

**BUSINESS OVERVIEW**

The Alfresa Group consists of 14 consolidated subsidiaries, 61 non-consolidated affiliates not accounted for by the equity method, and 9 affiliates not accounted for by the equity method. The Group's main businesses are the wholesale, and manufacture and marketing of pharmaceuticals, diagnostic reagents, and medical devices and equipment. The fundamental role of the Company (Alfresa Holdings Corporation) is to formulate a management vision for the entire Group and lay out business plans based on this vision, while promoting sustainable growth in corporate value through the effective use of the Group's resources.

**BUSINESS ENVIRONMENT**

In the ethical pharmaceutical industry, the market grew around 2% year on year in the fiscal year ended March 31, 2009, mainly due to an increase in Japan's population of elderly reflecting an aging society with fewer births as well as the launch of highly marketable new products. This was despite an average reduction of 5.2% in NHI drug prices on April 1, 2008.

Against this backdrop, the fiscal year ended March 31, 2009 was the second year of the Alfresa Group's "07-09 Medium-term Management Plan—Advancement and Expansion," for the three-year period ending March 2010. During the fiscal year, the Group actively strove to achieve the plan's main strategic themes: "expansion of the Wholesaling business and pursuit of group synergy effects," "solidifying the business base of the Manufacturing business," "realizing the 'Healthcare Consortium' vision," and "enhancement of Group-wide management base and administration system."

**MAIN INITIATIVES IN THE FISCAL YEAR ENDED MARCH 31, 2009**

For the fiscal year under review, the Alfresa Group posted net sales of ¥1,934,869 million, operating income of ¥8,783 million, and net income of ¥5,566 million. Net sales were ¥24,869 million higher than the Medium-term Management Plan's second-year target, thanks to steady sales growth. However, the net income margin was 0.3%, falling short of the plan's second-year target.

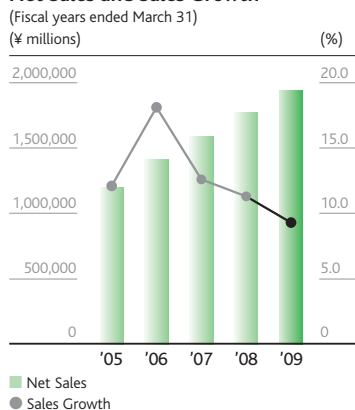
Main initiatives in the fiscal year ended March 31, 2009 were as follows: Aiming to establish a wholesaling business for self-medication products, the Company acquired a 6.5% equity interest in TAMPEI NAKATA CO., LTD. (Osaka Prefecture) in June 2008, after forming a capital and business alliance with this company in the over-the-counter (OTC) drug wholesaling business in February 2008. The Group will continue to work with TAMPEI NAKATA CO., LTD. on its management reforms while strengthening business ties going forward.

The Group also worked to expand and bolster its wholesaling business for self-medication products. For example, in October 2008, the Company, CS YAKUHIN CO., LTD. (Aichi Prefecture), TOMITA Pharmaceutical Co., Ltd. (Kumamoto Prefecture) and TOMITA Healthcare Co., Ltd. (Kumamoto Prefecture), a subsidiary of TOMITA Pharmaceutical Co., Ltd., concluded a business partnership agreement. Subsequently, these four companies signed a basic agreement concerning the transfer of some wholesaling operations for OTC drugs from TOMITA Healthcare Co., Ltd. to CS YAKUHIN CO., LTD., with the transfer scheduled for February 2010. In addition, the OTC drug wholesaling business of Meisho Co., Ltd. (Ishikawa Prefecture) was integrated into CS YAKUHIN CO., LTD., the Group's core company in this business, in October 2008.

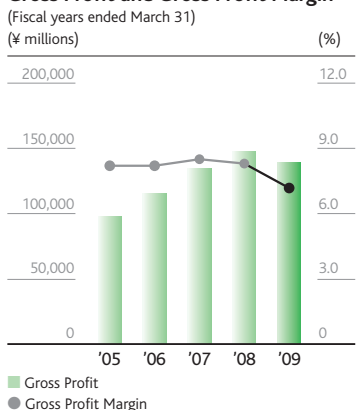
Furthermore, in initiatives to expand the use of the backbone information system throughout the Group, Alfresa Nikken Sangyo Corporation (Gifu Prefecture) began jointly using the system in November 2008. In terms of measures to establish a Group-wide distribution system, a Distribution Center for the Shikoku area at Shikoku Alfresa Corporation (Kagawa Prefecture) and a Distribution Center for the Chugoku area at SEIWA SANGYO CO., LTD. (Hiroshima Prefecture) began operations in July 2008 and May 2009, respectively. In this manner, the Group worked to reinforce its distribution system.

In the Manufacturing business, the Group worked to enhance its product lineup through such measures as the launch of NOBELBAR, which is a treatment for neonatal seizures and status epilepticus, and the manufacturing and marketing transfer of the allergy therapeutic agent Pemilaston to the Group. At the same time, the Group worked to reduce manufacturing expenses and overall costs. Aiming to ramp up manufacturing capacity, it

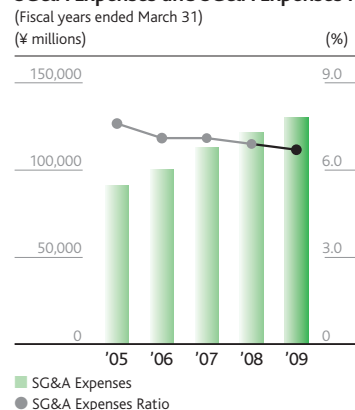
**Net Sales and Sales Growth**



**Gross Profit and Gross Profit Margin**



**SG&A Expenses and SG&A Expenses Ratio**



also began construction of a second formulation building conforming to international GMP standards at the Okayama Pharmaceutical Plant in January 2009, with completion scheduled for October 2009.

In September 2008, the Company and MEDICAL SYSTEM NETWORK Co., Ltd. (Hokkaido) concluded a business partnership agreement in the dispensing pharmacy and ethical pharmaceuticals distribution fields. MEDICAL SYSTEM NETWORK Co., Ltd. is engaged in the dispensing pharmacy business and other businesses. In addition, the Company acquired an equity interest of 9.8% in Pharmaholdings Co., Ltd. (Hokkaido), a subsidiary of MEDICAL SYSTEM NETWORK Co., Ltd.

## RESULTS OF OPERATIONS

### Net Sales

Consolidated net sales for the fiscal year ended March 31, 2009 were ¥1,934,869 million, an increase of ¥165,414 million, or 9.4%, year on year.

In the Wholesaling business, CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. (Okinawa Prefecture) became consolidated subsidiaries of the Company in October 2007, and the Group worked to boost sales mainly by focusing on developing new accounts and handling new products. As a result, net sales in the Wholesaling business increased ¥165,642 million, or 9.5%, year on year to ¥1,918,214 million, including intersegment sales of ¥3 million, down 9.5% year on year.

In the Manufacturing business, net sales were mostly on par with the previous fiscal year, partly due to the impact of the reduction in NHI drug prices, despite steady growth in sales of Modiodal, a narcolepsy treatment, and other products. Consequently, net sales in the Manufacturing business rose ¥137 million, or 0.6%, year on year to ¥24,840 million, including intersegment sales of ¥8,182 million, up 4.7% year on year.

### Cost of Sales and Gross Profit (Gross Profit Margin)

Cost of sales increased ¥173,691 million, or 10.7%, year on year to ¥1,795,971 million, tracking higher net sales due to the addition of consolidated subsidiaries. Gross profit declined ¥8,276 million, or 5.6%, year on year to ¥138,898 million.

The gross profit margin, however, fell 1.1 percentage points from the previous fiscal year to 7.2%, despite efforts to focus sales activities on margins to ensure appropriate profits in the Wholesaling business.

### Selling, General and Administrative (SG&A) Expenses (SG&A Expenses Ratio)

SG&A expenses climbed ¥8,294 million, or 6.8%, year on year to ¥130,115 million, mainly due to newly consolidated subsidiaries. However, due to ongoing efforts to reduce costs and improve sales productivity, the SG&A expenses ratio decreased 0.2 of a percentage point from the previous fiscal year to 6.7%.

