenses	14	–
Total extraordinary loss	828	1,914

(Millions of yen)

	Previous 3rd quarter (Apr. 1, 2009 – Dec. 31, 2009)	Current 3rd quarter (Apr. 1, 2010 – Dec. 31, 2010)
Income before income taxes	15,159	19,059
Income, residential and enterprise taxes	5,539	7646
Income tax adjustments	1,870	1,145
Total income taxes	7,410	8,791
Income before minority interests	–	10,267
Minority interests in net income	427	266
Net income	7,322	10,001

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Previous 3rd quarter (Apr. 1, 2009 – Dec. 31, 2009)	Current 3rd quarter (Apr. 1, 2010 – Dec. 31, 2010)
Cash flows from operating activities		
Income before income taxes	15,159	19,059
Depreciation	4,461	5,306
Loss on impairment of fixed assets	218	618
Amortization of goodwill	1,567	1,601
Loss (gain) on step acquisitions	–	26
Increase (decrease) in allowance for doubtful accounts	(414)	(309)
Increase (decrease) in reserve for bonuses	(2,893)	(3,001)
Increase (decrease) in reserve for bonuses to directors and auditors	(7)	(74)
Increase (decrease) in allowance for directors' retirement benefits	(78)	(647)
Increase (decrease) in allowance for employees' retirement benefits	(812)	(288)
Interest and dividend income	(1,055)	(1,200)
Interest expenses	93	105
Loss (gain) on sale of fixed assets	34	(9)
Loss on retirement of fixed assets	181	225
Loss (gain) on revision of retirement benefit plan	157	(18)
Loss (gain) on extinguishment of tie-in shares	–	(41)
Compensation for expropriation	–	(110)
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	44
Loss (gain) on valuation of investment securities	92	176
(Increase) decrease in trade notes and accounts receivable	(74,806)	(49,167)
(Increase) decrease in inventories	(25,656)	(23,664)
(Increase) decrease in purchase rebates receivable	(5,758)	(5,334)
Increase (decrease) in trade notes and accounts payable	83,011	99,480
Others	3,160	2,150
Subtotal	(3,345)	44,926
Interest and dividends received	1,034	1,193
Interest paid	(84)	(100)
Payments for revision of retirement benefit plan	(55)	–
Income taxes paid	(5,376)	(8,546)
Net cash provided by (used in) operating activities	(7,826)	37,473

(Millions of yen)

	Previous 3rd quarter (Apr. 1, 2009 – Dec. 31, 2009)	Current 3rd quarter (Apr. 1, 2010 – Dec. 31, 2010)
Cash flows from investing activities		
Payments into time deposits	(350)	(289)
Proceeds from maturity of time deposits	275	120
Payments for purchase of securities	(20,000)	–
Payments for purchase of tangible fixed assets	(6,979)	(7,394)
Proceeds from sale of tangible fixed assets	452	360
Payments for purchase of intangible fixed assets	(291)	(885)
Payments for acquisition of long-term prepaid expenses	(19)	(1,040)
Payments for purchase of investment securities	(382)	(446)
Proceeds from sale of investment securities	127	945
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	–	1,324
Payments for loans provided	(689)	(77)
Proceeds from collection of loans	347	407
Others	50	0
Net cash used in investing activities	(27,458)	(6,975)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	125	(2,350)
Proceeds from long-term loans	500	616
Repayments of long-term debt	(100)	(264)
Repayments of finance lease obligations	(585)	(1,039)
Proceeds from issuance of shares	28,295	–
Payments for purchase of treasury stock	(4)	(9)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(3,945)	(4,432)
Cash dividends paid to minority shareholders	(48)	(18)
Net cash (provided by) used in financing activities	24,237	(7,497)
Translation difference of cash and cash equivalents	(0)	(17)
Increase (decrease) in cash and cash equivalents	(11,048)	22,982
Beginning balance of cash and cash equivalents	94,803	95,330
Increase in cash and cash equivalents due to merger	–	28
Decrease in cash and cash equivalents due to corporate separation	(19)	–
Ending balance of cash and cash equivalents	83,735	118,341

(4) Note concerning assumption on going concerns

Not applicable.

(5) Segment information

Business segment information

Previous third quarter (April 1, 2009 - December 31, 2009)

(Millions of yen)

	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total	Elimination	Consolidated
Net sales					
(1) Net sales to outside customers	1,564,194	12,569	1,576,763	—	1,576,763
(2) Inter-segment sales or transfers	3	7,033	7,036	(7,036)	—
Total	1,564,197	19,602	1,583,800	(7,036)	1,576,763
Operating income	8,341	993	9,334	465	9,800

Notes: 1. Method of classification

Business segments are classified taking into consideration the form of business based on internal segmentation and the Japan Standard Industrial Classification.

2. Principal products by business segment

Business segment	Principal products
Wholesaling of pharmaceuticals, etc.	Pharmaceuticals, diagnostic reagents, medical devices/equipment/materials, and other products
Manufacturing of pharmaceuticals, etc.	Pharmaceuticals, diagnostic reagents, medical devices/equipment, and other products

Geographical segment information

Previous third quarter (April 1, 2009 - December 31, 2009)

Since the business the Company conducts in Japan accounts for more than 90% of total net sales for all segments, geographical segment information is not presented.

Overseas net sales

Previous third quarter (April 1, 2009 - December 31, 2009)

Since overseas net sales account for less than 10% of consolidated net sales, overseas net sales figures are not presented.

Segment information

1. Overview of business segment reported

The business segments reported by the Company are the business units for which the Company is able to obtain separate financial information, and into which the Board of Directors conducts periodic investigation to determine allocation of management resources and evaluate their business performance.

The Company plans comprehensive business strategies for domestic and overseas markets for the products it handles, and undertakes business activities.

As such, the Company's business segments reported consist of the two segments of "Wholesaling of pharmaceuticals, etc." and "Manufacturing of pharmaceuticals, etc."

"Wholesaling of pharmaceuticals, etc." covers the wholesaling of pharmaceuticals, diagnostic reagents, medical devices/equipment/materials, and other products. "Manufacturing of pharmaceuticals, etc." covers the manufacturing and marketing of pharmaceuticals, diagnostic reagents, medical devices/equipment, and other products.

2. Information on amount of sales and income or loss by business segment reported

Current third quarter (April 1, 2010 - December 31, 2010)

(Millions of yen)

	Business segment reported			Adjustment (Note 1)	Amount recorded in quarterly consolidated income statements (Note 2)
	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total		
Net sales					
Net sales to outside customers	1,626,851	12,470	1,639,322	—	1,639,322
Inter-segment sales or transfers	3	6,159	6,163	(6,163)	—
Total	1,626,855	18,630	1,645,485	(6,163)	1,639,322
Segment income	13,539	309	13,848	444	14,292

Notes: 1. Segment income adjustment of ¥444 million includes the elimination of ¥6,169 million in inter-segment transactions and -¥5,724 million in corporate expenses not allocated to the business segments reported.

2. Segment income is adjusted to the operating income described in the Quarterly Consolidated Income Statements.

Additional information

Effective from the first quarter, the Company has adopted “Accounting Standard for Disclosure of Segment Information” (ASBJ Statement No.17, March 27, 2009) and “Application Guidance on Accounting Standard for Disclosure of Segment Information” (ASBJ Guidance No.20, March 21, 2008).

(6) Note concerning significant changes in shareholders' equity
Not applicable.