

Consolidated Financial Statements for the First Quarter of Fiscal Year Ending March 31, 2009

Corporate Name: Alfresa Holdings Corporation

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

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1. Consolidated performance for the first quarter of the fiscal year ending March 31, 2009 (April 1, 2008 - June 30, 2008)

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

	Net sales		Operating income		Ordinary profit		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Three months ended June 30, 2008	480,477	–	6,885	–	8,846	–	4,148	–
Three months ended June 30, 2007	415,288	3.9	5,870	(16.9)	7,555	(11.1)	4,282	(3.4)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2008	99.38	–
Three months ended June 30, 2007	107.51	–

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
Three months ended June 30, 2008	879,412	190,444	21.0	4,423.15
Year ended March 31, 2008	848,259	186,136	21.3	4,324.57

(Reference) Shareholders' equity: First quarter of year ending March 31, 2009 ¥184,722 million Year ended March 31, 2008 ¥180,615 million

2. Cash dividends

Record date	Cash dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
Year ended March 31, 2008	–	41.00	–	42.00	83.00
Year ending March 31, 2009	–	–	–	–	–
Year ending March 31, 2009 (Forecast)	–	45.00	–	45.00	90.00

Note: Revision of dividend forecast for this quarter: None

3. Consolidated performance forecast for the fiscal year ending March 31, 2009 (April 1, 2008 - March 31, 2009)

(Percentages indicate changes from previous fiscal year for the full year and from previous interim period for the interim period)

	Net sales		Operating income		Ordinary profit		Net income		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Six months ending September 30, 2008	946,000	–	11,500	–	14,700	–	7,100	–	170.00
Year ending March 31, 2009	1,925,000	8.8	29,200	15.2	35,600	11.4	18,100	11.9	433.38

Note: Revision of consolidated performance forecast for this quarter: None

4. Others

(1) Changes in principal subsidiaries during the period (those changes accompanying change in scope of consolidation): No

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

(2) Adoption of simplified accounting method and special accounting policy for quarterly consolidated financial statements: Yes

Note: For details, please refer to “Qualitative Information and Financial Statements, 4. Others” on page 4.

(3) Changes in accounting policy, procedure, and method of presentation for preparing quarterly consolidated financial statements:

i. Change due to amendment of accounting standard: Yes.

ii. Change due to reasons other than i.: Yes

Note: For details, please refer to “Qualitative Information and Financial Statements, 4. Others” on page 4.

(4) Number of outstanding shares (common stock):

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

As of June 30, 2008: 42,326,223 shares

As of March 31, 2008: 42,326,223 shares

ii. Number of treasury stock:

As of June 30, 2008: 563,597 shares

As of March 31, 2008: 561,155 shares

iii. Average number of outstanding shares for the quarter:

First quarter ended June 30, 2008: 41,742,272 shares

First quarter ended June 30, 2007: 40,272,328 shares

Disclaimer regarding the Appropriate Use of Performance Forecasts and Other Notes

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

2. Effective from the current fiscal year, the “Accounting Standard for Quarterly Financial Statements (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Statements” (ASBJ Guidance No.14) have been applied. Quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

Qualitative Information and Financial Statements

1. Qualitative information on consolidated operating results

During the first quarter under review, the Company posted a significant year-on-year increase in consolidated net sales in spite of a downward revision of the NHI drug prices by an average of 5.2% on April 1, 2008. This growth was mainly attributable to the Company's move that made CS YAKUHIN CO., LTD. and RYUYAKU CO., LTD. consolidated subsidiaries effective October 1, 2007.

In such an environment, the Group continues pursuing the strategic themes of "Expansion of the wholesaling business of pharmaceuticals, etc. and pursuit of group synergy effects," "Solidifying the business base of the manufacturing of pharmaceuticals, etc.," "Realization of Healthcare Consortium," and "Enhancement of the group management base and strengthening of the administration system" in the second year of the "07-09 Medium-term Management Plan — Advancement and Expansion," a three-year medium-term management plan covering the period from April 2007 through March 2010.