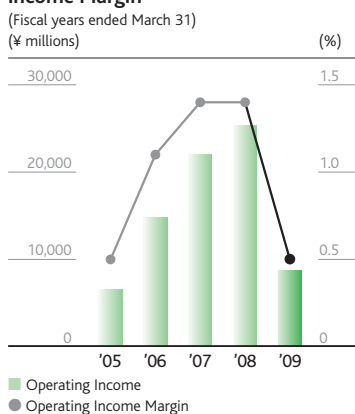
### Operating Income (Operating Income Margin)

Operating income decreased ¥16,571 million, or 65.4%, year on year to ¥8,783 million. The operating income margin declined by 1.0 percentage point from the previous fiscal year to 0.5%. This was attributable to a significant drop in sales prices in the core Wholesaling business, despite ongoing efforts to further reduce costs. Operating income in the Wholesaling business dropped ¥17,185 million, or 70.2% year on year, to ¥7,309 million. The operating income margin in the Wholesaling business was 0.4%. Operating income in the Manufacturing business rose ¥470 million, or 74.5%, to ¥1,099 million. The operating income margin in the Manufacturing business was 4.4%.

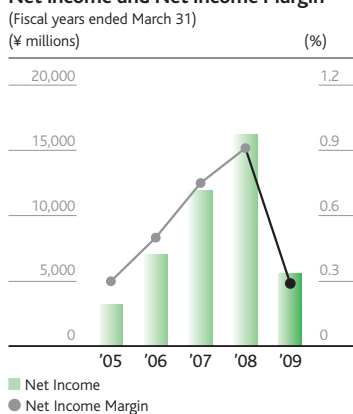
### Other Income (Expenses) and Net Income (Net Income Margin)

The Group recorded other income of ¥984 million, mainly due to a gain on revision of employees' severance and retirement benefits plan, and a gain

#### Operating Income and Operating Income Margin



#### Net Income and Net Income Margin



on sales of securities. On the other hand, the Group booked other expenses of ¥5,988 million, mainly due to a write-down of securities, a write-down of inventories, system migration expense and expenses resulting from a merger. As a result, net income was ¥5,566 million, a decrease of 65.6% year on year. The net income margin declined 0.6 of a percentage point from the previous fiscal year to 0.3%.

## FINANCIAL CONDITION

### Total Assets

Total assets rose ¥35,990 million, or 4.2%, from a year earlier to ¥884,249 million as of March 31, 2009. This mainly reflected higher net sales.

### Current Assets

Total current assets rose ¥32,310 million, or 4.6%, from a year earlier to ¥734,521 million. This was mainly attributable to an increase of ¥13,629 million in cash and cash deposits, and an increase of ¥18,299 million in trade notes and accounts receivable in line with higher net sales.

### Fixed Assets

Total fixed assets rose ¥3,680 million, or 2.5%, from a year earlier to ¥149,728 million. This was due to increases in property, plant and equipment of ¥8,615 million, mainly reflecting the acquisition of land and buildings for distribution centers, despite a decrease of ¥4,014 million in investments in securities caused by a drop in market prices and a decline of ¥2,147 million in goodwill due to amortization.

### Liabilities

As of March 31, 2009, total liabilities were ¥698,525 million, an increase of ¥36,401 million, or 5.5%, from a year earlier. Total current liabilities were ¥669,746 million, an increase of ¥38,216 million, or 6.1%, from a year earlier. The main reason was an increase of ¥38,364 million in trade notes and accounts payable. Total long-term liabilities declined ¥1,815 million, or 5.9%, to ¥28,778 million. This was chiefly the result of a decrease of ¥6,786 million in employees' severance and retirement benefits following the introduction of defined contribution pension plans for certain retirement benefit plans, despite an increase of ¥2,097 million in long-term debt due after one year.

### Net Assets

Net assets were ¥185,725 million. This mainly reflected a decrease of ¥3,633 million due to dividends of surplus and a decrease of ¥3,135 million in unrealized gains on available-for-sale securities, despite an increase of ¥5,566 million due to net income. The equity ratio was 20.3% and ROE was 3.1%.

### Cash Flows

Net cash provided by operating activities was ¥32,963 million. The main sources of cash were income before income taxes of ¥10,981 million, depreciation and amortization of ¥5,242 million and an increase in trade notes and accounts payable of ¥38,364 million. These factors were partly offset by an increase in trade notes and accounts receivable of ¥18,532 million, and income taxes paid of ¥7,880 million.

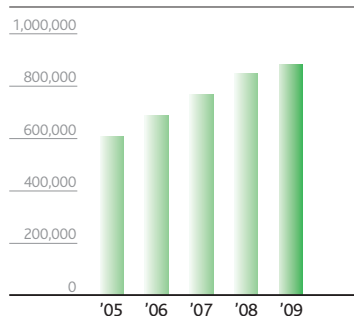
Net cash used in investing activities was ¥16,507 million. The main cash outflows were payments of ¥11,548 million for the purchase of property, plant and equipment, payments of ¥3,007 million for the purchase of investment securities, and payments of ¥1,909 million for acquisition of long-term prepaid expense.

Net cash used in financing activities was ¥1,810 million, mainly due to cash dividends paid of ¥3,633 million, despite proceeds of ¥2,600 million from long-term debt.

Consequently, cash and cash equivalents as of March 31, 2009 were ¥94,804 million, ¥14,609 million more than at the end of the previous fiscal year.

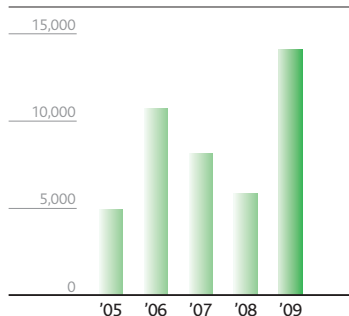
### Total Assets

(As of March 31)  
(¥ millions)



### Capital Expenditure

(Fiscal years ended March 31)  
(¥ millions)



### Capital Expenditure

Capital expenditure for the Alfresa Group totaled ¥14,093 million. The main expenditures were for construction expenses and the acquisition of land for distribution centers and business sites.

### Research and Development (R&D)

R&D expenses for the Alfresa Group were ¥1,146 million. This reflected R&D spending by Alfresa Pharma Corporation, which is responsible for the Group's Manufacturing business.

## RISK INFORMATION

### (1) Business Environment

Japan's ethical pharmaceuticals market, where the Alfresa Group mainly conducts business, is significantly influenced by Japan's National Health Insurance system and medical policies. The Group's results may be thus directly affected by official actions such as NHI drug price revisions. Furthermore, in the event that drastic reforms are made to Japan's medical system, there could be a material effect on the Group's results.

Presently, Japan's national medical expenditures are rising due to an aging population and increasing incidences of lifestyle-related diseases. However, because of declining funding sources for payments made by the medical insurance system, medical system reforms aimed at reducing expenditures are being implemented. These reforms include the introduction of comprehensive payments of medical service fees, as well as reviews of co-payment percentages and the NHI drug price scheme. Furthermore, the separation of drug dispensing from medical practice has been changing the mix of customers to whom the Group sells products, replacing clinics and hospitals with a growing percentage of dispensing pharmacies. Moreover, the possible decline in selling prices in step with the transformation of national hospitals into independent administrative institutions and changing purchasing methods used by medical institutions is also our concern. The Group will be responding to these trends by molding its chain of operations ranging from procurement to the collection of trade receivables into a form that better fits present circumstances. However, depending on the response, these trends could affect the Group's results.

### (2) NHI Drug Price Revisions

Official prices of ethical pharmaceuticals, the Group's core products, are set by the Japanese government via notification of the Ministry of Health, Labour and Welfare.

These official prices set by the Japanese government thus represent "NHI drug prices." Functioning effectively as an upper limit on selling prices, these drug prices are revised down roughly once every two years to reflect actual prices determined in the marketplace and trends in demand. Therefore, NHI drug price revisions could have an effect on the Group's results.

