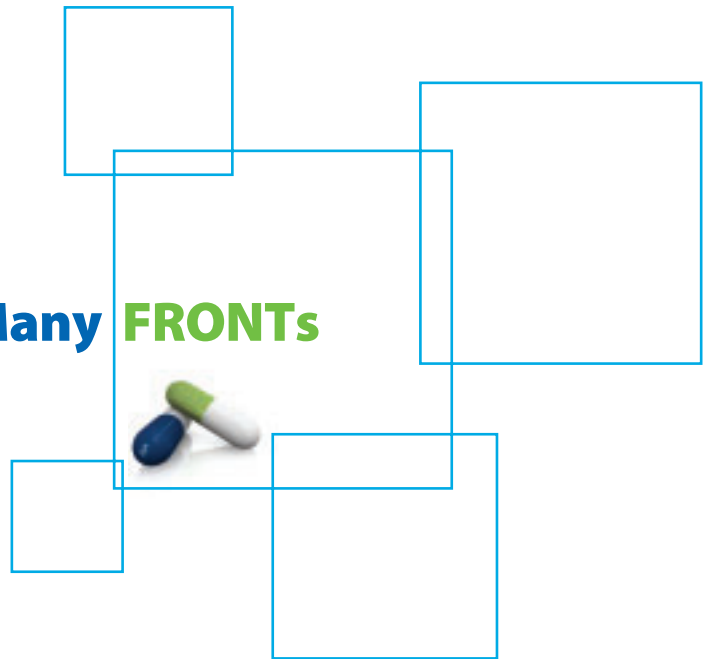


Annual Report 2006

Progress on Many *FRONTs*



Group Philosophy

“Alfresa creates
a fresh life for all.”

- We meet shareholders’ expectations.
- We are always customer centric.
- We value the happiness of our employees.
- We strive for symbiosis with society, the environment and other stakeholders as a good corporate citizen.

Group Mission

“Our mission is to maximize our corporate value by creating innovative value and earning the trust of society through contribution to people’s health mainly in the field of medical care.”

Group Vision

“To be a ‘*Healthcare Consortium*’ that provides comprehensive healthcare services.”

- A leading supplier of healthcare services in Japan
- A healthcare partner trusted by customers
- A corporate group trusted by stakeholders
- A rewarding work environment where employees hold the Alfresa Dream in their mind

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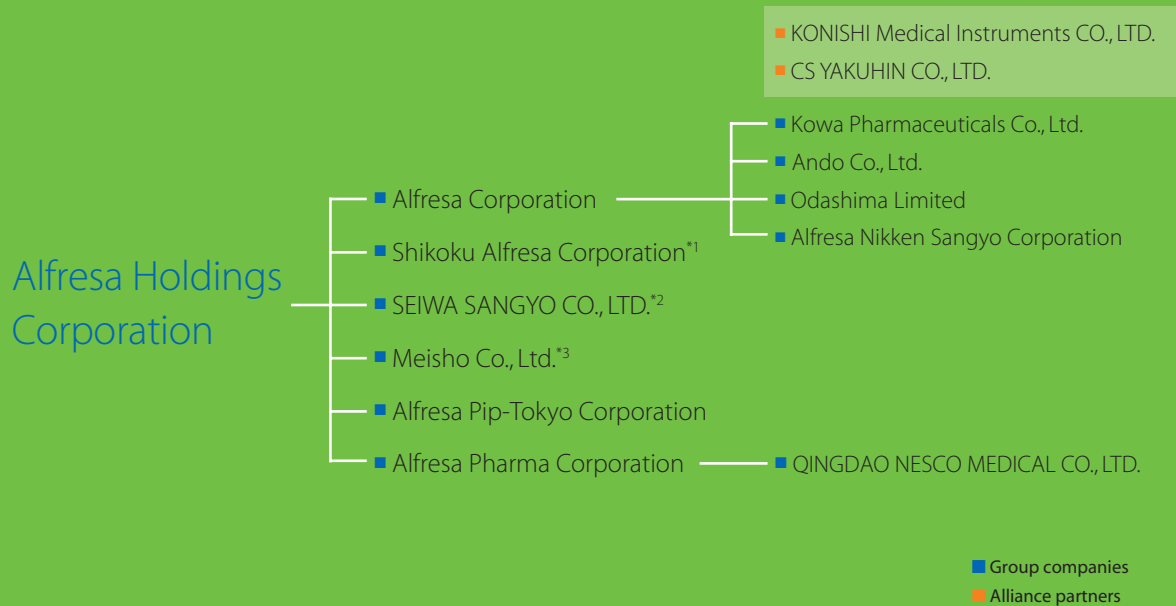
FORWARD-LOOKING STATEMENTS

Plans, forecasts, and strategies of Alfresa Holdings Corporation and its group companies in this annual report are forward-looking statements based on information available at the time such statements were prepared. As such, actual results may significantly differ from forecasts due to a variety of factors.

Group Overview

Alfresa Group

As of April 1, 2006



*1 Formed through the merger of OKAUCHI KANKODO, Ltd., Kowa Yakuhin Co., Ltd. and DAIWA Pharmaceutical Wholesalers Co., Ltd. effective October 1, 2005.

*2 Wholly owned subsidiary effective October 1, 2005.

*3 Wholly owned subsidiary effective April 1, 2006.

The Alfresa Group is committed to making its “Healthcare Consortium” vision a reality. This means that we aim to help enhance people’s daily lives and their health by establishing a broader circle of alliances with healthcare companies besides Group companies, to offer comprehensive medical care and healthcare information, products, and services.

“Alfresa” is a compound word consisting of the English word “all” and an Esperanto word “fresa,” which means “fresh” in English. The corporate name symbolizes our wish to be a corporation that “contributes to the happiness of all people by meeting their healthcare needs and creating an active lifestyle for the coming era.”

Key Consolidated Financial Highlights

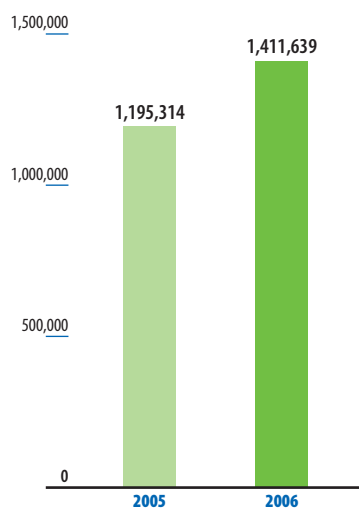
Alfresa Holdings Corporation and consolidated subsidiaries
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
For the Year:			
Net Sales	¥1,411,639	¥1,195,314	\$12,017,017
Operating Income	14,847	6,534	126,386
Net Income	7,074	3,208	60,216
At Year-end:			
Shareholders' Equity	¥ 131,484	¥ 111,076	\$ 1,119,298
Total Assets	687,774	609,352	5,854,888
Per Share Data (Yen/U.S. Dollars):			
Shareholders' Equity	¥ 3,537.89	¥ 3,281.01	\$ 30.117
Net Income	189.55	91.81	1.614
Diluted Net Income	-	-	-
Ratios (%):			
Shareholders' Equity Ratio	19.1	18.2	-
Return on Assets	1.0	0.5	-
Return on Equity	5.8	2.9	-
Cash Flows:			
Net Cash Provided by Operating Activities	¥ 24,665	¥ 10,170	\$ 209,973
Net Cash Used in Investing Activities	(9,992)	(4,039)	(85,063)
Net Cash Used in Financing Activities	(8,555)	(7,567)	(72,831)
Cash and Cash Equivalents at End of the Year	67,436	57,380	574,066
Number of Employees	8,744	7,549	

* Japanese yen amounts have been translated into U.S. dollars at the rate of U.S.\$1.00=¥117.47.

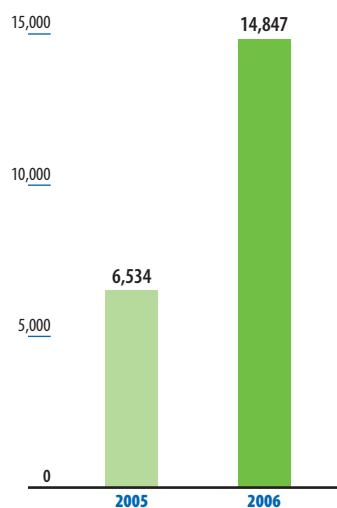
Net Sales

(¥ millions)



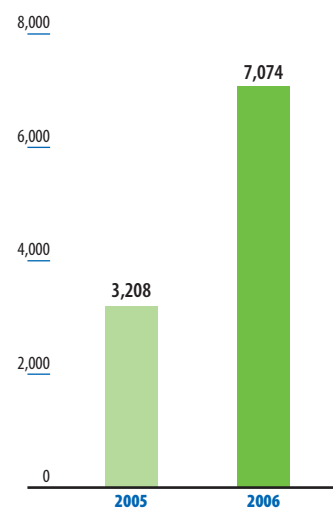
Operating Income

(¥ millions)



Net Income

(¥ millions)



Key Operating Highlights

SEIWA SANGYO CO., LTD. and Meisho Co., Ltd., whose sales areas cover the Chugoku and Hokuriku regions, respectively, newly joined the Alfresa Group. Furthermore, three companies—OKAUCHI KANKODO, Ltd., Kowa Yakuhin Co., Ltd., and DAIWA Pharmaceutical Wholesalers Co., Ltd.—merged to form Shikoku Alfresa Corporation.

Alfresa Corporation, which conducts the Group's Wholesaling business, concluded a comprehensive business alliance with CS YAKUHIN CO., LTD. and an agreement with KONISHI Medical Instruments CO., LTD. to form an alliance in the supply, processing & distribution (SPD) business.

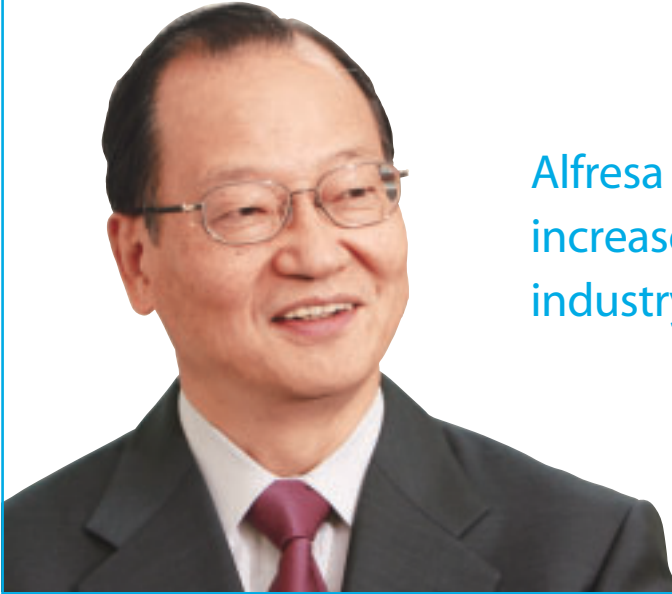
Alfresa Corporation is building the Meguro Pharmaceuticals Center based on its "Urban Pharmaceuticals Center" concept for creating a pharmaceuticals logistics system in the Tokyo metropolitan area.

Recognizing that one key imperative of the medium- to long-term strategy for the Wholesaling business is to enter Asian markets, the Alfresa Group signed a statement of intent to form a business alliance with DKSH Holding Ltd. Through this alliance, we will begin considering means of developing businesses in Asian markets.

In the Manufacturing business, Alfresa Pharma Corporation began sales of the antidepressant agent Anafranil in the pharmaceutical sector, after taking over production and marketing rights from Novartis Pharma K.K. In the diagnostic reagent sector, the company launched a point-of-care-testing (POCT) reagent to detect influenza virus antigens called CHECK Flu A·B. In medical devices, sales of Monodiox synthetic absorbable surgical sutures were launched.

In the Manufacturing business, ISO13485:2003, the international quality management certification for manufacturers of medical equipment, was obtained by the Chiba Plant, Okayama Pharmaceutical Plant and Ibaraki Research Center. This certification was established to consistently ensure the quality of medical equipment.

Message from the Chairman and President



Kunio Fukujin
Representative Director & Chairman

Alfresa Holdings aims to further increase corporate value as an industry-leading group of companies.

Surpassed Targets in the Fiscal Year Ended March 2006

The business environment surrounding the ethical pharmaceutical wholesale industry in the fiscal year ended March 31, 2006, saw market growth of roughly 4.5% year on year, underpinned partly by expansion of the market for therapeutic agents for lifestyle-related diseases, such as cardiovascular pharmaceuticals.

In the pharmaceuticals wholesaling sector, the Alfresa Group's core business, rapid industry realignment is underway as companies seek to establish a competitive advantage in the market. Furthermore, it has become increasingly vital for companies to enhance their functions and services to meet diversifying customer needs. These developments have been fueled by trends including the separation of drug dispensing from medical practice and joint purchasing of pharmaceuticals by national hospitals.

Under these conditions, the Alfresa Group has been working to expand joint purchasing and promote joint sales promotion activities on a group-wide level

in order to reach its numerical targets. The fiscal year ended March 31, 2006 was important as the first year of the medium-term management plan. Net sales and operating income both surpassed our targets.

Distribution of Profits

Furthermore, the Company has positioned the distribution of profits to shareholders as a key management priority. The Company determines the amount of profits distributed to shareholders based on consolidated financial results, while taking into consideration the need to strengthen its operating structure and drive future business expansion. In doing so, the Company targets an annual dividend on equity (DOE) of at least 2%. Based on this policy, the Company increased the annual dividend for the fiscal year ended March 31, 2006 from ¥50 per share to ¥69 per share.

Maintaining Appropriate Margins and Promoting Low-cost Operations

In the Wholesaling business, we saw a large increase

By working to realize our
 “Healthcare Consortium” vision,
 we aim to help enhance people’s
 daily lives and their health.

Arata Watanabe
 Representative Director & President



in sales, primarily due to expansion in sales areas leveraging diverse forms of participation in the group, and joint Group-wide purchasing and sales promotion activities. Efforts to develop a sales system that emphasizes profitability, along with the benefits derived from low-cost operations, helped to increase the operating income margin from 0.55% in the fiscal year ended March 31, 2005 to 1.05% in the fiscal year ended March 31, 2006. For example, we strengthened sales by ensuring appropriate prices by such means as reviewing unprofitable dealings and strictly enforcing compliance with the authorized price limit. Further, efforts to achieve low-cost operations included reducing personnel and streamlining the delivery system. As a result of these measures, the consolidated SG&A expenses ratio improved by 0.54 of a point from 7.65% in the fiscal year ended March 31, 2005, to 7.11% in the fiscal year ended March 31, 2006.

In addition, Alfresa Pip-Tokyo Corporation, which conducts a Supply, Processing & Distribution (SPD) business offering integrated contract services ranging

from procurement to logistics and consumption of medical materials and pharmaceuticals in hospitals, started operations in April 2005. Eyeing the strong growth potential of the SPD business, we will strengthen these operations, as we further enhance our support system for hospitals.

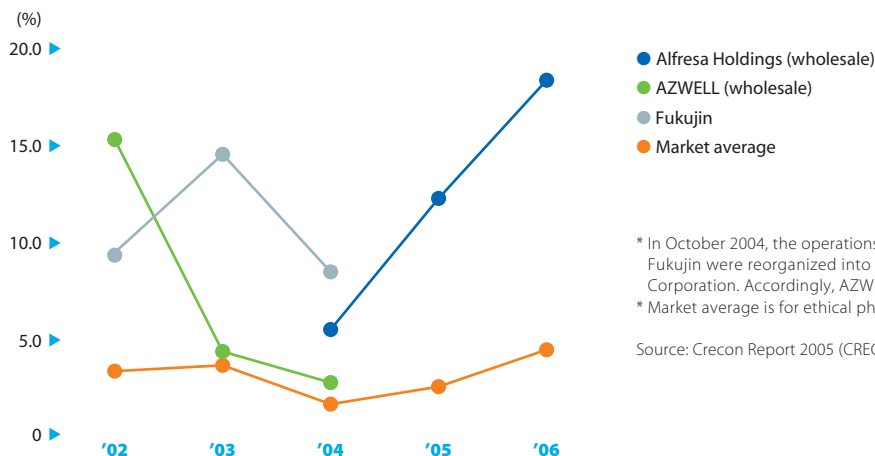
In the Manufacturing business, sales rose due to strong performances by various products. In the pharmaceutical sector, the antidepressant agent Anafranil, whose production and marketing rights were taken over by Alfresa Pharma in January 2006, performed well. In the diagnostic reagent sector, we recorded strong sales of a point-of-care-testing (POCT) reagent to detect influenza virus antigens called CHECK Flu A-B.