In the first quarter under review, the Group posted net sales of ¥480,477 million (up 15.7% from the previous year), operating income of ¥6,885 million (up 17.3%), ordinary profit of ¥8,846 million (up 17.1%), and net income of ¥4,148 million (down 3.1%).

An outline of performance by business segment is as follows.

In the Wholesaling Business, we are endeavoring to strengthen marketing and secure appropriate profit. At the same time, prompted by the urgent proposal made at last year's Conference for improving distribution of pharmaceuticals, we are working to "implement economically rational price negotiations," "reform package discount," and "reform the practice of deliveries prior to price agreements" as key issues. As a result of these efforts, net sales amounted to ¥476,377 million (an increase of 15.9% from the previous year) and operating income came to ¥6,589 million (up 20.0%). Net sales included inter-segment sales of ¥1 million.

In the Manufacturing Business, net sales were firm and amounted to ¥5,859 million (up 0.6% from the previous year) while operating income came to ¥122 million yen (up 65.3%). Net sales included inter-segment sales of ¥1,758 million.

2. Qualitative information on consolidated financial position

(1) Changes in consolidated financial position

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

Assets

Assets grew ¥31,152 million primarily due to an increase of ¥14,655 million in trade notes and accounts receivable as a result of a rise in net sales and to an increase of ¥10,514 million in cash and deposits.

Liabilities

Liabilities rose ¥26,844 million. This was mainly attributable to a ¥20,064 million increase in trade notes and accounts payable following an increase in net sales.

Net assets

Net assets expanded ¥4,308 million. This was primarily due to a ¥2,394 million increase in retained earnings and a ¥1,776 million expansion of unrealized gain on securities.

(2) Consolidated cash flows

As of the end of the first quarter under review, cash and cash equivalents (hereinafter "Net Cash") amounted to ¥93,178 million as a result of a ¥12,982 million increase over the beginning balance due to a ¥17,492 million increase in Net Cash from operating activities, a ¥4,334 million contraction in Net Cash from investing activities, and a ¥154 million decline in Net Cash from financing activities. The status of cash flows and the factors behind are as follows.

Cash flows from operating activities

Net Cash provided by operating activities was ¥17,492 million (¥14,284 million was used in the previous first

quarter). Although trade notes and accounts receivable increased ¥14,613 million, inventories expanded ¥3,858 million and income taxes of ¥3,255 million were paid, income before income taxes came to ¥6,079 million while trade notes and accounts payable increased ¥20,064 million and purchase rebates receivable decreased ¥3,742 million.

Cash flows from investing activities

Net Cash used in investing activities was ¥4,334 million (¥699 million was used in the previous first quarter). This amount was mainly used for payments of ¥ 3,375 million for the purchase of tangible fixed assets, including sites for distribution centers, and expenses for the land and construction of new branches, etc.

Cash flows from financing activities

Net Cash used in financing activities was ¥154 million (¥1,691 million was used in the previous first quarter). This amount was mainly used for payments of ¥1,754 million in cash dividends.

3. Qualitative information on consolidated performance forecast

There are no changes in the performance forecast for the fiscal year ending March 31, 2009 announced on May 12, 2008.

4. Others

(1) Changes in principal subsidiaries during the period (those changes accompanying change in scope of consolidation)

Not applicable.

(2) Adoption of simplified accounting method and special accounting method for preparation of quarterly consolidated financial statements

1. With regard to the method of computing the estimated loss for general claims (claims to debtors who are not facing serious financial problems), when it is deemed that the ratio of actual losses has not changed significantly from the ratio computed at the end of the previous consolidated fiscal year, the estimated loss for general claims is computed using a reasonable standard such as the ratio of actual losses computed at the end of the previous consolidated fiscal year.