### (3) Changes in Laws and Other Regulations

The Group's main business is the wholesale, and manufacture and marketing of ethical pharmaceuticals. In accordance with Japan's Pharmaceutical Affairs Law and other related regulations, the Group is required to register licenses and permits and obtain relevant designations as well as various other approvals and permits concerning the development, manufacture and import of ethical pharmaceuticals. The status of licenses, approvals and permits granted by the authorities could have an effect on the Group's results.

### (4) Business Practices Unique to the Industry

In the ethical pharmaceuticals wholesaling industry, the Alfresa Group's main area of business, there has been a long-standing, ongoing business practice of delivering pharmaceuticals to medical institutions and other customers before price agreements, with price negotiations between wholesalers and medical institutions conducted after delivery. This business practice is unique to the industry and is carried out because pharmaceuticals have a direct bearing on the lives of patients, and therefore stagnation in the supply of pharmaceuticals cannot be tolerated. In these cases, the Group recognizes sales by calculating the projected final prices based on reasonable estimates. Pursuant to guidance from the authorities, the Group strives to settle price negotiations as quickly as possible. However, price negotiations may be drawn out over extended periods of time in order to secure appropriate profits or may be settled at prices lower than initially expected. This could have an effect on the Group's results.

### (5) Risks Associated with the Manufacturing Business

The Group's Manufacturing business is engaged in the development, manufacture, and marketing of pharmaceuticals and other products. Product development may not culminate in the sale of all products in the pipeline; development may be abandoned before launch, or the Group may be unable to license products from other companies. Although the Group does its utmost to ensure the safety and reliability of its products from product development to manufacturing, the business is nevertheless exposed to the risks of product recalls, suspension of sales, and accompanying lawsuits that may be caused by unforeseen side effects of products, contamination of product contents, and other risks. Therefore, these risks could have an effect on the Group's results.

#### (6) Systems Failure

The Group's business activities are largely dependent on computer network systems. Malfunction or failure of these systems due to disasters, accidents, or other causes would significantly hinder operating activities centered on sales and distribution. This could have an impact on the Group's results.

#### (7) Overseas Transactions

Part of the production network of the Group's manufacturing business is in China, while export- and import-based product transactions can be affected by political tensions and sharp exchange rate movements. These factors could have an impact on the Group's results.

### DIVIDENDS AND FUNDAMENTAL POLICY ON THE DISTRIBUTION OF PROFITS

The Company has positioned 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 into consideration the stability of its management base and future business expansion. In doing so, the Company targets an annual DOE (dividend on equity) of 2% or more. Based on the above, the cash dividend applicable to the fiscal year ended March 31, 2009 was ¥87 per share.

Based on this policy, the Group plans to pay a cash dividend applicable to the fiscal year ending March 31, 2010 of ¥88 per share, combining an interim dividend and year-end dividend of ¥44 per share each.

### OUTLOOK FOR THE FISCAL YEAR ENDING MARCH 31, 2010

Outlook for the Fiscal Year Ending March 31, 2010 (millions of yen)	Consolidated	Wholesaling business	Manufacturing business
Net sales	2,005,000	1,987,000	26,500
Gross profit	145,800	135,200	10,600
Selling, general and administrative expenses	133,800	124,600	9,200
Operating income	12,000	10,600	1,400
Net income	9,200	8,300	900

Note: The eliminations component is allocated to business segments in accordance with internal standards.

The ethical pharmaceuticals market is expected to continue growing at a moderate pace in the fiscal year ending March 31, 2010. Growth is expected to be driven primarily by Japan's aging population and a boost from sales of new pharmaceuticals.

The Alfresa Group aims to step up efforts to expand business in the fiscal year ending March 31, 2010, the final year of the "07-09 Medium-term Management Plan—Advancement and Expansion."

In the Wholesaling business, the Group has positioned securing appropriate profits, driving further expansion in the ethical pharmaceuticals wholesaling business, and reinforcing and expanding the wholesaling business for self-medication products as key issues to address. Furthermore, the Group will work to enhance value-added services for customers through such means as promoting marketing support systems, including "alf-web." This system offers online Web ordering functions and community networking functions for medical institutions and other customers. The Group will also strive to further raise operating efficiency and promote low-cost operations. Based on this, the Wholesaling business is projecting net sales of ¥1,987,000 million, a 3.6% increase year on year and operating income of ¥10,600 million, a 45.0% increase year on year for the fiscal year ending March 31, 2010.

In the Manufacturing business, the Group will promote sales of NOBELBAR, a treatment for neonatal seizures and status epilepticus, and the allergy therapeutic agent Pemilaston. At the same time, it will expand its product line, increase contract manufacturing capacity by reinforcing pharmaceutical production facilities, and inject efforts into expanding indications of the narcolepsy treatment, Modiodal. The Manufacturing business is projecting net sales of ¥26,500 million, a 6.7% increase year on year and operating income of ¥1,400 million, a 27.3% increase year on year for the fiscal year ending March 31, 2010.

Consequently, in the fiscal year ending March 31, 2010, the Alfresa Group is projecting consolidated net sales of ¥2,005,000 million, a 3.6% increase from the previous fiscal year; operating income of ¥12,000 million, up 36.6% from the previous fiscal year; and net income of ¥9,200 million, up 65.3% from the previous fiscal year.

## CONSOLIDATED BALANCE SHEETS

Alfresa Holdings Corporation and consolidated subsidiaries  
As of March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 8)	¥ 94,804	¥ 80,195	\$ 965,123
Receivables:			
Trade notes and accounts	486,510	468,210	4,952,764
Other	51,786	50,821	527,191
Allowance for doubtful accounts	(951)	(1,068)	(9,681)
	<b>537,345</b>	517,963	<b>5,470,274</b>
Inventories:			
Merchandise and finished goods	90,242	93,385	918,681
Work in process	108	383	1,099
Raw materials and supplies	1,153	937	11,738
	<b>91,503</b>	94,705	<b>931,518</b>
Deferred tax assets (Note 5)	6,688	4,162	68,085
Other (Note 3)	4,181	5,186	42,563
<b>Total current assets</b>	<b>734,521</b>	702,211	<b>7,477,563</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates	4,149	3,980	42,238
Investments in securities (Notes 3 and 8)	25,935	29,949	264,023
Long-term receivables:			
Long-term loans receivable	4,339	4,103	44,172
Other	–	8,168	–
Allowance for doubtful accounts	(5,358)	(5,497)	(54,546)
	<b>(1,019)</b>	6,774	<b>(10,374)</b>
Deferred tax assets (Note 5)	7,277	6,413	74,081
Other (Note 8)	24,478	17,300	249,191
<b>Total investments and other assets</b>	<b>60,820</b>	64,416	<b>619,159</b>
<b>Property, plant and equipment:</b>			
Land (Notes 8, 13 and 14)	45,503	41,242	463,229
Buildings and structures (Notes 8 and 13)	69,717	66,940	709,732
Machinery and equipment	17,083	17,088	173,909
Leased assets	1,181	–	12,023
Construction in progress	4,231	1,653	43,072
	<b>137,715</b>	126,923	<b>1,401,965</b>
Less accumulated depreciation	(56,571)	(54,393)	(575,904)
<b>Net property, plant and equipment</b>	<b>81,144</b>	72,530	<b>826,061</b>
<b>Deferred charges and intangibles</b>	<b>7,764</b>	9,102	<b>79,039</b>
	<b>¥884,249</b>	¥848,259	<b>\$9,001,822</b>