Expanding the Group Through Diverse Forms of Participation

We strive to strengthen profitability and meet the diversifying needs of our customers by fostering closer cooperation with Group companies and further

Average Sales Growth for the Pharmaceuticals Wholesale Market and Alfresa Group

(Fiscal years ended March 31)



* In October 2004, the operations of Alfresa Holdings' subsidiaries AZWELL and Fukujin were reorganized into Alfresa Corporation and Alfresa Pharma Corporation. Accordingly, AZWELL and Fukujin are not shown from 2005.
* Market average is for ethical pharmaceuticals.

Source: Crecon Report 2005 (CRECON RESEARCH & CONSULTING INC.)

increasing the scale of the Group. In October 2005, OKAUCHI KANKODO, Ltd. (Kagawa Prefecture), Kowa Yakuin Co., Ltd. (Tokushima Prefecture), and DAIWA Pharmaceutical Wholesalers Co., Ltd. (Ehime Prefecture) merged to form Shikoku Alfresa Corporation. Furthermore, SEIWA SANGYO CO., LTD. (Hiroshima Prefecture) and Meisho Co., Ltd. (Ishikawa Prefecture) joined the Alfresa Group by becoming wholly owned subsidiaries through stock exchanges in October 2005 and April 2006, respectively.

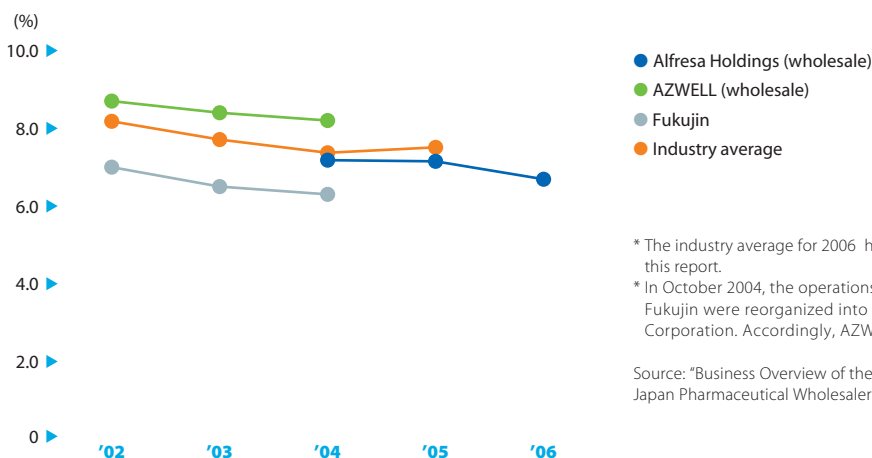
As it continues to pursue these group expansion measures, the Alfresa Group is giving priority to taking advantage of the distinctive corporate culture and regional characteristics of each participating company. Regional pharmaceutical wholesalers often have deep ties with their local community medical institutions in keeping with traditional Japanese culture. We are convinced that making available diverse forms of participation in the group, such as mergers or alliances, will have a beneficial impact on the growth of the Alfresa Group as a whole.

Strengthen the Corporate Governance Structure

One of the key issues in the Alfresa Group's medium-term management plan is to "strengthen the corporate governance structure." This is essential to fulfilling our obligations to our stakeholders, such as shareholders, customers, employees, business partners, investors, creditors, and local communities, and to enhancing our corporate value. To establish a Group-wide corporate governance structure, we are putting in place systems for sharing management policies across the Group. This includes holding Group President Conferences and other meetings of various business divisions to deliberate policies and measures as a Group and promote exchanges among directors of Group companies. Furthermore, to ensure fair and highly transparent management, we are working to strengthen Group-wide corporate governance through such means as enhancing the Management Strategy Committee, an advisory body to the representative directors comprising Group companies, as well as the existing Advisory Board.

Average SG&A Ratio for the Pharmaceuticals Wholesale Industry and Alfresa Group

(Fiscal years ended March 31)



* The industry average for 2006 had yet to be announced at the printing of this report.

* In October 2004, the operations of Alfresa Holdings' subsidiaries AZWELL and Fukujin were reorganized into Alfresa Corporation and Alfresa Pharma Corporation. Accordingly, AZWELL and Fukujin are not shown from 2005.

Source: "Business Overview of the Drug Wholesale Industry," by the Federation of Japan Pharmaceutical Wholesalers Association.

In terms of CSR (Corporate Social Responsibility) activities, as a member of the healthcare sector, we strongly believe in the importance of CSR. We will fulfill our social role as a provider of a stable supply of pharmaceuticals and information on their proper use. On top of this, we will strengthen internal control and legal compliance, and provide the timely and accurate disclosure of information to meet the expectations of our stakeholders.

Realizing Our "Healthcare Consortium" Vision to Create Innovative Value for Customers

The Alfresa Group is committed to making its "Healthcare Consortium" vision a reality. This means that we aim to help enhance people's daily lives and their health by establishing a broader circle of alliances with healthcare companies besides Group companies, to offer comprehensive medical care and healthcare information, products, and services.

Guided by this vision, our goals are to become the leader in Japan in the Wholesaling business and

embrace the challenge of meeting unmet medical needs of society in the Manufacturing business.

By continuing to actively form alliances with various companies, Alfresa Holdings aims to further increase corporate value as an industry-leading group of companies.

August 2006

Kunio Fukujin

Kunio Fukujin

Representative Director & Chairman

Arata Watanabe

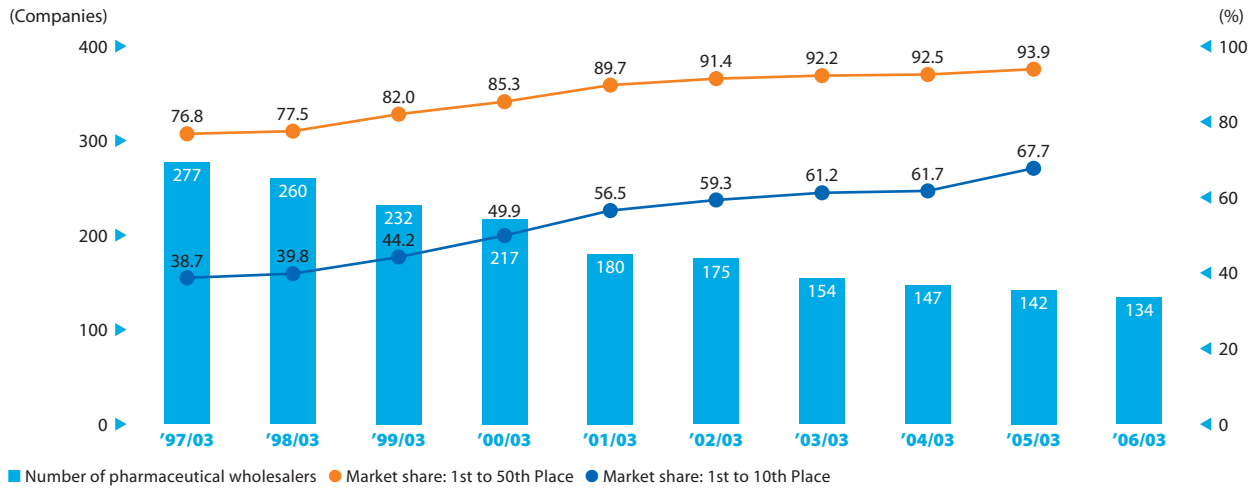
Arata Watanabe

Representative Director & President

Roadmap to a ¥2 Trillion Group

Japan's Pharmaceutical Wholesale Industry

Consolidation in the Pharmaceutical Wholesale Industry



* The market share for 2006/03 had yet to be announced at the printing of this report.
 Source: The Federation of Japan Pharmaceutical Wholesalers Association, Crecon Report 2005 (CRECON RESEARCH & CONSULTING INC.)

Intensifying Industry Shakeout Driven by Major Wholesalers

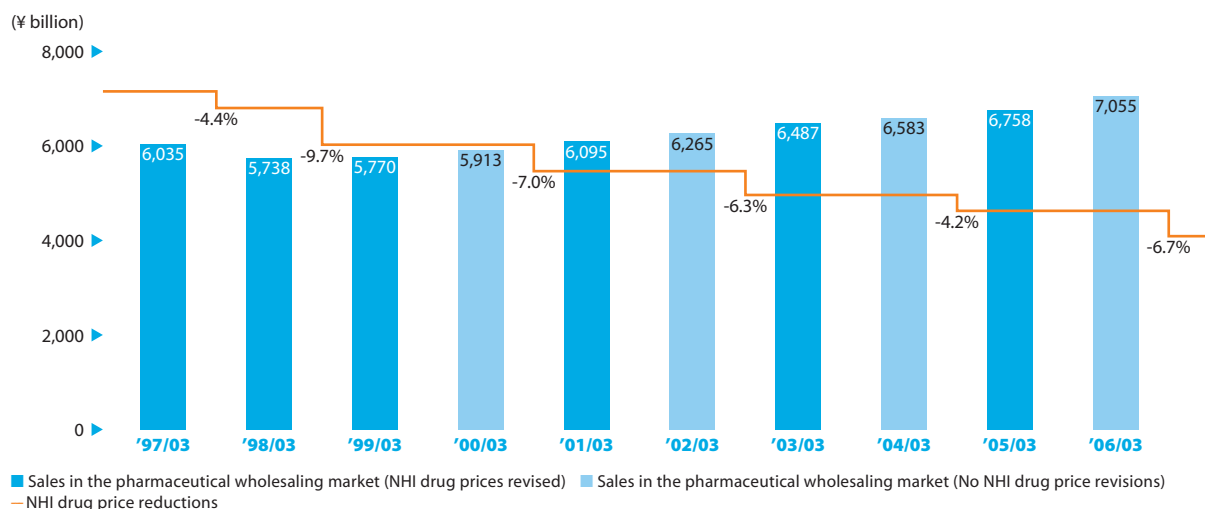
The operating environment that surrounds ethical pharmaceuticals distribution is entering a period of change, due to progress with the separation of drug dispensing from medical practice and joint and bulk purchasing by medical institutions. Furthermore, industry realignment centering on large wholesalers seeking to establish competitive advantage in the market is rapidly advancing.



Changing Service Content Required of Wholesalers

Pharmaceutical wholesalers must meet increasingly stronger needs for the provision of high-quality information and enhanced services to medical institutions. Strengthening value-added functions, including not only the provision of timely and stable supplies of pharmaceuticals, but also information provision and consulting services are essential.

NHI Drug Price Revisions and Sales in the Pharmaceutical Wholesaling Market



* The figure for the fiscal year ended March 31, 2006 is a preliminary estimate.
Source: Crecon Report 2005 (CRECON RESEARCH & CONSULTING INC.)

NHI* Drug Price Revisions Every Two Years

In Japan, NHI drug price revisions, which entail a review of the official price of ethical pharmaceuticals covered by the medical insurance system, are conducted once every two years by the Ministry of Health, Labour, and Welfare to curb rising national medical expenditures. Overall, NHI drug prices are revised down every time, but for wholesalers, this is also an opportunity to

* National Health Insurance

conduct new price negotiations with customers and to improve profitability. Furthermore, due to the launch of new products and increasing demand for pharmaceuticals targeting lifestyle-related diseases, the market for pharmaceutical wholesalers continues to expand steadily, albeit gradually.

New Value-added Businesses

There are increasing moves to secure new sources of revenues in the increasingly competitive pharmaceuticals wholesale industry. One example is support services for medical institutions and other customers.

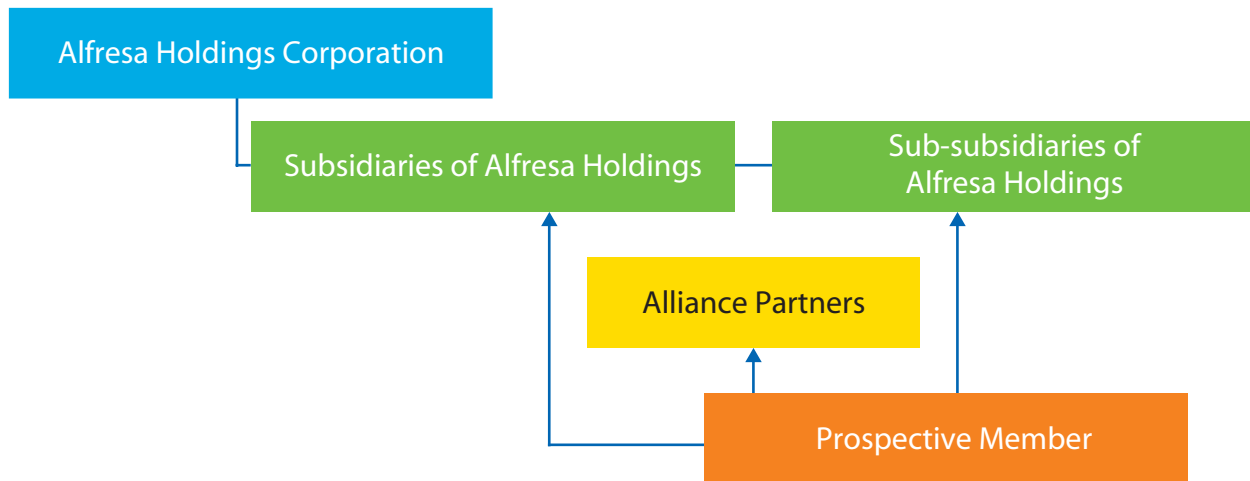
Positioning the growing cost awareness of hospitals and other medical institutions following the enactment of medical system reforms as a prime opportunity, the Alfresa Group is enhancing customer support services that offer cost-reduction solutions.

To lower costs for customers, we are being called upon to offer comprehensive solutions.

Through these value-added businesses, we will work to increase earnings.

The Expansion FRONT

Many Forms of Participation



Alfresa Holdings continues to proactively pursue Group expansion. One of the defining characteristics of Alfresa Holdings is its integration method. As a holding company, it can welcome new companies into the group through diverse forms of participation.

Respecting the Individuality of Participating Companies

The Alfresa Group strives to expand marketing areas by deepening friendly ties with alliance partners. Companies that share our corporate philosophy can select many ways of joining the Alfresa Group. We plan to further expand the Group by making various participation methods available, taking advantage of the flexibility that comes with being a holding company. Through these measures, the Alfresa Group is targeting Group-wide net sales of ¥2 trillion in the fiscal year ending March 31, 2008.

Regional pharmaceutical wholesalers have their own distinctive cultures and characteristics rooted in each region. In order for these companies to retain these characteristics even after alliances or M&As, and exert their intrinsic strengths to the full within the

Alfresa Group, it is necessary to have a highly flexible integration method.