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

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

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

(3) Changes in accounting policy, procedure, and method of presentation for preparing quarterly consolidated financial statements

• Changes in items concerning accounting standard

1. Effective from the current fiscal year, the “Accounting Standard for Quarterly Financial Statements (ASBJ Standard No.12) and “Guidance on Accounting Standard for Quarterly Financial Statements” (ASBJ Guidance No.14) have been applied. Quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

2. Changes in standard and method of valuation of inventories

Inventories held for the purpose of ordinary sales were previously evaluated at cost mainly by means of the total average method. However, inventories have been evaluated at cost mainly by the total average method

(the book value is devalued in accordance with the deterioration of profitability for the balance sheet) following the application of the “Accounting Standards for Valuation of Inventories” (ASBJ Standard No.9 issued on July 5, 2006) from the first quarter under review.

As a result of the application of this method, both operating income and ordinary profit decreased ¥836 million, and income before income taxes declined ¥2,991 million.

The impact on segment information is noted in the relevant sections.

3. Application of “Temporary Solution on Accounting Policies Applied to Foreign Subsidiaries for Preparing Consolidated Financial Statements”

From the first quarter under review, the “Temporary Solution on Accounting Policies Applied to Foreign Subsidiaries for Preparing Consolidated Financial Statements” (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006) has been applied. The application of this policy has no impact on income.

4. Application of Accounting Standard for Lease Transactions

Financial lease transactions that do not transfer ownership had previously been accounted for by the accounting method in accordance with the method for lease transactions. However, after the “Accounting Standard for Lease Transactions” (ASBJ Standard No.13 [Business Accounting Council, the 1st Committee, first implemented June 17, 1993, last amended March 30, 2007]) and the “Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 [The Japanese Institute of Certified Public Accountants, Accounting Practice Committee, first implemented January 18, 1994, last amended March 30, 2007]) became applicable from the fiscal year starting from April 1, 2008, these standards and guidance have been applied from the first quarter under review. Accordingly, financial lease transactions that do not transfer ownership are accounted for by the accounting procedure for ordinary sales/purchase transactions.

As for financial lease transactions that do not transfer ownership for which the start date of lease transaction comes before the start of application of the Accounting Standard for Lease Transactions (on or before March 31, 2008), such transactions continue to be accounted for by the ordinary accounting method in accordance with method for lease transactions.

As for the method of depreciation of the leased assets regarding financial lease transactions that do not transfer ownership, the straight-line method is adopted using the lease term as useful life with residual value of zero.

The application of this standard has an immaterial impact on income.

5. Application of “amendment of ‘Practical Guidance on Tax Effect Accounting for Non-consolidated Financial Statements’”

From the first quarter under review, “amendment of ‘Practical Guidance on Tax Effect Accounting for Non-consolidated Financial Statements’” (Accounting Practice Committee Report No.10 issued on March 25, 2008) has been applied.

Following the application of the aforesaid practical guidance, deferred tax liabilities recorded upon acquiring subsidiary stock through stock exchange is reversed in the first quarter under review.

As a result of this, net income increased ¥1,506 million yen.

(Additional information)

Revision of useful life of tangible fixed assets

In line with the amendment of the Corporate Tax Law of fiscal 2008, domestic consolidated subsidiaries revised the useful life of some machinery and equipment from the first quarter under review. This revision has an immaterial impact on income.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of the end of current 1st quarter (June 30, 2008)	As of the end of previous fiscal year (March 31, 2008)
(Assets)		
Current assets		
Cash and deposits	83,813	73,299
Trade notes and accounts receivable	482,865	468,210
Securities	12,163	10,048
Merchandise and finished goods	95,094	92,423
Work in process	81	71
Raw materials and supplies	1,233	2,210
Purchase rebates receivable	47,068	50,821
Others	8,313	6,914
Allowance for doubtful accounts	(1,151)	(1,068)
Total current assets	729,483	702,211
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	26,444	26,668
Land	42,571	41,242
Others (net)	6,238	4,619
Total tangible fixed assets	75,254	72,529
Intangible fixed assets		
Goodwill	6,834	7,326
Others	1,930	1,775
Total intangible fixed assets	8,765	9,102
Investments and other assets		
Investment in securities	36,724	33,929
Others	34,534	35,984
Allowance for doubtful accounts	(5,349)	(5,497)
Total investments and other assets	65,909	64,416
Total fixed assets	149,928	146,048
Total assets	879,412	848,259