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Current liabilities:</b>			
Short-term debt (Notes 6 and 8)	¥ 2,200	¥ 1,958	\$ 22,396
Long-term debt due within one year (Notes 6 and 8)	378	579	3,848
Long-term lease liabilities due within one year (Note 6)	458	—	4,663
Payables:			
Trade notes and accounts (Note 8)	648,467	610,103	6,601,517
Other	5,232	4,375	53,263
	<b>653,699</b>	<b>614,478</b>	<b>6,654,780</b>
Allowance for employees' bonuses	5,840	6,143	59,452
Allowance for bonuses to directors and corporate auditors	141	250	1,435
Accrued expenses	1,973	1,884	20,086
Allowance for sales rebates	90	78	916
Allowance for sales returns	902	927	9,183
Income taxes payable	2,292	3,183	23,333
Allowance for loss on transfer of business	—	327	—
Deferred tax liabilities (Note 5)	—	12	—
Other (Note 8)	1,773	1,711	18,049
<b>Total current liabilities</b>	<b>669,746</b>	<b>631,530</b>	<b>6,818,141</b>
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Note 6)	2,997	900	30,510
Long-term lease liabilities (Note 6)	1,592	—	16,207
Employees' severance and retirement benefits (Note 7)	16,476	23,262	167,729
Directors' and corporate auditors' retirement benefits	1,521	1,544	15,484
Deferred tax liabilities (Note 5)	980	2,398	9,977
Deferred tax liabilities for land revaluation (Note 14)	852	852	8,674
Provision for loss on guarantees	273	332	2,779
Other	4,087	1,305	41,605
<b>Total long-term liabilities</b>	<b>28,778</b>	<b>30,593</b>	<b>292,965</b>
<b>Contingent liabilities</b> (Note 9)			
<b>Net assets</b> (Note 11):			
Common stock			
Authorized—135,000,000 shares			
Issued—42,326,223 shares in 2009 and 2008	4,230	4,230	43,062
Capital surplus	66,422	65,912	676,189
Retained earnings	113,926	112,002	1,159,788
Less treasury stock, at cost 565,755 shares in 2009 and 561,155 shares in 2008	(2,192)	(2,159)	(22,315)
Unrealized gains on available-for-sale securities	3,155	6,290	32,118
Unrealized gains on deferred hedge	10	1	102
Land revaluation (Note 14)	(5,721)	(5,730)	(58,241)
Foreign currency translation adjustments	(7)	70	(70)
Minority interests	5,902	5,520	60,083
<b>Total net assets</b>	<b>185,725</b>	<b>186,136</b>	<b>1,890,716</b>
	<b>¥884,249</b>	<b>¥848,259</b>	<b>\$9,001,822</b>

## CONSOLIDATED STATEMENTS OF INCOME

Alfresa Holdings Corporation and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Net sales</b>	<b>¥1,934,869</b>	¥1,769,454	<b>\$19,697,333</b>
<b>Cost of sales</b>	<b>1,795,971</b>	1,622,280	<b>18,283,325</b>
Gross profit	<b>138,898</b>	147,174	<b>1,414,008</b>
<b>Selling, general and administrative expenses</b>	<b>130,115</b>	121,820	<b>1,324,595</b>
Operating income	<b>8,783</b>	25,354	<b>89,413</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>1,239</b>	1,015	<b>12,613</b>
Interest expense	<b>(104)</b>	(52)	<b>(1,059)</b>
Write-down of securities	<b>(1,290)</b>	(80)	<b>(13,132)</b>
Loss on disposal of property, plant and equipment	<b>(204)</b>	(534)	<b>(2,077)</b>
Information fees	<b>4,505</b>	3,990	<b>45,862</b>
Loss on impairment of fixed assets (Note 13)	<b>(721)</b>	(87)	<b>(7,340)</b>
Gain on sales of property, plant and equipment	<b>–</b>	557	<b>–</b>
Write-down of inventories	<b>(2,154)</b>	–	<b>(21,928)</b>
Gain on sales of securities (Note 3)	<b>165</b>	199	<b>1,680</b>
Gain on revision of employees' severance and retirement benefits plan	<b>761</b>	–	<b>7,747</b>
Refund from loss on guarantee	<b>59</b>	42	<b>601</b>
Gain on transfer of operations	<b>–</b>	175	<b>–</b>
Amortization of goodwill	<b>(191)</b>	–	<b>(1,944)</b>
Loss on change in equity interest	<b>–</b>	(903)	<b>–</b>
Additional severance payments for transferred employees	<b>–</b>	(420)	<b>–</b>
Loss on disaster	<b>–</b>	(26)	<b>–</b>
Gain from mutual welfare premium	<b>–</b>	104	<b>–</b>
Special severance payments for retired employees	<b>(396)</b>	–	<b>(4,031)</b>
System migration expense	<b>(599)</b>	–	<b>(6,098)</b>
Expenses resulting from merger	<b>(432)</b>	–	<b>(4,398)</b>
Other, net	<b>1,560</b>	1,664	<b>15,880</b>
	<b>2,198</b>	5,644	<b>22,376</b>
<b>Income before income taxes and minority interests</b>	<b>10,981</b>	30,998	<b>111,789</b>
<b>Income taxes (Note 5):</b>			
Current	<b>7,387</b>	10,584	<b>75,201</b>
Deferred	<b>(2,483)</b>	3,479	<b>(25,277)</b>
	<b>4,904</b>	14,063	<b>49,924</b>
<b>Income before minority interests</b>	<b>6,077</b>	16,935	<b>61,865</b>
<b>Minority interests</b>	<b>(511)</b>	(757)	<b>(5,202)</b>
<b>Net income</b>	<b>¥ 5,566</b>	¥ 16,178	<b>\$ 56,663</b>
		Yen	U.S. Dollars (Note 1)
<b>Per share amounts:</b>			
Net income	<b>¥ 133.28</b>	¥ 396.49	<b>\$ 1.36</b>
Cash dividends applicable to the year	<b>87.00</b>	83.00	<b>0.89</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Alfresa Holdings Corporation and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

Millions of Yen

	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Unrealized gains on deferred hedge	Land revaluation	Foreign currency translation adjustments	Minority interests	Total
<b>Balance at March 31, 2007</b>	40,275,353	¥ 4,020	¥ 49,793	¥ 99,049	¥ (1,336)	¥ 11,885	¥ 0	¥ (5,730)	¥ 58	¥ 3,652	¥ 161,391
Cash dividends paid at ¥81.00 per share				(3,225)							(3,225)
Net income for the year				16,178							16,178
Treasury stock acquired					(71)						(71)
Sale of treasury stock			2		4						6
Increase due to stock exchange	2,050,870	210	16,117		(756)						15,571
Increase in unrealized gains on available-for-sale securities						(5,595)					(5,595)
Increase in unrealized gains on deferred hedge							1				1
Foreign currency translation adjustments									12		12
Minority interests										1,868	1,868
<b>Balance at March 31, 2008</b>	42,326,223	¥ 4,230	¥ 65,912	¥ 112,002	¥ (2,159)	¥ 6,290	¥ 1	¥ (5,730)	¥ 70	¥ 5,520	¥ 186,136
Cash dividends paid at ¥87.00 per share				(3,633)							(3,633)
Net income for the year				5,566							5,566
Treasury stock acquired					(47)						(47)
Sale of treasury stock			1		14						15
Acquisition of treasury stock held by consolidated subsidiaries			509								509
Reversal of land revaluation				(9)							(9)
Increase in unrealized gains on available-for-sale securities						(3,135)					(3,135)
Increase in unrealized gains on deferred hedge							9				9
Land revaluation								9			9
Foreign currency translation adjustments									(77)		(77)
Minority interests										382	382
<b>Balance at March 31, 2009</b>	42,326,223	¥4,230	¥66,422	¥113,926	¥(2,192)	¥ 3,155	¥10	¥(5,721)	¥ (7)	¥5,902	¥185,725

Thousands of U.S. Dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Unrealized gains on deferred hedge	Land revaluation	Foreign currency translation adjustments	Minority interests	Total
<b>Balance at March 31, 2008</b>	\$ 43,062	\$ 670,997	\$ 1,140,202	\$ (21,979)	\$ 64,033	\$ 10	\$ (58,332)	\$ 712	\$ 56,195	\$ 1,894,900
Cash dividends paid at \$0.89 per share			(36,985)							(36,985)
Net income for the year			56,663							56,663
Treasury stock acquired				(478)						(478)
Sale of treasury stock		10		142						152
Acquisition of treasury stock held by consolidated subsidiaries		5,182								5,182
Reversal of land revaluation			(92)							(92)
Increase in unrealized gains on available-for-sale securities					(31,915)					(31,915)
Increase in unrealized gains on deferred hedge						92				92
Land revaluation							91			91
Foreign currency translation adjustments								(782)		(782)
Minority interests									3,888	3,888
<b>Balance at March 31, 2009</b>	\$43,062	\$676,189	\$1,159,788	\$ (22,315)	\$ 32,118	\$102	\$ (58,241)	\$ (70)	\$60,083	\$1,890,716