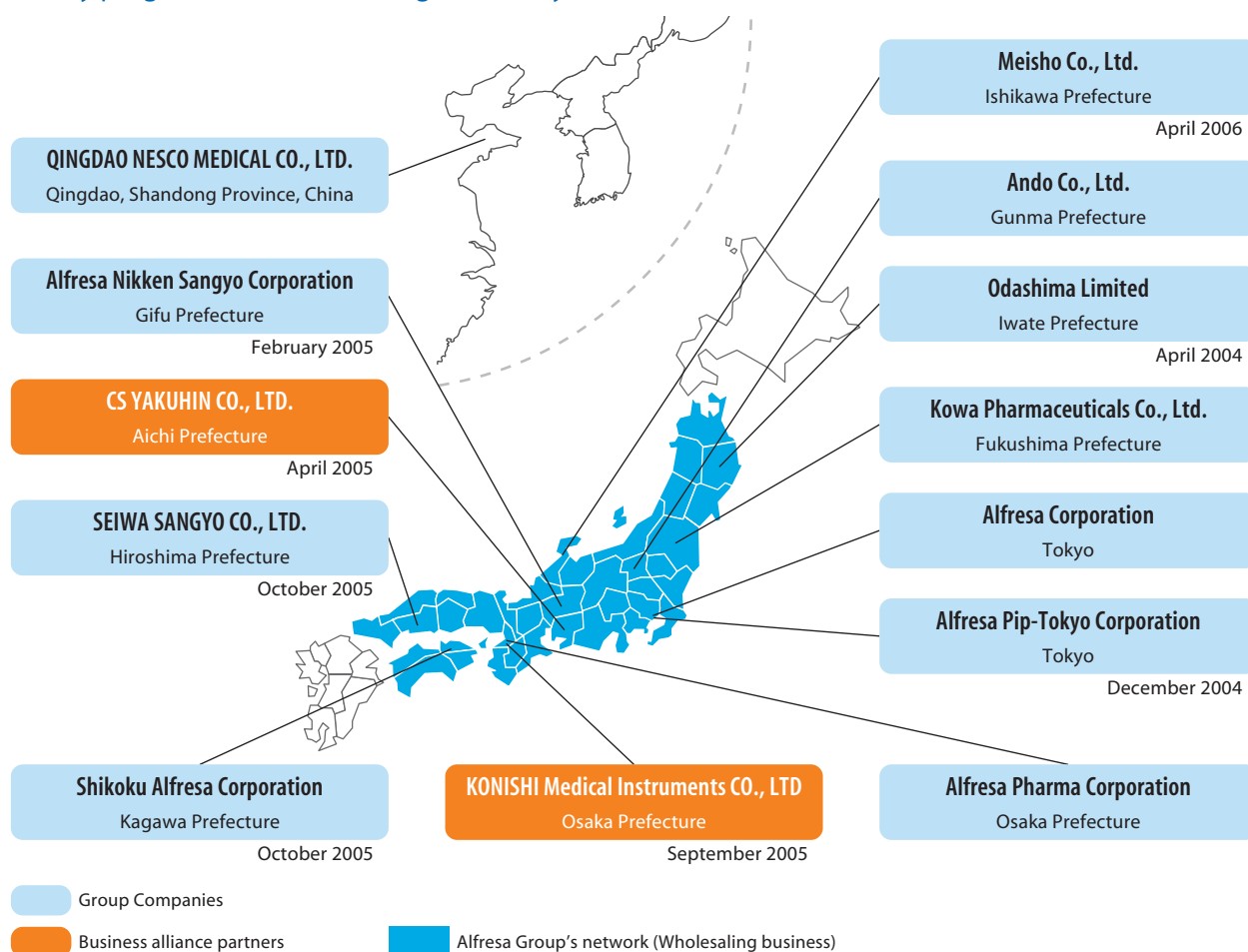
This approach is based on our goal of making the distinctive strengths of each participating company the driving force behind the Group's development, by bringing these strengths together and capturing synergies between them.

Participation Provides Numerous Benefits

Participating companies also derive numerous benefits from joining the Alfresa Group. We offer the shared use of the new backbone information system that is currently being developed, expansion of transactions with domestic and foreign pharmaceutical manufacturers, access to Group-wide expertise, and other functions that lead to stronger marketing capabilities. Group-wide development will come from the effective use of the combined strengths of each company.

Group Initiatives in the Fiscal Year Ended March 2006

Steady progress with M&As during the fiscal year ended March 2006:



* Figures below the company names represent the period when the companies joined or formed alliances with the Alfresa Group.

Aiming for Nationwide Expansion

In the Wholesaling business, we aim to establish a nationwide distribution system through group expansion. In April 2005, OKAUCHI KANKODO, Ltd., Kowa Yakuhin Co., Ltd., and DAIWA Pharmaceutical Wholesalers Co., Ltd., an existing subsidiary, became wholly owned subsidiaries through stock exchanges. These three companies merged in October 2005 to form Shikoku Alfresa Corporation, resulting in the establishment of a sales network in the Shikoku region. SEIWA SANGYO CO., LTD., a company with a sales area covering the five prefectures of the Chugoku region, and Meisho Co., Ltd., the market share leader in the Hokuriku region, became wholly owned subsidiaries through stock exchanges in October 2005 and April

2006, respectively. This move greatly expanded our sales network. We will continue to build a national network that includes the Hokkaido and Kyushu regions. In addition, we are also taking steps to advance our medium and long-term strategies. These include forming business alliances with CS YAKUJIN CO., LTD. (Aichi Prefecture) in April 2005 and KONISHI Medical Instruments CO., LTD. (Osaka Prefecture) the following September. In May 2006, we signed a statement of intent to form a business alliance with DKSH Holding Ltd., which has a strong track record in the pharmaceuticals distribution business in Asia. This step was aimed at moving into the Asia market, which has strong growth potential.

The Profitability FRONT

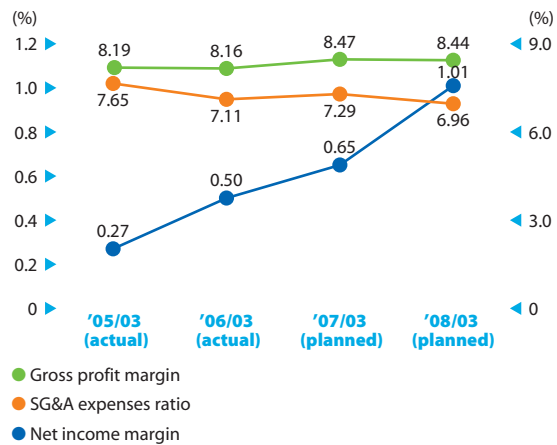
Steady Improvement in SG&A Expenses Ratio

The SG&A expenses ratio has been steadily improving due to the promotion of thorough low-cost operations. We achieved a reduction of roughly ¥5.2 billion in SG&A expenses, excluding increases due to newly consolidated companies, compared with the fiscal year ended March 31, 2005. This was mainly due to reductions in personnel expenses. We successfully lowered the SG&A expenses ratio by 0.54 of a point to 7.11%, compared with 7.65% at the end of March 2005. By reviewing employment formats and raising the percentage of contract and part-time employees, we achieved reductions in personnel costs in the fiscal year ended March 31, 2006 that were equivalent to 285 full-time employees.

Maintained Gross Profit Margin

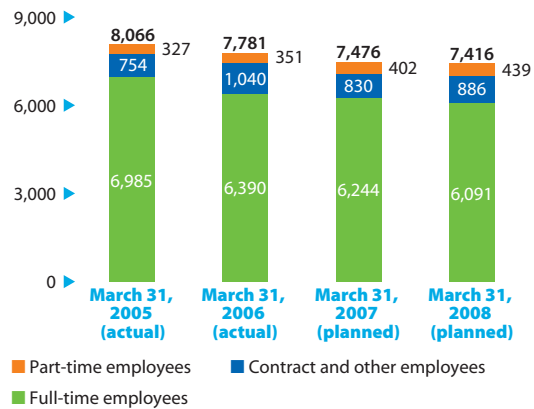
In the Wholesaling business, the gross profit margin typically decreases in years without NHI drug price revisions and vice versa. However, by reviewing unprofitable dealings and strictly enforcing compliance with the authorized price limit, we strengthened sales at appropriate prices that properly take margins into account and pursued sales activities focused on profits. As a result, the gross profit margin for the fiscal year ended March 31, 2006 improved by 0.03 of a point to 7.67%. In the future, we will continue to reap economies of scale to lower purchasing prices through the expansion of Group-wide joint purchasing and sell at appropriate prices. This improvement reflects efforts not only to increase the scale of the Group, but also to streamline and revitalize our organization, especially by reinforcing our sales structure.

Establish a Strong Earnings Structure



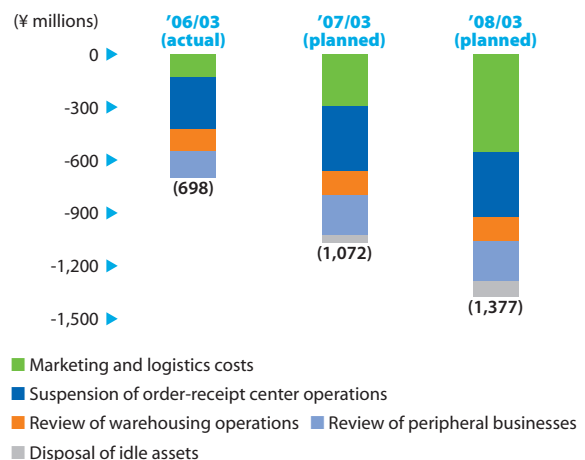
* Figures for '08/03 onward were announced together with the medium-term management plan.

Optimizing Our Workforce



* Headcounts for full-time employees, contract and other employees, and part-time employees are weighted by conversion ratios of 1, 0.5, and 0.2, respectively.
* Figures for March 31, 2006 do not include SEIWA SANGYO CO., LTD.
* Figures from March 31, 2007 are the same as those announced in the medium-term management plan and do not include newly consolidated companies.

Cost-cutting Measures in the Pharmaceutical Wholesaling Business (excluding personnel costs)

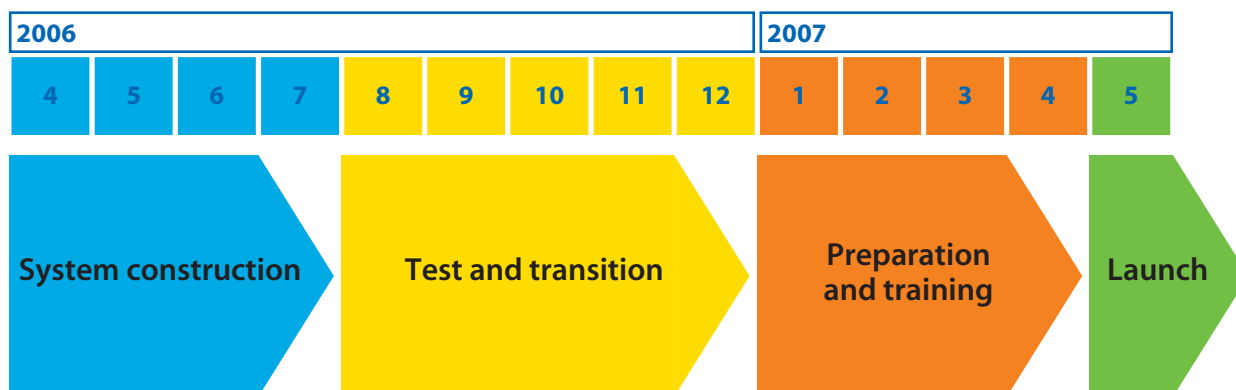


* The above graph shows cumulative cost reductions relative to the fiscal year ended March 31, 2005.

The System FRONT

Development of the New Backbone Information System

Development Schedule



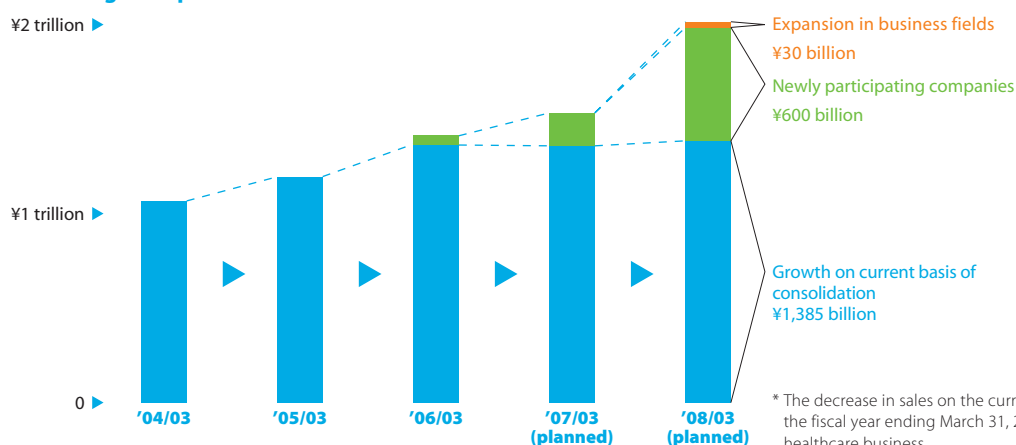
Steady Progress on System Construction

The construction of the new backbone information system is steadily progressing toward launch in May 2007. Plans call for taking steps to steadily extend the shared use of this system throughout the Group after launch. The standardization and integration of operations enabled by the introduction of this new backbone information system will streamline back-office operations

and reduce expenses for the Alfresa Group. Investment in the development of this system is approximately ¥8.0 billion. In addition to expenses for the existing system, costs will increase for required development and investment expenses during the period covered by the current medium-term management plan. After launch, costs for the existing system will decline, and there will be cost benefits over the medium and long terms.

The Scale FRONT

Achieving Group-wide Net Sales of ¥2 Trillion



* The decrease in sales on the current basis of consolidation in the fiscal year ending March 31, 2007 reflects the sale of the healthcare business.

Striving for Group-wide Net Sales of ¥2 Trillion

Net sales for the fiscal year ended March 31, 2006, rose a steady 18.1% year on year, to ¥1,411.6 billion, reflecting an increase in the number of companies comprising the Alfresa Group. We plan to proactively increase the number of group companies through alliances and

continue to expand our business domains. By increasing sales through this expanding circle of alliances, we aim to achieve Group-wide net sales of ¥2 trillion in the fiscal year ending March 31, 2008, as targeted in our medium-term management plan.

The Transparency FRONT

A Fair and Transparent Group Management System

The Alfresa Group aims to ensure fair and transparent management, as well as structure the Company so as to deepen the understanding of stakeholders. Two concrete initiatives of the medium-term management plan are to “strengthen the corporate governance structure” and “promote CSR.”

With respect to strengthening corporate governance, the Alfresa Group is taking steps to build the infrastructure needed for all Group companies to adhere to common management policies, as part of efforts to realize Group-wide corporate governance and reinforce the Group’s management base. Measures include

organizing and holding Group Conferences and promoting exchanges among directors of Group companies. In addition to establishing an Advisory Board including external advisors, the Group has reinforced the Management Strategy Committee, an advisory body to the representative directors, as part of efforts to further enhance corporate governance. Meanwhile, Japan has been seeing growing interest in measures to promote CSR. In this context, the Alfresa Group’s Charter of Conduct was formulated to clarify the Group’s basic commitment to high ethical standards, and the CSR Promotion Committee was established as part of efforts to create the internal frameworks required to ensure CSR-oriented management.

Progress Toward Medium-term Management Plan Targets

The numerical targets of the medium-term management plan are as follows:



The numerical targets of the medium-term management plan, which runs through the fiscal year ending March 31, 2008, are shown in the respective charts above. In the plan’s first fiscal year, the year ended March 31, 2006, the Alfresa Group reported consolidated net sales of ¥1,411.6 billion, a net income margin of 0.50%, and an ROE of 5.83%. The Group was able to surpass its net sales target for the March 2006 fiscal year primarily by expanding sales areas through an increase in the

number of consolidated subsidiaries and implementing measures such as joint Group-wide sales promotion activities. However, the net income margin and ROE were below targets, mainly because the Group recorded an extraordinary loss on the withdrawal from and sale of unprofitable operations. Looking ahead, the Group will make a concerted effort to achieve its targets for the fiscal year ending March 31, 2008.

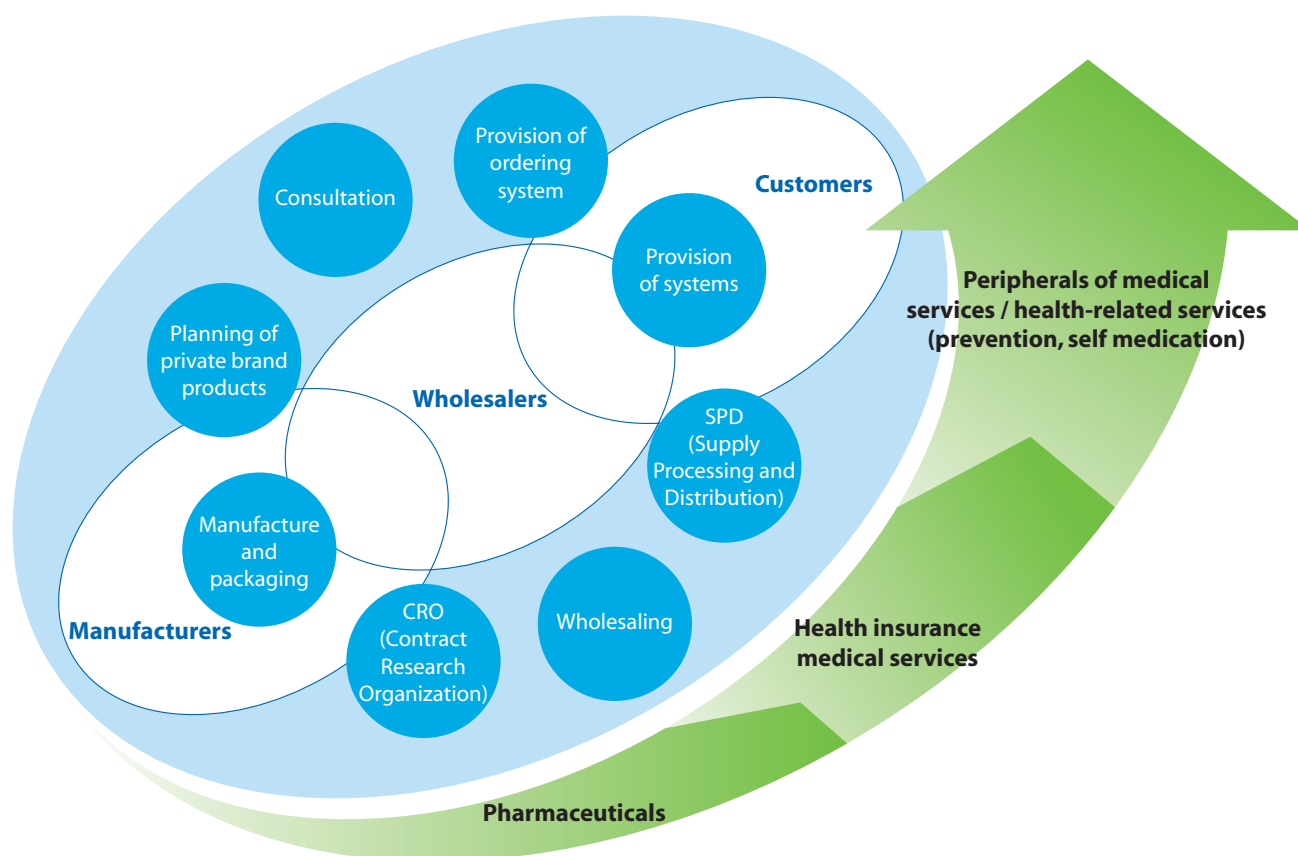
Realizing the “Healthcare Consortium” Vision

The reason the Alfresa Group is targeting Group-wide net sales of ¥2 trillion in the fiscal year ending March 31, 2008, the final year of the medium-term management plan, is to establish a stronger presence in the pharmaceutical wholesale industry. We strive to maximize earnings by reaping economies of scale and to cement an unassailable position in Japan’s ¥7 trillion pharmaceutical wholesale market. With this step, we will build a solid foundation for the realization of the Alfresa Group’s “Healthcare Consortium” Vision.