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Alfresa Holdings Corporation and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥10,981	¥30,998	\$111,789
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,242	5,359	53,365
Loss on impairment of fixed assets	721	87	7,340
Decrease in allowance for doubtful accounts	(257)	(181)	(2,616)
Decrease in allowance for employees' bonuses	(303)	(17)	(3,085)
Increase (decrease) in allowance for bonuses to directors and statutory auditors	(109)	34	(1,110)
Decrease in employees' severance and retirement benefits	(6,786)	(124)	(69,083)
Increase (decrease) in directors' retirement benefits	(23)	59	(234)
Interest and dividend income	(1,239)	(1,015)	(12,613)
Interest expense	104	52	1,059
Amortization of goodwill	2,147	1,475	21,857
Gain on revision of employees' severance and retirement benefits plan	(761)	-	(7,747)
(Gain) loss on sales of property, plant and equipment	11	(557)	112
Loss on disposal of property, plant and equipment	193	534	1,965
Write-down of inventories	2,154	-	21,928
Write-down of securities	1,290	80	13,132
Loss on change in equity interest	-	903	-
Expenses resulting from merger	432	-	4,398
Increase in trade notes and accounts receivable	(18,532)	(12,536)	(188,659)
(Increase) decrease in inventories	1,048	(464)	10,669
Increase in other receivables	(901)	(5,691)	(9,172)
Increase (decrease) in trade notes and accounts payable	38,364	(7,948)	390,553
Other	6,365	(1,970)	64,795
	40,141	9,078	408,643
Interest and dividends received	1,232	1,011	12,542
Interest paid	(98)	(51)	(998)
Expenses resulting from merger paid	(432)	-	(4,398)
Income taxes paid	(7,880)	(18,284)	(80,219)
Net cash provided by (used in) operating activities	32,963	(8,246)	335,570
<b>Cash flows from investing activities:</b>			
Net increase in time deposits	427	(146)	4,347
Payments for purchase of property, plant and equipment	(11,548)	(4,693)	(117,561)
Proceeds from sale of property, plant and equipment	305	1,520	3,105
Payments for purchase of intangible assets	(637)	(348)	(6,485)
Proceeds from sale of intangible assets	-	1,066	-
Payments for acquisition of long-term prepaid expense	(1,909)	(800)	(19,434)
Payments for purchase of investment securities	(3,007)	(4,431)	(30,612)
Proceeds from sale of investment securities	389	548	3,960
Proceeds from issuance of new shares through stock exchange	-	3,633	-
Payments for additional acquisition of shares in consolidated subsidiaries	-	(260)	-
Advances of loans receivable	(1,308)	(2,112)	(13,316)
Repayments of loans receivable	875	433	8,908
Other	(94)	(3)	(956)
Net cash used in investing activities	(16,507)	(5,593)	(168,044)
<b>Cash flows from financing activities:</b>			
Net increase in short-term debt	242	198	2,464
Proceeds from long-term debt	2,600	900	26,468
Repayments of long-term debt	(704)	(724)	(7,167)
Repayments of lease liabilities	(218)	-	(2,219)
Capital contribution from minority interests	-	208	-
Payments for purchase of treasury stock	(47)	(71)	(478)
Proceeds from sale of treasury stock	15	7	153
Cash dividends paid	(3,633)	(3,225)	(36,985)
Cash dividends paid to minority shareholders	(65)	(34)	(662)
Net cash used in financing activities	(1,810)	(2,741)	(18,426)
<b>Foreign currency translation gain (loss) on cash and cash equivalents</b>	<b>(37)</b>	<b>6</b>	<b>(378)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,609</b>	<b>(16,574)</b>	<b>148,722</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>80,195</b>	<b>96,769</b>	<b>816,401</b>
<b>Cash and cash equivalents at end of the year</b>	<b>¥94,804</b>	<b>¥80,195</b>	<b>\$965,123</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alfresa Holdings Corporation and consolidated subsidiaries  
Years ended March 31, 2009 and 2008

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Alfresa Holdings Corporation ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of an overseas subsidiary are based on its accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in China. As discussed in Note 2(a), the accounts of the overseas subsidiary for the year ended March 31, 2009 are prepared in accordance with International Financial Reporting Standards with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to US\$1.00. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Consolidation

Consolidated financial statements include the accounts of the Company and 14 significant subsidiaries ("the Companies") over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company.

One of the Company's subsidiaries is consolidated using a fiscal period ended December 31. Significant transactions occurring from January 1 to March 31 are adjusted in these consolidated financial statements.

The overall market value method is used for valuation of consolidated subsidiaries' assets and liabilities.

Investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method, as the application of the equity method would not have a material effect on the consolidated financial statements.

#### Significant subsidiaries

(Year ended March 31, 2009)

Company Name	Ownership Interest (%)	Common Stock (Millions of Yen)	Main Business
Alfresa Corporation	100.0	¥4,000	Pharmaceutical Wholesaling
Shikoku Alfresa Corporation	100.0	161	Pharmaceutical Wholesaling
SEIWA SANGYO CO., LTD.	100.0	1,144	Pharmaceutical Wholesaling
Meisho Co., Ltd.	100.0	395	Pharmaceutical Wholesaling
Odashima Limited	100.0	30	Pharmaceutical Wholesaling
CS YAKUHIN CO., LTD.	100.0	890	Pharmaceutical Wholesaling
RYUYAKU CO., LTD.	100.0	44	Pharmaceutical Wholesaling
Alfresa Medical Service Corporation	100.0	450	Pharmaceutical Wholesaling
Alfresa Pharma Corporation	100.0	1,000	Pharmaceutical Manufacturing
Alfresa System Corporation	51.0	150	Information System Operation, Maintenance, and Development
Kowa Pharmaceuticals Co., Ltd.	51.0 (51.0)	104	Pharmaceutical Wholesaling
Alfresa Nikken Sangyo Corporation	51.0 (51.0)	190	Pharmaceutical Wholesaling
Ando Co., Ltd.	50.9 (50.9)	300	Pharmaceutical Wholesaling
QINGDAO NESCO MEDICAL CO., LTD. (Year ended December 31, 2008)	100.0 (100.0)	300	Pharmaceutical Manufacturing

Notes: 1. Figures in parentheses ( ) in the ownership interest column represent the percentage of voting rights indirectly held.

2. Alfresa Pip-Tokyo Corporation changed its company name to Alfresa Medical Service Corporation on April 1, 2009.

#### (Change in accounting policies)

Effective from the fiscal year beginning April 1, 2008, the Company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18 issued by the ASBJ on May 17, 2006).

There was no effect on net income.

#### *(b) Cash and cash equivalents*

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible into known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

#### *(c) Allowance for doubtful accounts*

The allowance for doubtful accounts is provided in amounts management considers sufficient to cover possible losses on collection. The allowance is mainly based on past collection experience and management's estimate of the collectibility of individual receivables.

#### *(d) Securities*

Equity securities issued by subsidiaries and affiliated companies which are not consolidated are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are stated at cost determined by the moving-average method. Other securities with no available fair market value are stated at moving-average cost.

If the fair market value of available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline.

If the fair market values of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method, and available-for-sale securities are not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of operations in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

#### *(e) Inventories*

Inventories of the Company and its consolidated domestic subsidiaries are stated at the lower of weighted-average cost or net realizable value at March 31, 2009. The overseas consolidated subsidiary uses the moving-average method.

#### *(Change in accounting policies)*

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company's subsidiaries previously stated inventories at acquisition cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate.

As a result of the adoption of ASBJ Statement No. 9, operating income decreased by ¥962 million (US\$9,793 thousand), and income before income taxes and minority interests decreased by ¥3,116 million (US\$31,721 thousand) for the year ended March 31, 2009. The effect on segment information is described in Note 12.

#### *(f) Property, plant and equipment (except for leased assets)*

Property, plant and equipment of the Company and its consolidated domestic subsidiaries are carried at cost. Depreciation is computed primarily using the declining-balance method. In accordance with revisions of the Corporation Tax Law, buildings acquired after March 31, 1998 are depreciated using the straight-line method. The overseas consolidated subsidiary depreciates its property, plant and equipment using the straight-line method.

#### *(Additional information)*

Effective from the fiscal year beginning April 1, 2008, the Company's consolidated domestic subsidiaries changed the useful lives of some machinery based on the reassessment of the useful lives in light of the change in the Corporation Tax Law.

The effect of the change on net income was immaterial.

#### *(g) Deferred charges and intangibles (except for leased assets)*

Goodwill and software are included in deferred charges and intangibles. Software is amortized using the straight-line method over a useful life of five years. Goodwill is amortized equally over a five-year period.

#### *(h) Leased assets*

The Company's consolidated domestic subsidiaries capitalized assets used under finance leases commencing after March 31, 2008, except for certain immaterial, short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

#### *(Change in accounting policies)*

Prior to the year ended March 31, 2008, the Company's consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 30, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

As a result of adoption of new standards, operating income increased by ¥5 million (US\$51 thousand) and income before income taxes and minority interests decreased by ¥8 million (US\$81 thousand) for the year ended March 31, 2009. The effect on segment information is described in Note 12.

*(i) Allowance for employees' bonuses*

The allowance for employees' bonuses is provided for the estimated amounts, which the Company and its consolidated domestic subsidiaries are obligated to pay to employees after the fiscal year-end, based on services provided during the current year.

*(j) Allowance for bonuses to directors and corporate auditors*

The allowance for bonuses to directors and corporate auditors is provided for the estimated amounts which the Company and its consolidated domestic subsidiaries are obligated to pay to directors and corporate auditors after the fiscal year-end, based on services provided during the current year.

*(k) Allowance for sales rebates*

The allowance for sales rebates is provided for future payment of sales rebates based upon actual rebates experienced in the past.

*(l) Allowance for sales returns*

The allowance for sales returns is provided for future payment of sales returns based upon the method provided by the Corporation Tax Law of Japan.

*(m) Employees' severance and retirement benefits*

The Company and its consolidated domestic subsidiaries provide three types of post-employment benefit plans, unfunded lump-sum payment plans, funded non-contributory pension plans and the defined benefit corporate pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Companies provided for employees' severance and retirement benefits at March 31, 2009 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Prior service costs are recognized in expenses using the straight-line method over 10 years, and actuarial gains and losses are recognized in expenses using the straight-line method over 10 years commencing with the following period.

*(Additional information)*

Alfresa Corporation, a consolidated subsidiary, has terminated a part of unfunded lump-sum payment plans on October 1, 2008, and transferred to the defined contribution pension plan in accordance with "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1). The effect of the change was to increase income before income taxes and minority interests by ¥761 million (US\$7,747 thousand) for the year ended March 31, 2009.

*(n) Retirement benefits for directors and corporate auditors*

The liability for directors' and corporate auditors' retirement benefits is provided based upon certain consolidated subsidiaries' internally established criteria.

*(o) Provision for loss on guarantees*

Provision for loss on guarantees is provided in an estimated amount based on the financial position and solvency of parties guaranteed by the Company.

*(p) Income taxes*

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

*(Change in accounting policies)*

Effective from the fiscal year beginning April 1, 2008, the Company has adopted "Amendment of 'Practical Guidance on Tax Effect Accounting for Non-consolidated Financial Statements'" (Accounting Practice Committee Report No. 10 issued on March 25, 2008). Deferred tax liabilities recorded at the time of acquisition of subsidiaries' stocks through stock exchange are reversed and charged to income in the fiscal year ended March 31, 2009 pursuant to the adoption of the guidance.

The effect of the adoption was to increase net income by ¥1,506 million (US\$15,331 thousand) for the year ended March 31, 2009.

*(q) Translation of foreign currencies*

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end spot exchange rates.

The balance sheets of a consolidated overseas subsidiary are translated into Japanese yen at the spot exchange rate on the year-end closing date and the statements of income are translated at the average exchange rate for the fiscal year, except that net assets accounts are translated at historical rates and income statement items resulting from transactions with a consolidated domestic subsidiary are translated at the rates used for the consolidation.

*(r) Research and development expenses*

Research and development expenses for the improvement of existing products, the development of new products, basic research and fundamental development are charged to operations in the period incurred.

Such expenses for the years ended March 31, 2009 and 2008 were ¥1,146 million (US\$11,666 thousand) and ¥1,503 million, respectively.

*(s) Derivatives and hedge accounting*

In cases where foreign currency forward exchange contracts are used as hedges and meet certain hedging criteria, foreign currency forward exchange contracts and hedged items are accounted for in the following manner:

If a foreign currency forward exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the foreign currency forward exchange contract are recognized.

*(t) Net income per share*

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period (except for treasury stock).

*(u) Reclassifications*

Certain prior year amounts have been reclassified to conform to the 2009 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

**3. SECURITIES**

(a) The following tables summarize acquisition costs, book values (fair market values) of available-for-sale securities with available fair values as of March 31, 2009 and 2008:

**Securities with fair values exceeding acquisition costs:**

	2009			2008		
	Acquisition cost	Book (market) value	Difference	Acquisition cost	Book (market) value	Difference
Equity securities	¥8,737	¥16,925	¥8,188	¥11,222	¥23,789	¥12,567
Bonds	9	10	1	9	10	1
Total	¥8,746	¥16,935	¥8,189	¥11,231	¥23,799	¥12,568

	Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Book (market) value	Difference
Equity securities	\$88,944	\$172,300	\$83,356
Bonds	92	102	10
Total	\$89,036	\$172,402	\$83,366

**Securities with fair values not exceeding acquisition costs:**

	2009			2008		
	Acquisition cost	Book (market) value	Difference	Acquisition cost	Book (market) value	Difference
Equity securities	¥10,503	¥6,830	¥(3,673)	¥7,980	¥5,726	¥(2,254)
Bonds	1	1	0	96	95	(1)
Total	¥10,504	¥6,831	¥(3,673)	¥8,076	¥5,821	¥(2,255)

	Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Book (market) value	Difference
Equity securities	\$106,923	\$69,531	\$(37,392)
Bonds	10	10	0
Total	\$106,933	\$69,541	\$(37,392)

(b) The following table summarizes acquisition costs of securities with no available fair market values as of March 31, 2009 and 2008:

**Available-for-sale securities:**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Non-listed equity securities <sup>Note</sup>	¥ 2,178	¥ 370	\$ 22,172
Non-listed domestic bonds	0	0	0
Money management fund	47	4	478
Negotiable certificates of deposit	10,000	10,000	101,802
Other	2	4	21
<b>Total</b>	<b>¥12,227</b>	<b>¥10,378</b>	<b>\$124,473</b>

(c) The redemption schedule for available-for-sale securities with maturities is as follows:

	Millions of Yen							
	2009				2008			
	Within one year	Over one year but within five years	Over five years	Total	Within one year	Over one year but within five years	Over five years	Total
Bonds	¥11	¥-	¥-	¥11	¥44	¥11	¥-	¥55
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>¥11</b>	<b>¥-</b>	<b>¥-</b>	<b>¥11</b>	<b>¥44</b>	<b>¥11</b>	<b>¥-</b>	<b>¥55</b>

	Thousands of U.S. Dollars (Note 1)			
	2009			
	Within one year	Over one year but within five years	Over five years	Total
Bonds	\$112	\$-	\$-	\$112
Other	-	-	-	-
<b>Total</b>	<b>\$112</b>	<b>\$-</b>	<b>\$-</b>	<b>\$112</b>

(d) The following table summarizes available-for-sale securities sold in the years ended March 31, 2009 and 2008:

**Available-for-sale securities:**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Sales value	¥433	¥553	\$4,408
Gain on sale	165	199	1,680
Loss on sale	-	-	-

Note: During the fiscal year ended March 31, 2009, the Company has recognized impairment losses of ¥979 million (US\$9,966 thousand) on available-for-sale securities with fair values and ¥311 million (US\$3,166 thousand) on non-listed equity securities.