The “Healthcare Consortium” concept means that we aim to help enhance people’s daily lives and their

health by establishing a broader circle of alliances with healthcare companies besides Group companies, to offer comprehensive medical care and healthcare information, products, and services. Over the medium term, we aim to expand the Group’s existing services and functions such as those for medical management support, support for opening new practices and nursing care into a structure that can deliver more and better services for customers. Over the long term, we aim to evolve into a Group that helps people across the entire spectrum of healthcare with services ranging from prevention to diagnosis, treatment and aftercare.

“Healthcare Consortium” Vision



Structure of the Wholesaling Business and Growth Strategy



Aiming to Develop a Nationwide Distribution System and Promote Sales at Appropriate Prices

Performance in the Fiscal Year Ended March 31, 2006

The Wholesaling business handles ethical pharmaceuticals, diagnostic reagents, medical devices and equipment, and other products. For the fiscal year ended March 31, 2006, the Wholesaling business reported net sales of ¥1,394,969 million, an increase of 18.4% year on year. This increase was mainly attributable to a rise in the number of consolidated subsidiaries and active efforts to conduct joint Group-wide sales promotions. Operating income climbed 137.3% to ¥13,666 million. Efforts to generate earnings by enforcing sales at appropriate prices, and promoting cost reductions, resulted in a much stronger performance than in the previous fiscal year.

Maintained Gross Profit Margin and Promoted Low-cost Operations

In the fiscal year ended March 31, 2006, the Wholesaling business, centered on Alfresa Corporation, focused on two themes: securing an appropriate gross profit

margin and promoting low-cost operations.

The gross profit margin increased by 0.03 of a percentage point to 7.67%, largely in line with our target of 7.68%. This mainly reflected initiatives to maintain delivery prices and reinforce sales of profitable products. Other initiatives included increasing joint purchasing with Group companies and more proactively employing Group-wide sales channels.

As for promoting low-cost operations, the SG&A expenses ratio improved 0.46 of a percentage point from 7.15% in the fiscal year ended March 31, 2005 to 6.69% in the fiscal year ended March 31, 2006 thanks to efforts to reduce personnel expenses by rescaling the workforce to optimal levels and reviewing various business activities. We will continue to promote low-cost operations centering on efforts to optimize the size of our workforce.

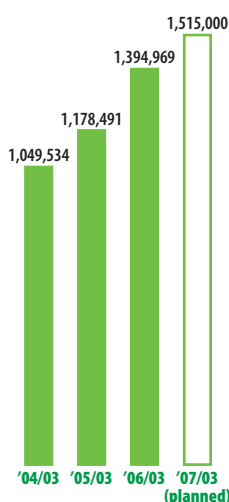
Strengthening Wholesaling Functions

Meanwhile, to strengthen wholesaling functions, we implemented several strategies targeting specific

Segment Performance and Targets

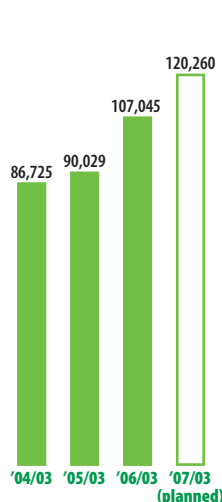
Net Sales

(¥ millions)



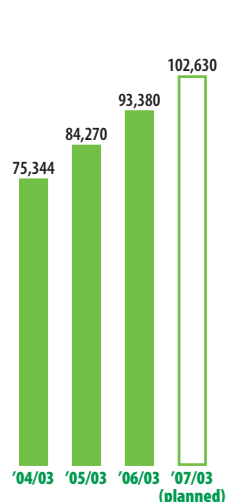
Gross Profit

(¥ millions)



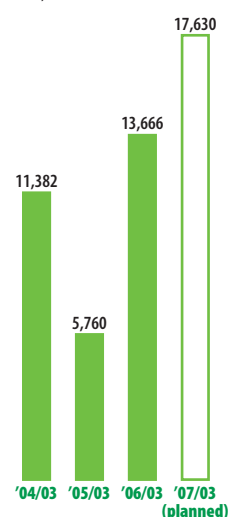
SG&A Expenses

(¥ millions)



Operating Income

(¥ millions)



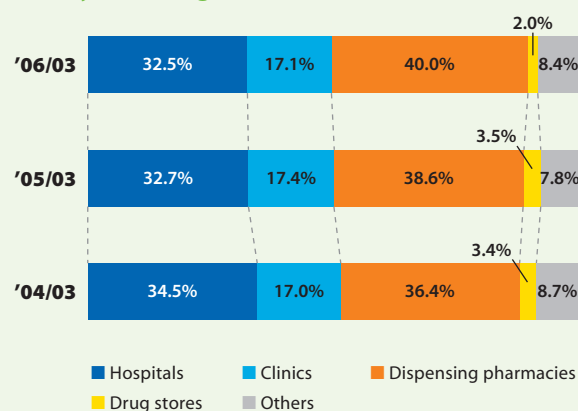
markets and reinforced the Supply, Processing & Distribution (SPD) business, which involves in-hospital product management services. To illustrate these market strategies, we introduced the SA (sales assistant: delivery professional) System in the Kansai and Tokai areas, and made efforts to more effectively allocate sales territories among Group companies. Other initiatives saw us make greater use of SAFE Co., Ltd., a provider of pharmaceuticals-related information services, and conduct Group-wide joint sales promotions for specific products. Proactive efforts to reinforce the SPD business involved pursuing sales activities through Alfresa Pip-Tokyo Corporation, which commenced operations in April 2005, and forming a Group SPD Study Group.

Future Development and Direction

In the Wholesaling business, the Alfresa Group's core operation, we remain focused on establishing a nationwide distribution system. We will continue to proactively expand the Group going forward. Notably,

Meisho Co., Ltd. (Ishikawa Prefecture) joined the Group in April 2006. Efforts will also be made to capture a greater nationwide market share by effectively developing Group-wide sales promotion functions. We will generate an appropriate level of earnings by taking the initiative in price negotiations and properly managing progress toward earnings targets to offer quality distribution services. We will also work to develop businesses that precisely meet customer needs, with the aim of becoming a corporate group driven by the creation of value.

Sales by Marketing Channel



Structure of the Manufacturing Business and Growth Strategy



Embracing the Challenge of Opening Up New Fields Required by Society

Taking on the Challenge of Satisfying Unmet Medical Needs

Alfresa Pharma Corporation, which is responsible for the Group's Manufacturing business, manufactures and sells a wide range of products in the three divisions: pharmaceuticals, diagnostic reagents and medical devices. In line with its management philosophy of "energetically taking on the challenge of new and 'unmet medical needs,'" Alfresa Pharma aims to help improve the health of people worldwide through R&D, manufacturing and sales of unique products with a strong presence in the marketplace.

Higher Sales, but Lower Operating Income

For the fiscal year ended March 31, 2006, the Manufacturing business reported net sales of ¥22,024 million, an increase of 5.5% year on year. However, a rise in depreciation expenses and other factors led to a decrease of 11.9% in operating income to ¥405 million.

In pharmaceuticals, we recorded increased sales of Mysteran, an antiepileptic pharmaceutical, and Incremin

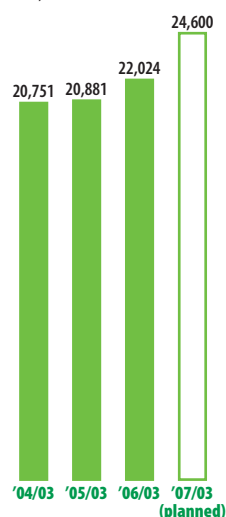
Syrup, a treatment for iron-deficiency anemia. We also took over the right to manufacture and market the antidepressant agent Anafranil in January 2006. In diagnostic reagents, we also posted higher sales of the Hemotect, an automated immunochemical analyzer for fecal occult blood tests, and its proprietary reagent Hemo Auto. Meanwhile, the POCT (point-of-care-testing) reagent CHECK Flu A-B was launched in November 2005. In medical devices, we reported increased sales of the Nespron Cable System, which is used to stabilize the spine, and unveiled Monodiox, a synthetic absorbable monofilament suture, in March 2006.

In quality assurance, ISO13485:2003, the international quality management certification for manufacturers of medical equipment, was obtained by the Chiba Plant in February 2006, followed by the Okayama Pharmaceutical Plant and R&D Department (now the Ibaraki Research Center) in March 2006. We will work to further improve production management and quality assurance standards.

Segment Performance and Targets

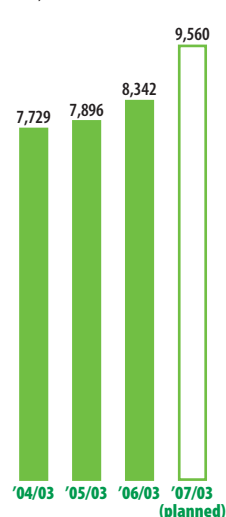
Net Sales

(¥ millions)



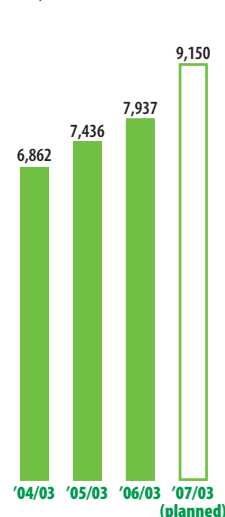
Gross Profit

(¥ millions)



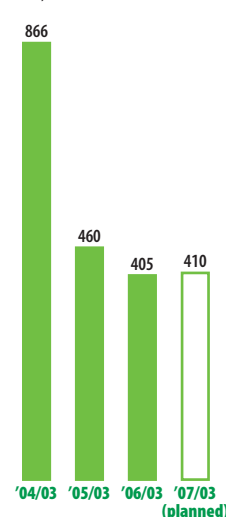
SG&A Expenses

(¥ millions)



Operating Income

(¥ millions)



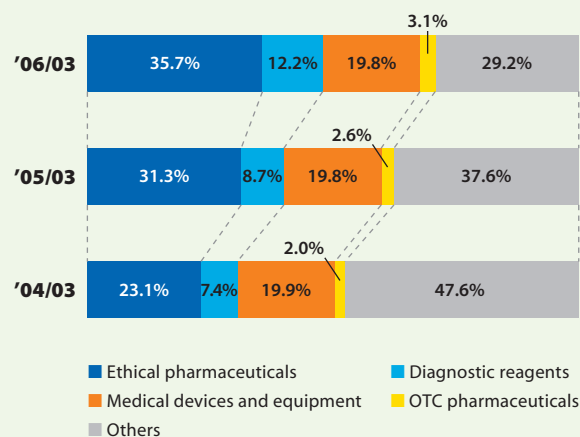
Business Expansion Through Closer Internal and External Cooperation

We applied for approval to manufacture and market the narcolepsy treatment CN-801, and continue to strive to obtain approval as rapidly as possible. Narcolepsy is a sleep disorder that causes overwhelming excessive daytime sleepiness. Following approval, we plan to jointly market CN-801 with Tanabe Seiyaku Co., Ltd. In addition, we are conducting joint development to expand possible indications of CN-801 for treatment of obstructive sleep apnea syndrome and pediatric attention deficit hyperactivity disorder (ADHD).

In pharmaceuticals, while continuing to focus on products for the central nervous system, such as the antidepressant agent Anafranil, we will also work to expand our product lineup including generic pharmaceuticals. In medical devices, efforts have been made to create a comprehensive lineup of surgical sutures through the addition of Monodiox. Finally, in diagnostic reagents, we are further upgrading our lineup, focusing on POCT products such as CHECK Flu A-B.

By actively leveraging the Alfresa Group's sales channels of the Wholesaling business and promoting sales and business alliances with other companies, we aim to aggressively open up new markets and further expand our businesses.

Segment Sales



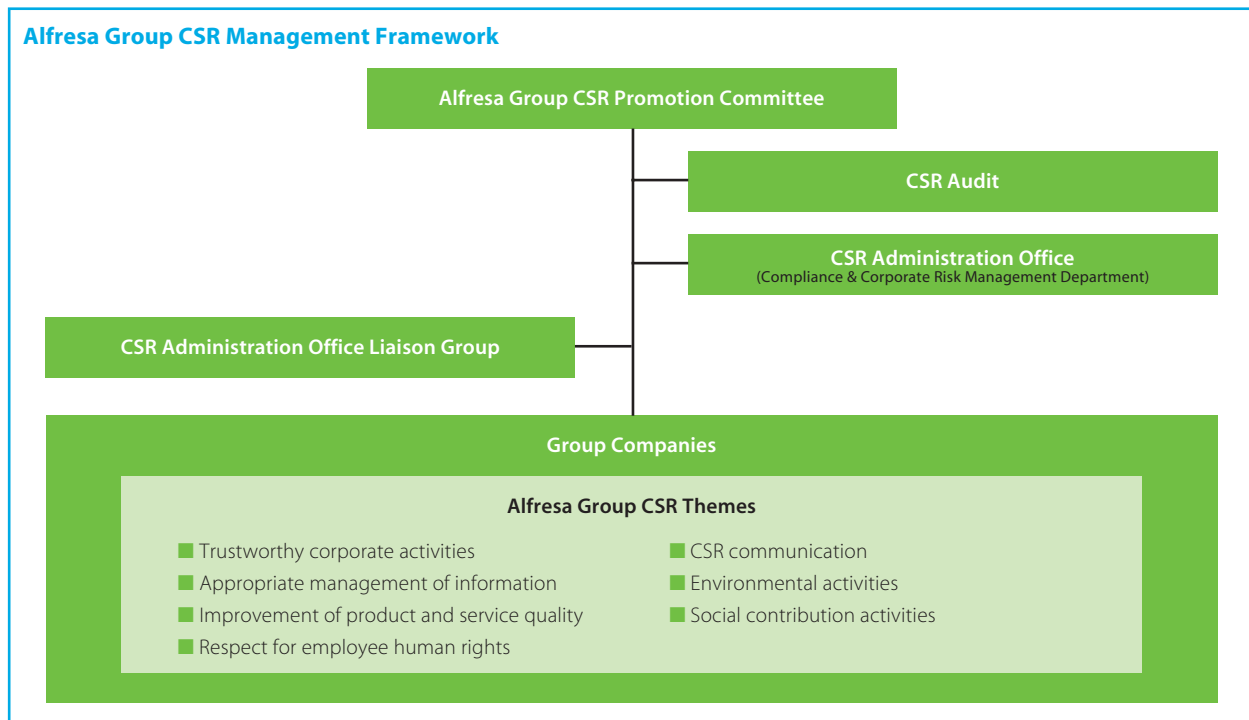
Corporate Social Responsibility

CSR is positioned as a key theme of the Alfresa Group’s medium-term management plan. With this in mind, the Alfresa Group aims to establish CSR-oriented management practices that help to achieve the sustainable development of society.

Basic Approach

The Alfresa Group’s basic approach to CSR rests on two concepts: the Group Mission, which is as follows: “Our mission is to maximize our corporate value by creating innovative value and earning the trust of society through contribution to people’s health mainly in the field of medical care”—and the Alfresa Group’s Charter of Conduct, which gives form to the

Group’s basic stance toward various stakeholders. We believe that gaining the support of various stakeholders is crucial to earning society’s trust and achieving sustained growth. This belief encompasses not only economic responsibilities to society, compliance status, and awareness and enforcement of the Alfresa Group’s Charter of Conduct, but also CSR activities aimed at accomplishing the Group Vision and Group Mission.



CSR Structure

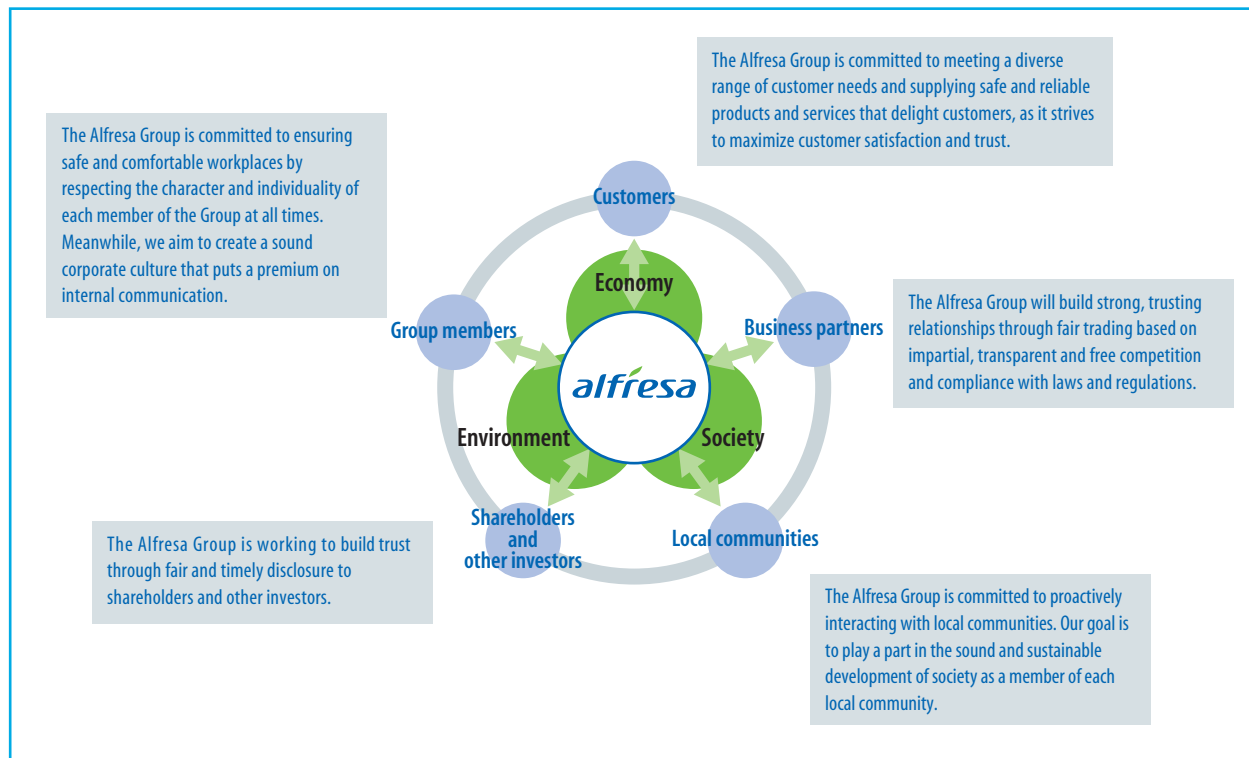
The Alfresa Group positioned 2005 as the inaugural year of a drive to steadily promote CSR activities. To this end, in June 2005, the CSR Promotion Committee

was established and the Alfresa Group’s Charter of Conduct was formulated to clarify the Group’s basic commitment to high ethical standards.

Relationships With Stakeholders

The Alfresa Group's business activities are supported by various stakeholders. We aim to maximize corporate value by establishing strong relationships with

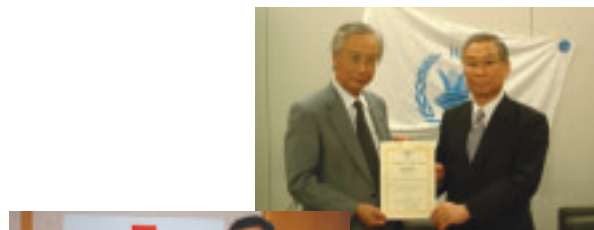
stakeholders, meeting stakeholder expectations and earning their trust, as we seek to fulfill a more meaningful role in society.



Social Contribution Activities

Support for Disaster-affected Areas

The Alfresa Group donated a total of ¥10 million for areas affected by the Sumatra Earthquake and Indian Ocean Tsunami of December 16, 2004 through the Japan Red Cross. The Group also donated ¥3 million for areas affected by the Northern Pakistan Earthquake of October 8, 2005 and the same amount to areas affected by Indonesia's Central Java Island Earthquake of May 27, 2006, both through the Japan Association for the United Nations World Food Programme, a government-certified NPO (non-profit organization).



© JAWFP



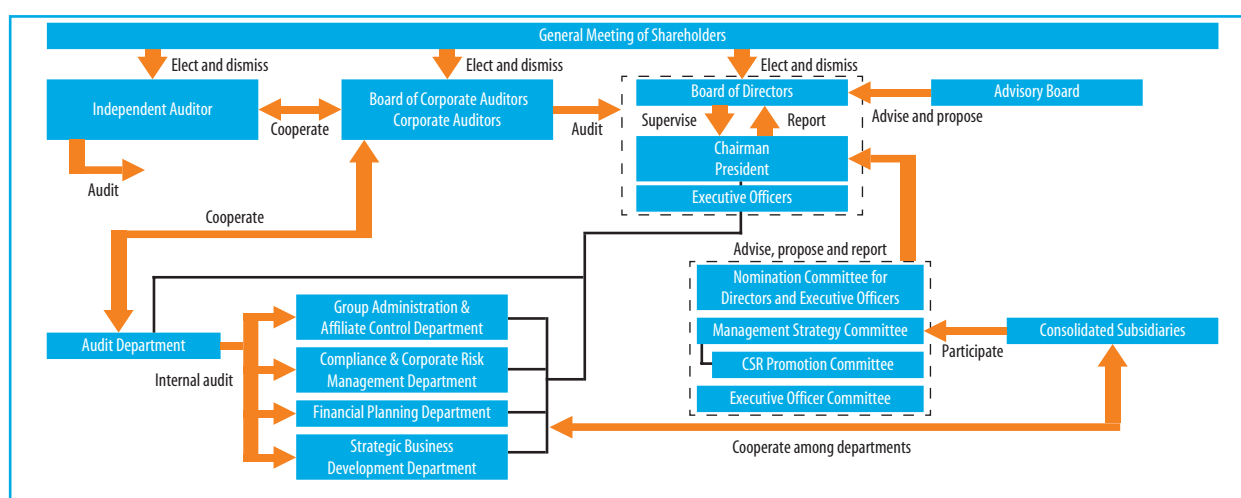
Corporate Governance

The Alfresa Group is working to strengthen corporate governance to establish a framework for enhancing management transparency, with the aim of becoming a group of companies trusted by society.

Basic Approach

The Alfresa Group believes that the establishment of a strong corporate governance structure is crucial to fulfilling its obligations to stakeholders including shareholders, customers, employees, business partners, and

local communities and to enhancing corporate value. Accordingly, strengthening the corporate governance structure has been positioned as a key theme in our medium-term management plan, and actions are being taken to enhance this framework.



Governance Structure

The Board of Directors approves important matters stipulated by laws and regulations, as well as key management issues, and supervises the execution of business operations. Corporate auditors also attend all meetings of the Board of Directors. In addition, Alfresa Holdings has introduced an executive officer system to speed up decision making and clarify the division of responsibilities for business execution and supervision. The Executive Officer Committee deliberates on matters related to business execution at Alfresa Holdings as an advisory body to the representative directors. The Management Strategy Committee, which comprises directors and executive officers of Alfresa Holdings and certain directors of subsidiaries, is also positioned as an advisory body to the representative directors. This committee deliberates on matters related to Group-wide business execution.

The Board of Corporate Auditors, which comprises four corporate auditors, three of whom are outside auditors, is responsible for auditing the management of Alfresa Holdings. In addition, the Company has formed an Audit Department to conduct internal audits. Furthermore, an Advisory Board comprising three external advisors, five directors of Alfresa Holdings, and one corporate auditor, has been established to offer advice and recommendations on overall management issues and to ensure fair and transparent management.

The Group's basic policy on the construction of internal control systems is to enforce legal compliance through observance of the Alfresa Group's Charter of Conduct and Compliance Guidelines, while improving the effectiveness and efficiency of the management of business operations by ensuring risk management and reviewing various guidelines.

Compliance

The Alfresa Group positions compliance as a key management issue. In addition to legal compliance, Alfresa is committed to corporate ethics as required by society and promoting fair corporate activities.

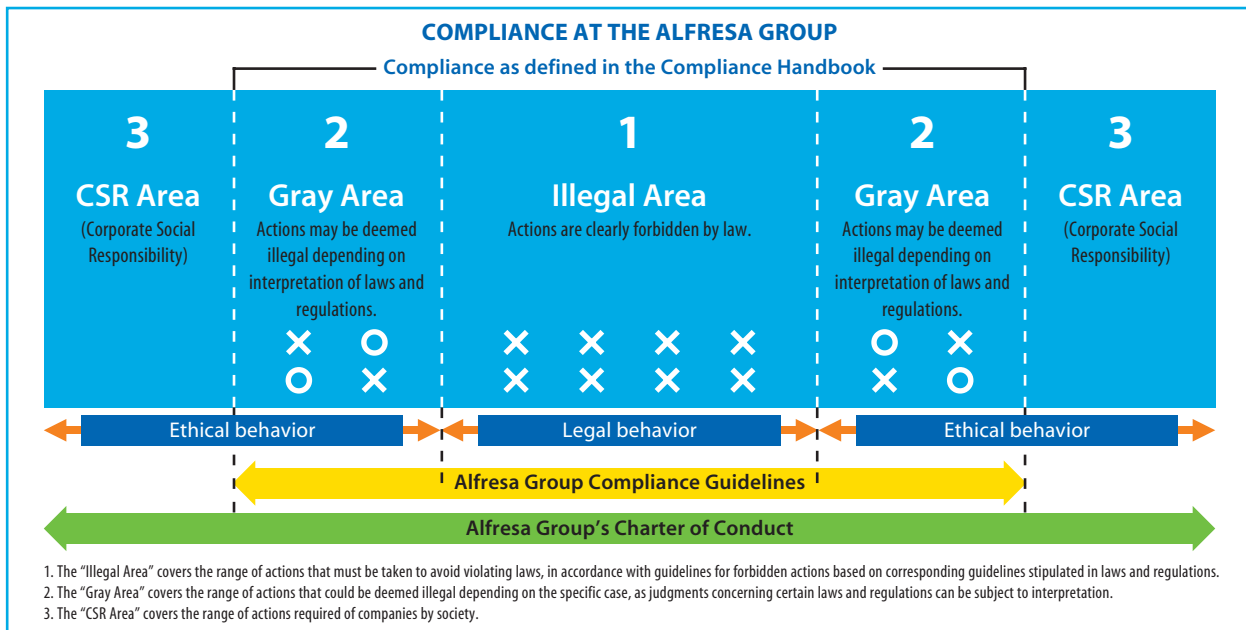
Compliance Throughout the Alfresa Group

The Alfresa Group has formulated the Alfresa Group's Charter of Conduct to serve as a basic Group-wide compliance policy, and has established the Alfresa Group Compliance Guidelines to foster a stronger awareness of compliance at each Group company.

In addition, a Compliance Handbook has been prepared and distributed to all employees of the Group, as part of a concerted, Group-wide effort to enforce compliance.

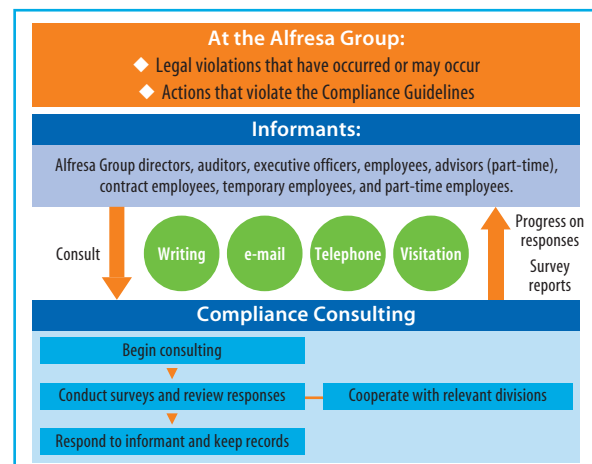


Compliance Handbook



Compliance Consulting Office

The Alfresa Group has established a Compliance Consulting Office for employees to report and seek consultation on illegal actions or violations of the Compliance Guidelines that are difficult to resolve individually or at worksites. The Office responds appropriately, as necessary, to the reported issues, and takes actions to prevent recurrences.



Management

(As of July 1, 2006)



Taizo Kubo

Yasuo Takita

Hidetomi Takahashi

Kunio Fukujin

Arata Watanabe

Denroku Ishiguro

Shozo Hasebe

Directors

Representative Director & Chairman

Kunio Fukujin

Representative Director & President

Arata Watanabe

Director

Hidetomi Takahashi

Director, Vice President & Executive Officer

Denroku Ishiguro

Director

Yasuo Takita

Director, Vice President & Executive Officer

Shozo Hasebe

Director, Vice President & Executive Officer

Taizo Kubo

Corporate Auditors

Standing Corporate Auditor

Takesuke Miyoshi

Corporate Auditors*

Motohiko Kogo

Nobuyoshi Yamada

Yuji Noguchi

* The Corporate Auditors are outside corporate auditors according to Paragraph 3, Article 335 of the Corporate Law of Japan.

Financial Section

Management's Discussion and Analysis

BUSINESS OVERVIEW

The Alfresa Group mainly consists of Alfresa Corporation and Alfresa Pharma Corporation, as well as 11 consolidated subsidiaries, 41 non-consolidated affiliates not accounted for by the equity method, and 5 affiliates not accounted for by the equity method. The Group's main businesses are the wholesale, manufacture and sales of pharmaceuticals, diagnostic reagents, and medical devices and equipment. Alfresa Holdings Corporation was established on September 29, 2003 as a holding company through the transfer of stock of AZWELL Inc., and Fukujin Co., Ltd. The fundamental role of Alfresa Holdings 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 pharmaceuticals industry, the market grew around 4.5% due to factors such as expansion of the market for medications for lifestyle-related diseases, including cardiovascular pharmaceuticals. Meanwhile, on the profit side, the Alfresa Group worked to sell at appropriate prices while constructing a marketing system capable of accurately responding to diversifying customer needs, including moves toward joint and volume purchasing by the National Hospital Organization, and progress on the separation of drug dispensing from medical practice.

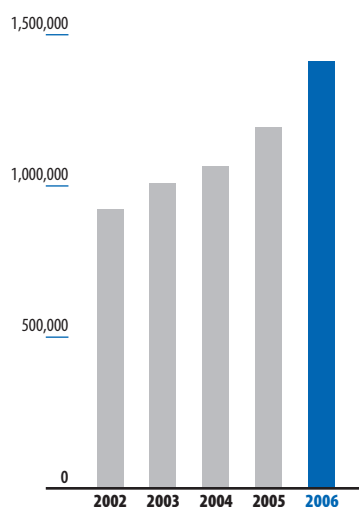
MAIN INITIATIVES IN THE FISCAL YEAR ENDED MARCH 31, 2006

The Alfresa Group is targeting a net income margin of 1% and ROE of 10% based on its fundamental goal of achieving Group-wide net sales of ¥2 trillion in the final year of its current medium-term management plan, which will end March 31, 2008. Additionally, the Group undertook business activities directed at key issues: "strengthen the corporate governance structure," "promote CSR," and "construct a new backbone information system."