#### 4. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Alfresa Pharma Corporation, a consolidated subsidiary of the Company, uses foreign currency forward exchange contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates with respect to foreign currency receivables from the sale of Alfresa Pharma's products and payables (including future transactions). Foreign currency forward exchange contracts are subject to risks of fluctuations of foreign exchange.

The derivative transactions are executed and managed by Alfresa Pharma's Overseas Division in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

The following summarizes hedging derivative financial instruments used by Alfresa Pharma and items hedged:

Hedging instruments: Foreign currency forward exchange contracts

Hedged items: Foreign currency future transactions, trade receivables and trade payables

The Companies do not disclose the outstanding forward exchange contracts as they are accounted for as hedges.

#### 5. INCOME TAXES

The Company and its subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of 40.7% for the years ended March 31, 2009 and 2008.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2009 and 2008:

	2009	2008
Statutory tax rate	40.7%	40.7%
Non-deductible expenses	5.4	1.8
Non-taxable dividend income	(1.9)	(0.4)
Valuation allowance	4.0	0.3
Per capita inhabitants' tax	2.7	0.9
Amortization of goodwill	8.0	1.9
Tax credits	(0.4)	(0.1)
Reversal of deferred tax liabilities	(13.7)	–
Other	(0.1)	0.3
Effective tax rate	44.7%	45.4%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Deferred tax assets:</b>			
Accrued enterprise tax	¥ 237	¥ 330	\$ 2,413
Accrued social insurance expenses	293	307	2,983
Excess allowance for doubtful receivables	2,160	2,094	21,989
Bonuses accrued	2,359	2,502	24,015
Employees' severance and retirement benefits	6,817	9,498	69,398
Employees' defined contribution pension plan	1,850	—	18,833
Directors' and statutory auditors' retirement benefits	379	383	3,858
Allowance for loss on debt guarantee	110	133	1,120
Write-down of inventories	1,081	—	11,005
Loss on devaluation of membership	326	362	3,319
Write-down of investments	748	303	7,615
Loss on impairment of fixed assets	1,581	1,414	16,095
Loss on transfer of operations	285	407	2,901
Sales discount	958	360	9,753
Excess depreciation	284	367	2,891
Other	2,789	2,604	28,392
	<b>22,257</b>	<b>21,064</b>	<b>226,580</b>
Valuation allowance	(3,673)	(3,336)	(37,392)
<b>Total deferred tax assets</b>	<b>18,584</b>	<b>17,728</b>	<b>189,188</b>
<b>Deferred tax liabilities:</b>			
Difference between fair value and cost of assets and liabilities of consolidated subsidiaries	(1,741)	(1,800)	(17,724)
Unrealized gains on available-for-sale securities	(3,800)	(6,015)	(38,685)
Increase due to stock exchange	—	(1,506)	—
Other	(58)	(242)	(590)
<b>Total deferred tax liabilities</b>	<b>(5,599)</b>	<b>(9,563)</b>	<b>(56,999)</b>
<b>Net deferred tax assets</b>	<b>¥12,985</b>	<b>¥ 8,165</b>	<b>\$132,189</b>

## 6. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt borrowings at March 31, 2009 and 2008 consisted principally of bank overdrafts bearing interest at average annual rates of approximately 1.0% and 1.6%, respectively.

Long-term debt as of March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Long-term loans, average interest rates of 0.9% in 2009 and 2008, maturing through 2016 in 2009 and 2008:</b>			
Secured	¥ 148	¥ 579	\$ 1,507
Unsecured	3,227	900	32,851
<b>Total</b>	<b>¥3,375</b>	<b>¥1,479</b>	<b>\$34,358</b>
<b>Long-term lease liabilities, average interest rates of 1.5% in 2009 and 2008, maturing through 2016 in 2009 and 2008:</b>			
Secured	¥ —	¥ —	\$ —
Unsecured	2,050	—	20,870
	<b>2,050</b>	<b>—</b>	<b>20,870</b>
<b>Less amounts due within one year</b>	<b>(836)</b>	<b>(579)</b>	<b>(8,511)</b>
<b>Total</b>	<b>¥4,589</b>	<b>¥ 900</b>	<b>\$46,717</b>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2010	¥ 482	\$ 4,907
2011	457	4,652
2012	457	4,652
Thereafter	1,601	16,299

The aggregate annual maturities of long-term lease liabilities outstanding as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2010	¥482	\$4,907
2011	479	4,876
2012	420	4,276
Thereafter	211	2,148

## 7. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Companies recorded the liabilities and expenses for severance and retirement benefits based on the amounts obtained by actuarial calculations.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Projected benefit obligation	¥ 38,122	¥ 45,454	\$ 388,089
Unrecognized prior service costs	1,816	2,741	18,488
Unrecognized actuarial differences	(7,285)	(4,729)	(74,163)
Less fair value of pension assets	(16,177)	(20,204)	(164,685)
Liability for employees' severance and retirement benefits	¥ 16,476	¥ 23,262	\$ 167,729

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Service costs—benefits earned during the year	¥4,150	¥4,147	\$42,248
Interest cost on projected benefit obligation	792	844	8,063
Expected return on plan assets	(156)	(168)	(1,588)
Amortization of prior service costs	(409)	(465)	(4,164)
Amortization of actuarial differences	821	579	8,358
Special retirement benefits and others	463	471	4,713
Other	236	22	2,403
Severance and retirement benefit expense	¥5,897	¥5,430	\$60,033

Prior service costs previously recorded but no longer required due to a plan amendment are being amortized over ten years.

The discount rate used by the Companies was 2.0%, and the rates of expected return on plan assets for the years ended March 31, 2009 and 2008 were 0.0% to 2.5%, respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years on the basis of points granted to employees by evaluation, length of service and certain other factors.

## 8. PLEDGED ASSETS

Assets pledged as collateral for borrowing, and transaction guarantees at March 31, 2009 and 2008, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Time deposits	¥ 278	¥ 410	\$ 2,830
Buildings and structures, net of accumulated depreciation	1,057	1,525	10,761
Land	4,469	5,057	45,495
Investments in securities	3,307	5,646	33,666
Guarantee money paid	110	104	1,120
<b>Total</b>	<b>¥9,221</b>	<b>¥12,742</b>	<b>\$93,872</b>

### Secured liabilities:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Trade notes and accounts payable	¥8,599	¥32,152	\$87,539
Short-term debt	786	1,300	8,002
Long-term debt due within one year	148	579	1,507
Other	—	58	—
<b>Total</b>	<b>¥9,533</b>	<b>¥34,089</b>	<b>\$97,048</b>

## 9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Guarantee of payables and loans to affiliates	¥1,767	¥1,998	\$17,988
Guarantee of loans to employees	21	22	214

## 10. FINANCE LEASES

Non-capitalized finance leases at March 31, 2009 and 2008 that new accounting standard for leases as discussed in Note 2 (h) are not applied are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Machinery and equipment	¥12,460	¥14,203	\$ 126,845
Intangibles	11,406	12,502	116,115
Less accumulated depreciation	(9,872)	(7,436)	(100,498)
<b>Total</b>	<b>¥13,994</b>	<b>¥19,269</b>	<b>\$ 142,462</b>

The above "as if capitalized" depreciation is calculated on the straight-line method over lease terms.

Lease payments for such leases for the years ended March 31, 2009 and 2008 are ¥5,980 million (US\$60,878 thousand) and ¥5,464 million, respectively.

If the above finance leases had been capitalized, depreciation of ¥5,485 million (US\$55,838 thousand) and ¥5,085 million and interest of ¥336 million (US\$3,421 thousand) and ¥368 million would have been recorded for the years ended March 31, 2009 and 2008, respectively.

Obligations under non-capitalized finance leases, excluding the interest portion, at March 31, 2009 and 2008, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Due within one year	¥ 4,954	¥ 5,433	\$ 50,433
Due after one year	9,302	13,981	94,696
Total	¥14,256	¥19,414	\$145,129

Future minimum lease payments for operating leases of the Companies, as lessee, at March 31, 2009 and 2008, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Due within one year	¥1,241	¥1,152	\$12,634
Due after one year	2,785	3,031	28,351
Total	¥4,026	¥4,183	\$40,985

## 11. SHAREHOLDERS' EQUITY AND NET ASSETS

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"). The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends in kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and the amount of net assets after dividends must be maintained at no less than ¥3 million.