As part of efforts to expand its sales network, in April 2005, the Alfresa Group carried out stock exchanges with OKAUCHI KANKODO, Ltd. (Kagawa Prefecture), Kowa Yakuhin Co., Ltd. (Tokushima Prefecture), and DAIWA Pharmaceutical Wholesalers Co., Ltd. (Ehime Prefecture), making them wholly owned subsidiaries. These three companies merged to form Shikoku Alfresa Corporation. Additionally, the Group carried out a stock exchange with SEIWA SANGYO CO., LTD. (Hiroshima Prefecture) in October 2005, and Meisho Co., Ltd. (Ishikawa Prefecture) in April 2006, making them both wholly owned subsidiaries. Furthermore, Alfresa Holdings and Alfresa Corporation concluded a business alliance with CS YAKUHIN CO., LTD. (Aichi Prefecture). Regarding business domain expansion, in April 2005, Alfresa Pip-Tokyo Corporation started operations, engaging in the Supply, Processing & Distribution (SPD) business (in-hospital product management services).

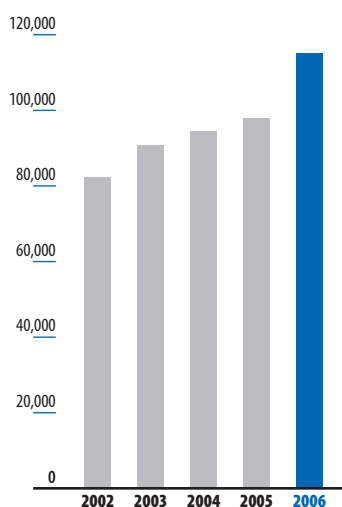
Net Sales

(Fiscal years ended March 31)
(¥ millions)



Gross Profit

(Fiscal years ended March 31)
(¥ millions)



* Figures for 2002 and 2003 represent the sum of results for AZWELL and Fukujin.

RESULTS OF OPERATIONS

Net Sales

For the fiscal year ended March 31, 2006, consolidated net sales were ¥1,411,639 million, an increase of ¥216,325 million, or 18.1%, year on year.

In the Wholesaling business, we configured our sales system so that various Group companies can accurately respond to customer needs in each region, while striving to capture synergies across the Group through such means as joint purchasing. Efforts were also made to construct a logistics system matched to customer needs by increasing the number of areas staffed by delivery professionals. This was aimed at responding to the higher delivery frequencies associated with progress on the nationwide separation of drug dispensing from medical practice. The number of consolidated subsidiaries was also increased and measures such as joint Group-wide sales promotion activities were implemented. As a result, net sales in the Wholesaling business steadily climbed ¥216,478 million, or 18.4%, to ¥1,394,969 million, including intersegment sales of ¥4 million.

In the Manufacturing business, the Group launched CHECK Flu A-B, a point-of-care-testing (POCT) reagent to detect influenza virus antigens, in November 2005. The Group also took over the manufacturing and marketing rights for the antidepressant agent Anafranil in January 2006. As a result, net sales in the Manufacturing business climbed ¥1,143 million, or 5.5%, to ¥22,024 million, including intersegment sales of ¥5,848 million.

In the Other segment, which comprises transportation services and other businesses, net sales fell ¥396 million, or 11.1%, to ¥3,166 million, including intersegment sales of ¥2,668 million.

Cost of Sales and Gross Profit (Gross Profit Margin)

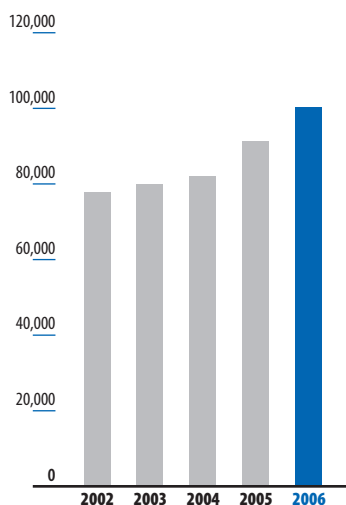
Cost of sales increased ¥199,027 million, or 18.1%, to ¥1,296,392 million, tracking higher net sales due to the addition of new consolidated subsidiaries. Gross profit climbed ¥17,298 million, or 17.7%, to ¥115,247 million, also reflecting the larger scope of consolidation. The gross profit margin remained unchanged from the previous fiscal year at 8.2%, reflecting efforts to sell at adequate prices.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses climbed ¥8,985 million, or 9.8%, to ¥100,400 million, mainly due to newly consolidated subsidiaries. However, due to ongoing efforts to reduce costs, the SG&A expenses ratio improved 0.5 of a percentage point from the previous fiscal year, to 7.1%.

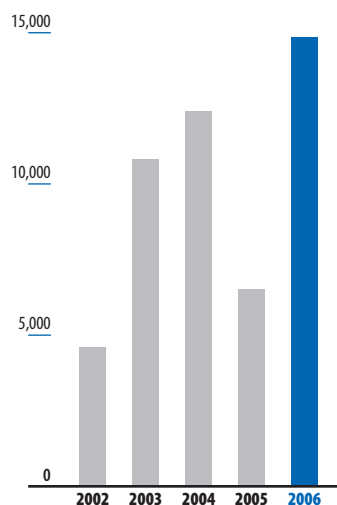
Selling, General and Administrative Expenses

(Fiscal years ended March 31)
(¥ millions)



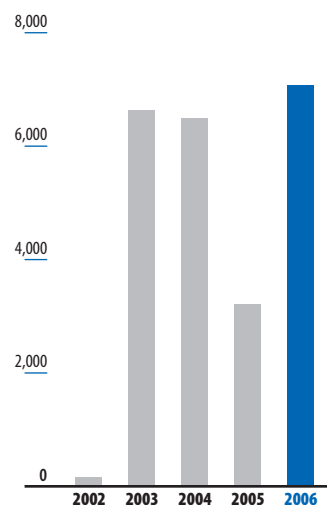
Operating Income

(Fiscal years ended March 31)
(¥ millions)



Net Income

(Fiscal years ended March 31)
(¥ millions)



Operating Income (Operating Income Margin)

Operating income jumped ¥8,313 million, or 127.2%, to ¥14,847 million, representing an operating income margin of 1.1%. This mainly reflected efforts in the core Wholesaling business to further reduce costs, and develop a sales system that emphasizes profitability by ensuring sales at adequate prices through such means as strictly enforcing compliance with the authorized price limit. Operating income in the Wholesaling business rose ¥7,906 million, or 137.3%, to ¥13,666 million. The operating income margin was 1.0%. Operating income in the Manufacturing business decreased ¥55 million, or 12.0%, to ¥405 million. The operating income margin was 1.8%.

Other Income (Expenses) and Net Income

Due to the withdrawal from and sale of unprofitable operations, the Group recorded an extraordinary loss of ¥2,238 million on the loss on transfer of business. However, net income rose 120.5%, to ¥7,074 million.

FINANCIAL CONDITION

Total Assets

As of March 31, 2006, total assets were ¥687,774 million, an increase of ¥78,422 million, or 12.9%, from a year earlier. This mainly reflected an increase in consolidated subsidiaries.

Current Assets

Total current assets climbed ¥59,391 million, or 11.8% from a year ago, to ¥564,397 million. This was mainly attributable to increases in trade notes and accounts receivable of ¥42,541 million, in line with the increase in sales, and a ¥10,056 million increase in cash and cash equivalents.

Fixed Assets

Total fixed assets rose ¥19,031 million, or 18.2%, from a year earlier to ¥123,377 million. The main component of the increase in tangible fixed assets was an increase of ¥4,700 million in land acquired for a new pharmaceuticals center. In intangible fixed assets, the Alfresa Group booked goodwill of ¥2,310 million.

In investments and other assets, investments in securities rose ¥8,876 million, mainly due to increases in unrealized gains on listed shares held by the Group.

Liabilities

As of March 31, 2006, total liabilities were ¥551,710 million, an increase of ¥58,104 million, or 11.8%, from a year earlier. Total current liabilities were ¥524,948 million, an increase of ¥55,747 million, or 11.9%, from a year ago. The main reason was an increase of ¥50,614 million in trade notes and accounts payable due to an increase in products purchased from pharmaceutical manufacturers in line with higher sales. Total long-term liabilities rose ¥2,357 million, or 9.7%, to ¥26,762 million, chiefly the result of an increase of ¥1,613 million in employees' severance and retirement benefits.

Shareholders' Equity

Total shareholders' equity rose ¥20,408 million, or 18.4%, to ¥131,484 million. The main contributing factors were increases of ¥18,314 million in the capital surplus and ¥5,007 million in retained earnings, which were partly offset by a decrease of ¥4,591 million attributable to the purchase of treasury stock. The shareholders' equity ratio was 19.1% and ROE was 5.8%.

Cash Flows

Net cash provided by operating activities was ¥24,665 million. The main cash inflow was income before income taxes of ¥16,495 million. This was partly offset by a ¥12,898 million increase in trade notes and accounts receivable and a ¥2,857 million increase in other receivables.

Net cash used in investing activities was ¥9,992 million. The main cash outflows were payments of ¥5,284 million for acquisition of long-term prepaid expense and ¥3,628 million for the purchase of property, plant and equipment.

Net cash used in financing activities was ¥8,555 million. This was primarily due to payments of ¥3,532 million for the purchase of treasury stock, a net decrease of ¥2,844 million in short-term debt, and cash dividends paid of ¥2,053 million.

Cash and cash equivalents as of March 31, 2006 were ¥67,436 million, ¥10,056 million more than at the end of the previous fiscal year. This mainly reflected a ¥3,907 million increase in cash and cash equivalents due to stock exchange.

Capital Expenditure

Capital expenditure for the Alfresa Group totaled ¥10,746 million. The main components were ¥2,266 million for the construction of a new pharmaceuticals center and ¥4,640 million to acquire drug manufacturing and marketing rights.

Research and Development (R&D)

R&D expenses for the Alfresa Group were ¥1,351 million. Alfresa Pharma Corporation, which is responsible for the Group's Manufacturing business, has filed an application for manufacturing approval of CN-801, a therapeutic agent for narcolepsy, a form of sleep disorder, with the Ministry of Health, Labour and Welfare. The goal is to obtain approval of this application as early as possible. Plans call for conducting Phase II clinical trials of NFκB decoy oligo, a therapy for the treatment of atopic dermatitis for which Alfresa Pharma has concluded a joint development agreement with AnGes MG, Inc.

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 are also our concern. These trends could affect the Group's results. 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.

(2) NHI Drug Price Revisions

Official prices of ethical pharmaceuticals, the Group's core products, are set by the Japanese government by notification of the Minister 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, manufacture, and sales of ethical pharmaceuticals. In accordance with Japan's Pharmaceutical Affairs Law and other 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, manufacturing and import of ethical pharmaceuticals.

(4) Credit Management

The Group's primary customers are medical institutions and dispensing pharmacies. Medical system reforms, such as those aimed at reducing medical expenditures, could affect the businesses of these customers. Therefore, the Group's results could be affected by unforeseeable circumstances that hamper the collection of trade receivables. Moving forward, the Group's policy is to further reinforce credit management mainly by promoting the exchange of formal sales contracts with customers, as well as requiring that the Credit Management Department and relevant personnel in charge fully perform credit administration.

(5) Risks Associated with the Manufacturing Business

The Manufacturing business within the Group handles products that have a direct bearing on patients' lives. Accordingly, the Group allocates significant resources to processes ranging from product development to sales to ensure the safety and reliability of its products. However, the business is exposed to the risk of product recalls, the suspension of sales and accompanying lawsuits that may be caused by unforeseen side effects of products, the contamination of product contents, and other risks. Therefore, these risks could have an effect on the Group's results.

(6) Systems Integration

The Group is presently integrating its information systems to raise the efficiency of business activities. Currently, the Group is making preparations to ensure that the integrated system operates smoothly. However, if systems fail to function normally when integrated, there could be a disruption in business operations, primarily involving sales activities such as order entry and shipment of products. This could have an effect 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.

(8) Impairment of Fixed Assets

The Alfresa Group has adopted asset impairment accounting standards. Further impairment of the fixed assets, including the Group-wide asset holdings and business sites with low profitability, may be required due to further declines in actual asset value. This could have an effect on the Group's results and financial condition.

(9) Risks Associated with Leakage of Personal Information

The Group holds and manages personal information obtained from various clients. To prevent the leakage of personal information, the Group has enacted a "Personal Information Management Policy." Guided by this policy, the Group pays close attention to holding and using personal information carefully, while safeguarding this information with care. However, the leakage of personal information due to unforeseen incidents, accidents, etc., could have an effect on the Group's results and financial condition.

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 need to strengthen its operating structure and drive future business expansion. In doing so, the Company targets an annual dividend on equity of at least 2%.

REMUNERATION**Remuneration for directors and corporate auditors**

Remuneration for directors	¥159 million
Remuneration for auditors	¥ 31 million
Total	¥191 million

Remuneration for independent auditors

Remuneration related to audit certification	¥16 million
Other fees	¥ 4 million
Total	¥20 million

OUTLOOK FOR THE FISCAL YEAR ENDING MARCH 31, 2007

In the fiscal year ending March 31, 2007, the Alfresa Group expects to continue to face a difficult business environment. The ethical pharmaceuticals market is likely to remain challenging due to ongoing policies to curb national medical expenditures, including an average 6.7% downward revision of NHI drug prices carried out on April 1, 2006.

In this environment, the Alfresa Group will work to expand businesses by capturing Group-wide synergies. With the addition of Meisho Co., Ltd. (Ishikawa Prefecture) to the Group in April 2006, the Wholesaling business has taken a step closer to establishing a nationwide distribution system. In parallel, the Wholesaling business aims to increase sales through effective expansion of sales promotion functions for the Group as a whole. Another goal is to generate an adequate level of earnings by taking the initiative in price negotiations and properly managing progress toward earnings targets.

The Manufacturing business will work to expand its product lineup, centering on generic drugs and POCT reagents (rapid testing reagents) through such means as promoting sales and business alliances with other companies.

Consequently, in the fiscal year ending March 31, 2007, the Company forecasts consolidated net sales of ¥1,533,000 million, up 8.6% from the previous fiscal year, operating income of ¥18,200 million, up 22.6%, and net income of ¥10,000 million, up 41.3%.

Consolidated Balance Sheets

Alfresa Holdings Corporation and consolidated subsidiaries
As of March 31, 2006 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Current assets			
Cash and cash equivalents (Notes 3 and 8)	¥ 67,436	¥ 57,380	\$ 574,068
Receivables:			
Trade notes and accounts	380,744	338,203	3,241,201
Other	38,748	34,490	329,856
Allowance for doubtful accounts	(834)	(806)	(7,103)
	418,658	371,887	3,563,954
Inventories:			
Merchandise	68,592	66,991	583,912
Finished goods	931	819	7,926
Work in process	317	322	2,695
Raw materials and supplies	894	979	7,615
	70,734	69,111	602,148
Deferred tax assets (Note 5)	3,441	3,513	29,289
Other (Notes 3 and 8)	4,128	3,115	35,148
Total current assets	564,397	505,006	4,804,607
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,631	723	13,887
Investments in securities (Notes 3 and 8)	29,068	20,192	247,449
Long-term receivables:			
Long-term loans receivable	1,367	1,430	11,638
Other	7,936	8,520	67,557
Allowance for doubtful accounts	(3,832)	(4,156)	(32,626)
	5,471	5,794	46,569
Deferred tax assets (Note 5)	4,262	6,573	36,282
Deferred tax assets for land revaluation (Note 14)	0	2,051	0
Other (Note 8)	13,972	9,420	118,947
Total investments and other assets	54,404	44,753	463,134
Property, plant and equipment:			
Land (Notes 8 and 14)	36,424	31,724	310,074
Buildings and structures (Note 8)	58,059	50,309	494,248
Machinery and equipment	16,022	15,749	136,390
Construction in progress	562	1,083	4,782
	111,067	98,865	945,494
Less accumulated depreciation	(48,926)	(43,232)	(416,497)
Net property, plant and equipment	62,141	55,633	528,997
Deferred charges and intangibles	6,832	3,960	58,150
	¥687,774	¥609,352	\$5,854,888

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Current liabilities:			
Short-term debt (Note 6)	¥ 1,320	¥ 4,164	\$ 11,237
Long-term debt due within one year (Note 6)	540	1,012	4,598
Payables:			
Trade notes and accounts	501,296	450,682	4,267,442
Other	4,759	5,693	40,510
	506,055	456,375	4,307,952
Accrued expenses	5,983	4,837	50,936
Allowance for sales rebates	71	63	604
Allowance for sales returns	705	743	6,001
Income taxes payable	7,668	493	65,270
Other	2,606	1,514	22,192
Total current liabilities	524,948	469,201	4,468,790
Long-term liabilities:			
Long-term debt due after one year (Note 6)	847	801	7,214
Employees' severance and retirement benefits (Note 7)	20,952	19,339	178,348
Directors' and statutory auditors' retirement benefits	489	369	4,164
Deferred tax liabilities (Note 5)	2,162	1,594	18,408
Deferred tax liabilities for land revaluation (Note 14)	773	—	6,581
Consolidation adjustment account	—	926	—
Provision for loss on guarantees	473	589	4,030
Allowance for loss on transfer of business	482	—	4,103
Other	584	787	4,969
Total long-term liabilities	26,762	24,405	227,817
Contingent liabilities (Note 9)			
Minority interests	4,580	4,670	38,983
Shareholders' equity (Note 11)			
Common stock			
Authorized—135,000,000 shares			
Issued—38,775,353 shares	3,873	3,450	32,970
Capital surplus	39,671	21,357	337,711
Retained earnings	90,282	85,275	768,556
Land revaluation (Note 14)	(5,674)	(2,978)	(48,305)
Unrealized gains on available-for-sale securities	10,410	6,520	88,620
Foreign currency translation adjustments	38	(23)	326
Treasury stock, at cost 1,452,112 shares	(7,116)	(2,525)	(60,580)
Total shareholders' equity	131,484	111,076	1,119,298
	¥687,774	¥609,352	\$5,854,888

Consolidated Statements of Income

Alfresa Holdings Corporation and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Net sales	¥1,411,639	¥1,195,314	\$12,017,017
Cost of sales	1,296,392	1,097,365	11,035,940
Gross profit	115,247	97,949	981,077
Selling, general and administrative expenses	100,400	91,415	854,691
Operating income	14,847	6,534	126,386
Other income (expenses):			
Interest and dividend income	494	373	4,202
Interest expense	(69)	(67)	(584)
Amortization of consolidated adjustment account	–	288	–
Write-down of securities	(276)	–	(2,353)
Loss on disposal of property, plant and equipment	(257)	(274)	(2,186)
Administration fees	2,984	2,564	25,400
Loss on impairment of fixed assets (Note 13)	(175)	(772)	(1,488)
Loss on cancellation of lease	(34)	(153)	(289)
Loss on transfer of business	(2,238)	–	(19,051)
Gain on sales of property, plant and equipment	487	–	4,149
Integration expense	–	(287)	–
Loss on liquidation of affiliates	–	(485)	–
Additional retirement benefits	(896)	(2,962)	(7,630)
Gain on sales of securities	14	–	123
Loss on sales of unconsolidated subsidiaries	50	–	424
Gain on transfer of operations	165	–	1,405
Gain on shares of co-development	268	–	2,285
Full amortization of long-term prepaid expense	(95)	–	(808)
Directors' retirement benefits	(151)	–	(1,286)
Amortization of leaseholds	(83)	–	(707)
Loss on cancellation of operating consignment contract	(73)	–	(618)
Other, net	1,533	812	13,043
	1,648	(963)	14,031
Income before income taxes	16,495	5,571	140,417
Income taxes (Note 5):			
Current	8,869	3,159	75,496
Deferred	281	(1,150)	2,392
	9,150	2,009	77,888
Income before minority interests	7,345	3,562	62,529
Minority interests	(271)	(354)	(2,313)
Net income	¥ 7,074	¥ 3,208	\$ 60,216
Per share amounts:			
Net income	¥ 189.55	¥ 91.81	\$ 1.614
Cash dividends applicable to the year	69.00	50.00	0.587

Consolidated Statements of Shareholders' Equity

Alfresa Holdings Corporation and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of Yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Land revaluation	Unrealized gains on available-for- sale securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	33,801,031	¥ 3,380	¥ 18,624	¥ 84,047	¥ (3,201)	¥ 5,629	¥ (12)	¥ (58)
Net income for the year				3,208				
Increase due to stock exchange	740,383	70	2,733					
Increase due to exclusion from equity method				6				
Cash dividends paid at ¥25.00 per share				(1,708)				
Bonuses to directors and statutory auditors				(57)				
Land revaluation				(223)	223			
Increase in unrealized gains						891		
Adjustments from translation of foreign currency financial statements							(11)	
Treasury stock acquired (698,770 shares)								(2,467)
Balance at March 31, 2005	34,541,414	¥ 3,450	¥ 21,357	¥ 85,275	¥ (2,978)	¥ 6,520	¥ (23)	¥ (2,525)
Net income for the year				7,074				
Increase due to stock exchange	4,233,939	423	18,260					(1,301)
Cash dividends paid at ¥69.00 per share				(2,053)				
Bonuses to directors and statutory auditors				(79)				
Sale of treasury stock			54					243
Land revaluation				65	(65)			
Increase in unrealized gains						3,890		
Land revaluation due to change in deferred taxes					(2,631)			
Adjustments from translation of foreign currency financial statements							61	
Treasury stock acquired								(3,533)
Balance at March 31, 2006	38,775,353	¥ 3,873	¥ 39,671	¥ 90,282	¥ (5,674)	¥ 10,410	¥ 38	¥ (7,116)

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Land revaluation	Unrealized gains on available-for- sale securities	Foreign currency translation adjustments	Treasury stock	
Balance at March 31, 2005	\$ 29,369	\$ 181,804	\$ 725,926	\$ (25,348)	\$ 55,505	\$(193)	\$(21,497)	
Net income for the year			60,216					
Increase due to stock exchange	3,601	155,448					(11,076)	
Cash dividends paid at \$0.502 per share			(17,473)					
Bonuses to directors and statutory auditors			(672)					
Sale of treasury stock		459					2,065	
Land revaluation			559	(559)				
Increase in unrealized gains					33,115			
Land revaluation due to change in deferred taxes				(22,398)				
Adjustments from translation of foreign currency financial statements						519		
Treasury stock acquired							(30,072)	
Balance at March 31, 2006	\$32,970	\$337,711	\$768,556	\$(48,305)	\$88,620	\$326	\$(60,580)	

Consolidated Statements of Cash Flows

Alfresa Holdings Corporation and consolidated subsidiaries
Years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes	¥ 16,495	¥ 5,571	\$ 140,417
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	4,007	2,660	34,111
Decrease in allowance for doubtful accounts	(531)	(80)	(4,518)
Increase (decrease) in employees' severance and retirement benefits	364	(790)	3,099
Decrease in directors' retirement benefits	(230)	(1,028)	(1,955)
Interest and dividend income	(494)	(373)	(4,202)
Interest expense	69	67	584
Amortization of consolidated adjustment account	19	(288)	166
Loss on impairment of fixed assets	175	772	1,488
Gain on sales of property, plant and equipment	(505)	-	(4,301)
Loss on disposal of property, plant and equipment	275	274	2,338
Increase in trade notes and accounts receivable	(12,898)	(13,035)	(109,794)
Decrease (increase) in inventories	4,730	(8,877)	40,265
Increase in trade notes and accounts payable	14,722	36,003	125,323
Increase in other receivables	(2,857)	(8,161)	(24,322)
Other	2,518	2,025	21,434
	25,859	14,740	220,133
Interest and dividends received	492	366	4,190
Interest paid	(72)	(65)	(616)
Income taxes paid	(1,614)	(4,871)	(13,734)
Net cash provided by operating activities	24,665	10,170	209,973
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(729)	188	(6,205)
Payment for securities	(285)	(130)	(2,426)
Payments for purchase of property, plant and equipment	(3,628)	(2,227)	(30,880)
Payments for purchase of intangible assets	(1,663)	(2,194)	(14,157)
Proceeds from sale of property, plant and equipment	1,856	97	15,798
Advances of loans receivable	(267)	(265)	(2,271)
Repayments of loans receivable	379	426	3,223
Payments for purchase of investment securities	(905)	(77)	(7,703)
Payment for acquisition of long-term prepaid expense	(5,284)	-	(44,980)
Proceeds from sale of investment securities	292	187	2,484
Other	242	(44)	2,054
Net cash used in investing activities	(9,992)	(4,039)	(85,063)
Cash flows from financing activities:			
Net decrease in short-term debt	(2,844)	(1,835)	(24,210)
Proceeds from long-term debt	700	300	5,959
Repayments of long-term debt	(625)	(1,260)	(5,323)
Repayments of bonds	(500)	(100)	(4,256)
Proceeds from sale of treasury stock	320	-	2,727
Payments for purchase of treasury stock	(3,532)	(2,097)	(30,072)
Cash dividends paid	(2,053)	(2,547)	(17,473)
Cash dividends paid to minority shareholders	(21)	(28)	(183)
Net cash used in financing activities	(8,555)	(7,567)	(72,831)
Foreign currency translation loss on cash and cash equivalents	31	(6)	268
Net increase (decrease) in cash and cash equivalents	6,149	(1,442)	52,347
Cash and cash equivalents at beginning of the year	57,380	57,901	488,464
Increase in cash and cash equivalents due to stock exchange	3,907	921	33,255
Cash and cash equivalents at end of the year	¥ 67,436	¥ 57,380	\$ 574,066

Non-cash Investing and Financing Activities

During the fiscal year ended March 31, 2006, OKAUCHI KANKODO, Ltd. and Kowa Yakuhin Co., Ltd. (both currently Shikoku Alfresa Corporation), as well as SEIWA SANGYO CO., LTD. became consolidated subsidiaries through stock exchanges. The following summarizes the main components of the assets and liabilities of these three companies at the time of consolidation. Capital and capital surplus increased ¥393 million and ¥17,258 million, respectively, as a result of the stock exchanges.

OKAUCHI KANKODO, Ltd.

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	April 1, 2005	April 1, 2005
Current assets	¥7,160	\$60,949
Fixed assets	1,536	13,079
Total	¥8,696	\$74,028
Current liabilities	¥5,212	\$44,372
Long-term liabilities	303	2,581
Total	¥5,515	\$46,953

Kowa Yakuhin Co., Ltd.

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	April 1, 2005	April 1, 2005
Current assets	¥5,760	\$49,038
Fixed assets	2,087	17,762
Total	¥7,847	\$66,800
Current liabilities	¥4,058	\$34,542
Long-term liabilities	394	3,354
Total	¥4,452	\$37,896

SEIWA SANGYO CO., LTD.

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	October 1, 2005	October 1, 2005
Current assets	¥28,612	\$243,570
Fixed assets	8,423	71,703
Total	¥37,035	\$315,273
Current liabilities	¥27,860	\$237,163
Long-term liabilities	1,593	13,563
Total	¥29,453	\$250,726

Notes to Consolidated Financial Statements

Alfresa Holdings Corporation and consolidated subsidiaries
Year ended March 31, 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) 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 Securities 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, 2006, which was ¥117.47 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, 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 ten significant subsidiaries 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.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

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, 2006)
Company Name	Ownership interest (%)	Common Stock (Millions of Yen)	Main Business	
Alfresa Corporation	100.0%	¥4,000	Pharmaceutical wholesaling	
SEIWA SANGYO CO., LTD.	100.0	1,144	Pharmaceutical wholesaling	
Shikoku Alfresa Corporation	100.0	161	Pharmaceutical wholesaling	
Alfresa Pip-Tokyo Corporation	51.0	400	Medical and sanitary products wholesaling Supply, processing & distribution (SPD) business	
Kowa Pharmaceuticals Co., Ltd.	67.6 (67.6)	104	Pharmaceutical wholesaling	
Odashima Limited	55.1 (55.1)	30	Pharmaceutical wholesaling	
Alfresa Nikken Sangyo Corporation	51.0 (51.0)	190	Pharmaceutical wholesaling	
Ando Co., Ltd.	50.9 (50.9)	300	Pharmaceutical wholesaling	
Alfresa Pharma Corporation	100.0	1,000	Pharmaceutical manufacturing	
QINGDAO NESCO MEDICAL CO., LTD. (Year ended December 31, 2005)	100.0 (100.0)	300	Manufacturing of medical sutures	
Nissho Butsuryu Service Co., Ltd.	84.2 (84.2)	70	Transportation and warehousing	

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

2. OKAUCHI KANKODO, Ltd., Kowa Yakuhin Co., Ltd. and DAIWA Pharmaceutical Wholesalers Co., Ltd. became wholly owned subsidiaries of the Company by stock exchange on April 1, 2005.

3. OKAUCHI KANKODO, Ltd. absorbed Kowa Yakuhin Co., Ltd. and DAIWA Pharmaceutical Wholesalers Co., Ltd. and changed the corporate name to Shikoku Alfresa Corporation on October 1, 2005.

4. SEIWA SANGYO CO., LTD. became a wholly owned subsidiary of the Company by stock exchange on October 1, 2005.

The Company was established on September 29, 2003 as a 100% holding parent company of AZWELL Inc. ("AZWELL") and Fukujin Co., Ltd. ("Fukujin") through transfer of the stock of those companies in accordance with the Japanese Commercial Code. The formation of the Company and the exchanging of shares of AZWELL and Fukujin (the "Combination") were accounted for using the pooling-of-interests method in accordance with "Accounting for the Consolidation of a Holding Company Established by Stock Exchange or Stock Transfers" (JICPA Accounting Committee Research Report No. 6) and, as such, the assets and liabilities of AZWELL and Fukujin were combined at book value. In addition, the Consolidated Statements of Income gives effect to the transaction as if the transaction occurred at the beginning of the fiscal year presented, regardless of when the Combination was in effect.

(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 unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. 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 are stated at average cost.

(f) Property, plant and equipment

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.

(g) Software costs

The Company includes software in intangible assets and amortizes it using the straight-line method over a useful life of five years.

(h) Allowance for sales rebates

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

(i) Allowance for sales returns

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

(j) Provision for loss on guarantees

Provision for loss on guarantees is provided in an estimated amount based on the financial position and solvency of unconsolidated subsidiaries.

(k) Allowance for loss on transfer of business

The allowance for loss on transfer of business is provided for future payment caused by transfer of business.

(l) Employees' severance and retirement benefits

The Company and its consolidated domestic subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, 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, 2006 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 in equal amounts 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.

(m) Retirement benefits for directors and statutory auditors

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

(n) 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.

(o) Translation of foreign currencies

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

The balance sheets of a consolidated overseas subsidiary are translated into Japanese yen at the year-end rate and the statements of income are translated at the average exchange rate for the fiscal year, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with a consolidated domestic subsidiary are translated at the rates used by it.

(p) Research and development expenses

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

Such expenses for the years ended March 31, 2006 and 2005, were ¥1,351 million (US\$11,508 thousand) and ¥1,354 million, respectively.

(q) 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.

(r) Finance leases

Finance leases which do not transfer ownership or that do not have bargain purchase option provisions are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

(s) 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.

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, 2006 and 2005:

Securities with fair values exceeding acquisition costs:

	Millions of Yen					
	2006			2005		
	Acquisition cost	Book (market) value	Difference	Acquisition cost	Book (market) value	Difference
Equity securities	¥10,073	¥27,705	¥17,632	¥7,024	¥19,126	¥12,102
Bonds	244	261	17	11	13	2
Other securities	1	1	0	12	20	8
Total	¥10,318	¥27,967	¥17,649	¥7,047	¥19,159	¥12,112

	Thousands of U.S. Dollars (Note 1)		
	2006		
	Acquisition cost	Book (market) value	Difference
Equity securities	\$85,750	\$235,840	\$150,090
Bonds	2,076	2,224	148
Other securities	9	10	1
Total	\$87,835	\$238,074	\$150,239

Other securities:

	Millions of Yen					
	2006			2005		
	Acquisition cost	Book (market) value	Difference	Acquisition cost	Book (market) value	Difference
Equity securities	¥288	¥ 90	¥(198)	¥172	¥149	¥(23)
Bonds	52	52	(0)	—	—	—
Total	¥340	¥142	¥(198)	¥172	¥149	¥(23)

	Thousands of U.S. Dollars (Note 1)		
	2006		
	Acquisition cost	Book (market) value	Difference
Equity securities	\$2,451	\$ 766	\$(1,685)
Bonds	441	441	(0)
Total	\$2,892	\$1,207	\$(1,685)

(b) The following table summarizes book values of securities with no available fair market values as of March 31, 2006 and 2005:

Available-for-sale securities:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Non-listed equity securities	¥ 964	¥ 883	\$8,204
Commercial paper	–	1,600	–
Non-listed domestic bonds	0	600	0
Money market fund	80	55	681
Other	0	0	0
Total	¥1,044	¥3,138	\$8,885

(c) Maturities of available-for-sale securities with maturities are as follows:

	2006			2005		
	Within one year	Over one year but within five years	Total	Within one year	Over one year but within five years	Total
Bonds	¥157	¥110	¥267	¥20	¥10	¥30

	Thousands of U.S. Dollars (Note 1)		
	2006		
Bonds	\$1,339	\$936	\$2,275

(d) The following table summarizes available-for-sale securities sold in the years ended March 31, 2006 and 2005:

Available-for-sale securities:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Sales value	¥7	¥33	\$63
Gain on sale	2	19	18
Loss on sale	–	8	–

4. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Alfresa Pharma Corporation, a 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 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 approximately 40.7% for the years ended March 31, 2006 and 2005.