### (b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal earnings reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal earnings reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal earnings reserve may be reversed without limitation.

The Corporate Law also provides that common stock, legal earnings reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution at the shareholders' meeting.

### (c) Treasury stock and treasury stock acquisition rights

The Corporate Law provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Corporate Law, stock acquisition rights are presented as a separate component of net assets.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

## 12. SEGMENT INFORMATION

The Companies' primary areas of business include the wholesaling of products such as pharmaceuticals, medical diagnostic reagents and medical devices, and the manufacturing of products such as pharmaceuticals, medical diagnostic reagents and medical devices.

The Companies operate mainly within Japan, so regional segment information is not disclosed.

The overseas sales for the years ended March 31, 2009 and 2008 were less than 10% of consolidated net sales.

A summary of business segment information is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Net sales:</b>			
Pharmaceutical Wholesaling			
Customers	¥1,918,211	¥1,752,567	\$19,527,751
Intersegment	3	4	31
Total	1,918,214	1,752,571	19,527,782
Pharmaceutical Manufacturing			
Customers	16,658	16,887	169,582
Intersegment	8,182	7,816	83,294
Total	24,840	24,703	252,876
Elimination	(8,185)	(7,820)	(83,325)
Consolidated	¥1,934,869	¥1,769,454	\$19,697,333
<b>Operating Expenses:</b>			
Pharmaceutical Wholesaling	¥1,910,905	¥1,728,077	\$19,453,375
Pharmaceutical Manufacturing	23,741	24,073	241,688
Elimination	(8,560)	(8,050)	(87,143)
Consolidated	¥1,926,086	¥1,744,100	\$19,607,920
<b>Operating Income:</b>			
Pharmaceutical Wholesaling	¥ 7,309	¥ 24,494	\$ 74,407
Pharmaceutical Manufacturing	1,099	630	11,188
Elimination	375	230	3,818
Consolidated	¥ 8,783	¥ 25,354	\$ 89,413
<b>Total Assets:</b>			
Pharmaceutical Wholesaling	¥ 841,190	¥ 813,132	\$ 8,563,473
Pharmaceutical Manufacturing	26,212	26,105	266,843
Elimination and Corporate Assets	16,847	9,022	171,506
Consolidated	¥ 884,249	¥ 848,259	\$ 9,001,822

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
<b>Depreciation and Amortization:</b>			
Pharmaceutical Wholesaling	¥ 3,173	¥3,408	\$ 32,302
Pharmaceutical Manufacturing	1,909	1,895	19,434
Elimination and Unallocated Corporate Expenses	160	56	1,629
<b>Consolidated</b>	<b>¥ 5,242</b>	<b>¥5,359</b>	<b>\$ 53,365</b>
<b>Loss on Impairment of Fixed Assets:</b>			
Pharmaceutical Wholesaling	¥ 721	¥ 87	\$ 7,340
Pharmaceutical Manufacturing	—	—	—
Elimination and Unallocated Corporate Expenses	—	—	—
<b>Consolidated</b>	<b>¥ 721</b>	<b>¥ 87</b>	<b>\$ 7,340</b>
<b>Capital Expenditure:</b>			
Pharmaceutical Wholesaling	¥11,168	¥4,633	\$113,692
Pharmaceutical Manufacturing	2,889	612	29,411
Elimination and Corporate Expenditure	36	596	366
<b>Consolidated</b>	<b>¥14,093</b>	<b>¥5,841</b>	<b>\$143,469</b>

As discussed in Note 2 (e) to the financial statements, effective from the fiscal year beginning April 1, 2008, the Company and its subsidiaries have adopted ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value.

The effect of the adoption was to decrease operating income for the year ended March 31, 2009 by ¥959 million (US\$9,763 thousand) and ¥3 million (US\$31 thousand) for Pharmaceutical Wholesaling and Pharmaceutical Manufacturing, respectively.

As discussed in Note 2 (h) to the financial statements, effective from the fiscal year beginning April 1, 2008, the Company and its subsidiaries have adopted the new standards. The new accounting standards require that all finance lease transactions be treated as capital leases.

The effect of the adoption was to increase operating income for the year ended March 31, 2009 by ¥5 million (US\$51 thousand) and ¥0 million (US\$0 thousand) for Pharmaceutical Wholesaling and Pharmaceutical Manufacturing, respectively.

### 13. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Companies recognized impairment losses for groups of fixed assets in the years ended March 31, 2009 and 2008 as follows:

Use	Type of assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2009	2008	2009
Idle properties	Buildings and structures, land	¥215	¥83	\$2,189
Rental properties	Buildings and structures, land	12	—	122
Business properties	Buildings and structures, land	494	4	5,029

The Companies grouped business properties based on business premises, idle properties and rental properties based on each property. The recoverable amounts of idle properties and business properties are their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards. The recoverable amounts of rental properties are the larger of (1) their net realizable values based on amounts determined by valuations made in accordance with real estate appraisal standards, or (2) the present values of expected cash flows from on-going utilization and subsequent disposition of the assets based on a discount rate of 5.9%.

### 14. LAND REVALUATION

Under the "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 2001, certain consolidated subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation represents the unrealized devaluation of land, net of deferred tax assets and liabilities, and is stated as a component of net assets. There is no effect on the statements of income.

Continuous readjustment is not permitted unless the land value subsequently declines significantly, in which case the amount of the decline in value should be included in the land revaluation account and related deferred tax assets and liabilities.

The carrying amounts of the land after the one-time revaluation noted above exceeded market value by ¥1,985 million (US\$20,208 thousand) and ¥2,030 million at March 31, 2009 and 2008, respectively.

### 15. NON-CASH INVESTING AND FINANCING ACTIVITIES

During the fiscal year ended March 31, 2008, CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. became wholly owned consolidated subsidiaries through stock exchange. The following summarizes the main components of the assets, liabilities, and proceeds from issuance of new shares through stock exchange (net of cash acquired) of the companies at the time of consolidation. Capital and capital surplus increased ¥210 million and ¥16,117 million, respectively, as a result of the stock exchange.

#### CS YAKUHIN CO., LTD. ("CS YAKUHIN")

	Millions of Yen October 1, 2007
Current assets	¥ 64,657
Non-current assets	6,537
Goodwill	3,268
Current liabilities	(62,330)
Non-current liabilities	(2,325)
Stock exchange expense	(23)
The Companies' share at the time of acquisition	79
Acquisition cost of newly consolidated subsidiary	9,863
Cash and cash equivalents of CS YAKUHIN	3,314
Stock-for-stock exchange	(9,863)
Net receipt from stock exchange	¥ 3,314

#### RYUYAKU CO., LTD. ("RYUYAKU")

	Millions of Yen October 1, 2007
Current assets	¥ 9,303
Non-current assets	3,911
Goodwill	1,284
Current liabilities	(6,704)
Non-current liabilities	(1,236)
Stock exchange expense	(14)
Acquisition cost of newly consolidated subsidiary	6,544
Cash and cash equivalents of RYUYAKU	320
Stock-for-stock exchange	(6,544)
Net receipt from stock exchange	¥ 320

### 16. SUBSEQUENT EVENTS

At the Board of Directors' Meeting held on May 12, 2009, retained earnings at March 31, 2009 were appropriated as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2009	2009
Cash dividends (¥42 per share)	¥1,754	\$17,856

To the Board of Directors of  
Alfresa Holdings Corporation:

We have audited the accompanying consolidated balance sheets of Alfresa Holdings Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alfresa Holdings Corporation and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

- (1) As discussed in Note 2(e) to the consolidated financial statements, effective from the fiscal year beginning April 1, 2008, Alfresa Holdings Corporation and its subsidiaries have adopted "The Accounting Standard for Measurement of Inventories".
- (2) As discussed in Note 2(p) to the consolidated financial statement, effective from the fiscal year beginning April 1, 2008, Alfresa Holdings Corporation and its subsidiaries have adopted "Amendment of 'Practical Guidance on Tax Effect Accounting for Non-consolidated Financial Statements'".

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan  
June 25, 2009