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, 2006 and 2005:

	2006	2005
Statutory tax rate	40.7%	40.7%
Non-deductible expenses	3.1	8.4
Non-taxable dividend income	(2.2)	(3.0)
Valuation allowance	13.9	(2.1)
Increase due to change in tax rate	–	0.3
Per capita inhabitants' tax	1.5	4.1
Amortization of consolidated adjustment account	0.1	(2.1)
Tax credits	(0.7)	(5.9)
Other	(0.9)	(4.3)
Effective tax rate	55.5%	36.1%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Deferred tax assets:			
Accrued enterprise tax	¥ 736	¥ 260	\$ 6,269
Accrued social insurance expenses	258	225	2,194
Excess allowance for doubtful receivables	1,410	1,446	12,001
Excess bonuses accrued	2,191	1,903	18,653
Employees' severance and retirement benefits	8,511	7,535	72,455
Directors' and statutory auditors' retirement benefits	222	158	1,888
Excess allowance for loss on debt guarantee	190	–	1,619
Loss on investments in and advances to affiliates	267	253	2,274
Write-down of investments	411	549	3,496
Loss on impairment of fixed assets	1,034	1,110	8,799
Sales discount	–	759	–
Loss on transfer of business	806	–	6,867
Other	2,261	1,924	19,249
	18,297	16,122	155,764
Valuation allowance	(2,033)	(455)	(17,308)
Total deferred tax assets	16,264	15,667	138,456
Deferred tax liabilities:			
Difference between market value and cost of assets and liabilities of consolidated subsidiaries	(1,063)	(719)	(9,047)
Unrealized gains on available-for-sale securities	(7,996)	(4,826)	(68,072)
Increase due to stock exchange	(1,506)	(1,507)	(12,824)
Other	(335)	(123)	(2,850)
Total deferred tax liabilities	(10,900)	(7,175)	(92,793)
Net deferred tax assets	¥ 5,364	¥ 8,492	\$ (45,663)

6. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt borrowings at March 31, 2006 and 2005 consisted principally of bank overdrafts, bearing interest at average annual rates of approximately 1.0% and 0.8%, respectively.

Long-term debt as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Secured bonds:			
Interest 1.80%, payable in yen, due 2005, issued by a consolidated subsidiary	¥ -	¥ 500	\$ -
Unsecured bonds:			
Interest 0.87%, payable in yen, due 2006, issued by a consolidated subsidiary	100	100	851
Long-term loans, interest 1.10% to 2.65% maturing through 2011:			
Secured	1,287	956	10,961
Unsecured	-	257	-
	1,387	1,813	11,812
Less amounts due within one year	(540)	(1,012)	(4,598)
Total	¥ 847	¥ 801	\$ 7,214

The aggregate annual maturities of long-term debt outstanding as of March 31, 2006 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2006	¥540	\$4,598
2007	324	2,761
2008	258	2,195
2009	212	1,809
2010	45	384
Thereafter	8	65

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, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Projected benefit obligation	¥ 40,504	¥ 36,889	\$ 344,801
Unrecognized prior service costs	1,657	1,870	14,105
Unrecognized actuarial differences	(1,435)	(4,709)	(12,223)
Less fair value of pension assets	(19,774)	(14,711)	(168,335)
Liability for employees' severance and retirement benefits	¥ 20,952	¥ 19,339	\$ 178,348

Included in the consolidated statements of income for the years ended March 31, 2006 and 2005 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Service costs—benefits earned during the year	¥3,753	¥3,283	\$31,943
Interest cost on projected benefit obligation	731	726	6,226
Expected return on plan assets	(117)	(144)	(993)
Amortization of prior service costs	(293)	(293)	(2,496)
Amortization of actuarial differences	697	762	5,933
Special retirement benefits and others	884	3,129	7,527
Severance and retirement benefit expense	¥5,655	¥7,463	\$48,140

Prior service costs previously recorded but no longer required due to 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, 2006 and 2005 were 0.0% to 2.5%. 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 and on the basis of points granted to employees by evaluation, length of service and other certain factors.

8. PLEDGED ASSETS

Assets pledged as collateral for borrowing, and transaction guarantees, at March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Time deposits	¥ 663	¥ 379	\$ 5,644
Buildings and structures, net of accumulated depreciation	1,326	1,073	11,290
Land	4,968	5,065	42,289
Investments in securities	4,371	2,357	37,206
Guarantee money paid	93	382	794
Total	¥11,421	¥9,256	\$97,223

Secured liabilities:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Trade notes and accounts payable	¥ 9,494	¥ 7,506	\$80,818
Short-term debt	200	2,331	1,703
Long-term debt due within one year	296	500	2,524
Long-term debt due after one year	525	542	4,468
Other	52	52	442
Total	¥10,567	¥10,931	\$89,955

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Guarantee of payables and loans to affiliates	¥2,036	¥3,028	\$17,336
Guarantee of loans to employees	36	44	303

10. LEASES

Non-capitalized finance leases at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Machinery and equipment	¥12,926	¥10,138	\$110,039
Intangibles	5,226	7,845	44,491
Less accumulated depreciation	(7,631)	(7,870)	(64,965)
Total	¥10,521	¥10,113	\$ 89,565

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

Lease payments for such leases for the year ended March 31, 2006 and 2005, are ¥4,099 million (US\$34,894 thousand) and ¥3,893 million, respectively.

If the above finance leases had been capitalized, depreciation of ¥3,828 million (US\$32,583 thousand) and ¥3,650 million and interest of ¥254 million (US\$2,163 thousand) and ¥275 million would have been recorded for the years ended March 31, 2006 and 2005, respectively.

Obligations under non-capitalized finance leases, excluding the interest portion, at March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Due within one year	¥ 3,488	¥ 3,661	\$29,694
Due after one year	7,202	6,933	61,312
Total	¥10,690	¥10,594	\$91,006

Future minimum lease payments for operating leases of the Companies, as lessee, at March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Due within one year	¥ 893	¥1,270	\$ 7,605
Due after one year	2,431	2,819	20,694
Total	¥3,324	¥4,089	\$28,299

Future minimum lease revenues for operating leases of the Companies, as lessor, at March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Due within one year	¥23	¥23	\$195
Due after one year	14	37	119
Total	¥37	¥60	\$314

11. SHAREHOLDERS' EQUITY

(a) Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as stated capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

(b) The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeding 25% of common stock, they are available for dividends by resolution of the shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

(c) The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Commercial Code of Japan.

12. SEGMENT INFORMATION

The Companies have three operating segments, Pharmaceutical Wholesaling, Pharmaceutical Manufacturing and Other.

The Companies' primary areas of business include the wholesaling of products manufactured— such as pharmaceuticals, medical diagnostic reagents and medical equipment— and the offering of products manufactured, which also include pharmaceuticals, medical diagnostic reagents, medical devices, and health foods. In addition, the Companies are involved in the fields of transportation, storage and insurance.

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

The overseas sales for the year ended March 31, 2006 and 2005 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)
	2006	2005	2006
Net sales:			
Pharmaceutical Wholesaling			
Customers	¥1,394,965	¥1,178,490	\$11,875,073
Intersegment	4	1	33
Total	¥1,394,969	¥1,178,491	\$11,875,106
Pharmaceutical Manufacturing			
Customers	¥ 16,176	¥ 16,413	\$ 137,706
Intersegment	5,848	4,468	49,778
Total	¥ 22,024	¥ 20,881	\$ 187,484
Other			
Customers	¥ 498	¥ 411	\$ 4,238
Intersegment	2,668	3,151	22,716
Total	3,166	3,562	26,954
Elimination	(8,520)	(7,620)	(72,527)
Consolidated	¥1,411,639	¥1,195,314	\$12,017,017
Operating expenses:			
Pharmaceutical Wholesaling	¥1,381,303	¥1,172,731	\$11,758,774
Pharmaceutical Manufacturing	21,619	20,421	184,036
Other	3,128	3,401	26,631
Elimination	(9,258)	(7,773)	(78,810)
Consolidated	¥1,396,792	¥1,188,780	\$11,890,631

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Operating income:			
Pharmaceutical Wholesaling	¥ 13,666	¥ 5,760	\$ 116,332
Pharmaceutical Manufacturing	405	460	3,448
Other	38	161	323
Elimination	738	153	6,283
Consolidated	¥ 14,847	¥ 6,534	\$ 126,386
Total assets:			
Pharmaceutical Wholesaling	¥ 661,553	¥ 579,860	\$ 5,631,674
Pharmaceutical Manufacturing	26,406	24,550	224,786
Other	983	1,300	8,369
Elimination and corporate assets	(1,168)	3,641	(9,941)
Consolidated	¥ 687,774	¥ 609,351	\$ 5,854,888
Depreciation and amortization:			
Pharmaceutical Wholesaling	¥ 2,897	¥ 2,186	\$ 24,662
Pharmaceutical Manufacturing	1,090	452	9,280
Other	12	16	105
Elimination and unallocated corporate expenses	8	6	64
Consolidated	¥ 4,007	¥ 2,660	\$ 34,111
Loss on impairment of fixed assets:			
Pharmaceutical Wholesaling	¥ 175	¥ 772	\$ 1,488
Pharmaceutical Manufacturing	—	—	—
Other	—	—	—
Elimination and unallocated corporate expenses	—	—	—
Consolidated	¥ 175	¥ 772	\$ 1,488
Capital expenditure:			
Pharmaceutical Wholesaling	¥ 5,424	¥ 4,605	\$ 46,175
Pharmaceutical Manufacturing	5,274	317	44,896
Other	35	10	300
Elimination and corporate expenditure	13	24	110
Consolidated	¥ 10,746	¥ 4,956	\$ 91,481

13. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Companies recognized impairment losses for groups of fixed assets in the years ended March 31, 2006 and 2005, as follows:

Use	Type of assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2006	2005	2006
Idle properties	Buildings and structures, land	¥ 33	¥195	\$ 280
Business properties	Buildings and structures, land	142	577	1,208

The Companies grouped business properties based on business units and 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 ongoing 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 and is stated, net of deferred tax assets and liabilities, as a component of shareholders' equity. There is no effect on the statement of income.

Continuous readjustment is not permitted unless the land value subsequently declines significantly such that 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 ¥1,978 million (\$16,842 thousand) and ¥1,201 million at March 31, 2006 and 2005, respectively.

15. SUBSEQUENT EVENTS

(a) At the general shareholders' meeting held on June 29, 2006, retained earnings at March 31, 2006, were appropriated as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	<u>2006</u>	<u>2006</u>
Cash dividends (¥35 per share)	¥1,306	\$11,120
Bonuses to directors and statutory auditors	44	374

(b) Based on a stock exchange contract concluded on December 20, 2005, a stock exchange between the Company and Meisho Co., Ltd. was carried out on April 1, 2006. Thereby, this company became a wholly owned subsidiary.

(1) Purpose of stock exchange

Corporate realignment intended to achieve competitive advantage in the market has swept the entire pharmaceutical wholesaling industry.

Under such circumstances, Meisho Co., Ltd. decided to join the Alfresa Group, and effectively utilize, upgrade and promote efficiency of management resources to create a system that can strengthen their operating base and respond flexibly to the changing market.

(2) Profile at March 31, 2006

Meisho Co., Ltd.

Business lines:	Wholesaling of pharmaceuticals, etc.
Establishment:	December 19, 1963
Head office:	Ha 1, Muryoji-machi, Kanazawa, Ishikawa Prefecture
Representative:	Kenji Orimoto, President (at April 1, 2006)
Capital:	¥395 million (\$3,363)
Shareholders' equity:	¥10,769 million (\$91,674)
Total assets:	¥36,412 million (\$309,971)

(3) On April 1, 2006, the Company issued 1,500,000 shares of common stock and allocated 870,000 shares of treasury stock to be exchanged at a rate of 3 shares of common stock of the Company to one share of common stock of Meisho Co., Ltd.

Independent Auditors' Report

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, 2006 and 2005, and the related consolidated statements of income, shareholders' equity 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 consolidated financial position of Alfresa Holdings Corporation and subsidiaries as of March 31, 2006 and 2005, and the consolidated 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 Note 15(b) to the consolidated financial statements. Alfresa Holdings Corporation exchanged its common stock for common stock of Meisho Co., Ltd. on April 1, 2006 whereby this company became a wholly owned subsidiary.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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.

Osaka, Japan
June 29, 2006

Investor Information

(As of March 31, 2006)

Alfresa Holdings Corporation

Head Office: 1-1-3, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

TEL: +81-3-5219-5100 FAX: +81-3-5219-5103

Established: September 29, 2003

Capital: ¥4,020 million (As of April 1, 2006)

Number of employees: 8,744 (Consolidated)

Number of shares issued and outstanding: 40,275,353 (As of April 1, 2006)

Stock listings: Tokyo and Osaka

Transfer agent: Mitsubishi UFJ Trust and Banking Corporation

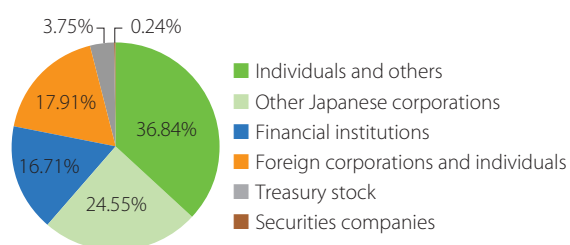
MAJOR SHAREHOLDERS

	Number of Shares (thousands)	Ownership (%)
State Street Bank & Trust Company	2,147	5.54
Alfresa Holdings Employees Shareholders' Association	1,890	4.87
Kunio Fukujin	1,660	4.28
Sankyo Co., Ltd.	958	2.47
Japan Trustee Services Bank, Ltd.	742	1.91
The Master Trust Bank of Japan, Ltd.	710	1.83
Yusuke Fukujin	663	1.71
Astellas Pharma Inc.	652	1.68
Eisai Co., Ltd.	632	1.63
Iwasaki Kosan Co., Ltd.	605	1.56

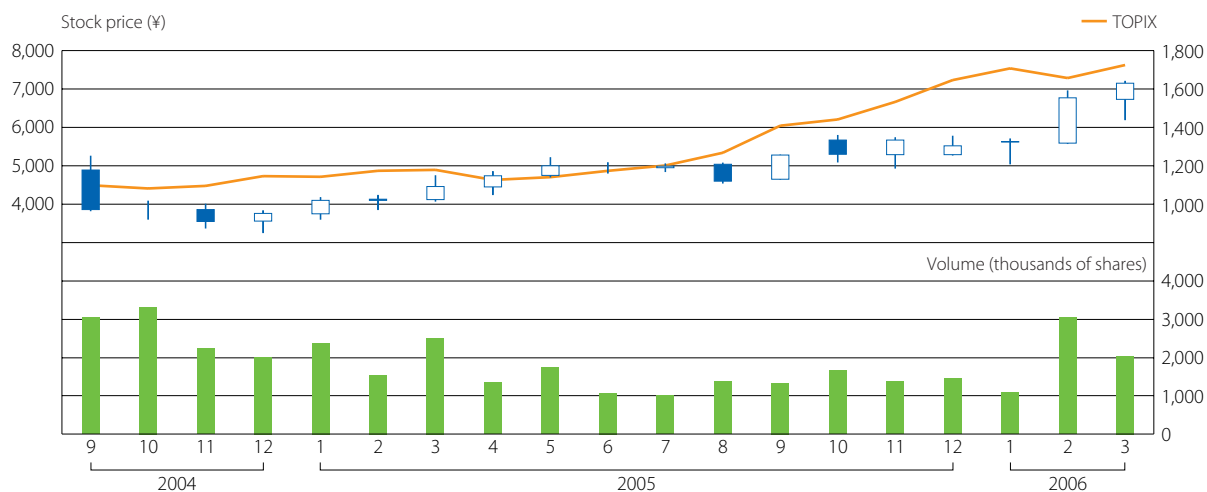
* The figures in the above table were calculated using the number of shares issued and outstanding as of March 31, 2006 (38,775,353).

* The above table excludes treasury stock of 1,452,112 shares.

COMPOSITION OF SHAREHOLDERS



COMMON STOCK PRICE RANGE AND TRADING VOLUME





www.alfresa.com

For further information, please contact:

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