(Millions of yen)

	As of the end of current 1st quarter (June 30, 2008)	As of the end of previous fiscal year (March 31, 2008)
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	630,168	610,103
Short-term debt	3,436	2,536
Income taxes payable	5,218	3,182
Reserve for bonuses	8,241	6,143
Others	11,418	9,563
Total current liabilities	658,483	631,530
Non-current liabilities		
Long-term debt	1,537	900
Allowance for employees' retirement benefits	23,390	23,262
Others	5,556	6,431
Total non-current liabilities	30,484	30,593
Total liabilities	688,967	662,123
(Net assets)		
Shareholders' equity		
Paid-in capital	4,230	4,230
Capital surplus	65,912	65,912
Retained earnings	114,396	112,002
Treasury stock, at cost	(2,178)	(2,159)
Total shareholders' equity	182,361	179,985
Valuation and translation adjustments		
Unrealized gain on securities	8,065	6,289
Gain or loss on deferred hedge	-	1
Unrealized gain or loss on revaluation of land	(5,730)	(5,730)
Foreign currency translation adjustments	25	70
Total valuation and translation adjustments	2,361	630
Minority interests	5,722	5,520
Total net assets	190,444	186,136
Total liabilities and net assets	879,412	848,259

(2) Quarterly Consolidated Income Statements

(Millions of yen)

	Current 1st quarter (April 1, 2008 - June 30, 2008)
Net sales	480,477
Cost of sales	441,115
Reversal of allowance for returned unsold goods	927
Allowance for returned unsold goods	1,064
Gross profit	39,224
Selling, general and administrative expenses	32,339
Operating income	6,885
Non-operating income	
Interest income and dividend income	482
Information fees received	1,180
Others	357
Total non-operating income	2,020
Non-operating expenses	
Interest expenses	31
Others	27
Total non-operating expenses	58
Ordinary profit	8,846
Extraordinary loss	
Loss on retirement of fixed assets	24
Loss on impairment of fixed assets	31
Loss on valuation of investment securities	556
Loss on valuation of inventories	2,154
Total extraordinary loss	2,767
Income before income taxes	6,079
Income, residential and enterprise taxes	5,532
Income tax adjustments	(3,843)
Total income taxes	1,688
Minority interests in net income	242
Net income	4,148

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Current 1st quarter (April 1, 2008 - June 30, 2008)
Cash flows from operating activities	
Income before income taxes	6,079
Depreciation	1,198
Loss on impairment of fixed assets	31
Amortization of goodwill	492
Increase (decrease) in allowance for doubtful accounts	(65)
Increase (decrease) in reserve for bonuses	2,098
Increase (decrease) in reserve for bonuses to directors and auditors	(162)
Increase (decrease) in allowance for directors' retirement benefits	(66)
Increase (decrease) in allowance for employees' retirement benefits	127
Interest and dividend income	(482)
Interest expenses	31
Loss (gain) on sale and disposal of fixed assets	24
Loss on valuation of inventories	2,154
Loss (gain) on valuation of investment securities	556
Increase (decrease) in trade notes and accounts receivable	(14,613)
Increase (decrease) in inventories	(3,858)
Increase (decrease) in purchase rebates receivable	3,742
Increase (decrease) in trade notes and accounts payable	20,064
Others	2,951
Subtotal	20,305
Interest and dividends received	474
Interest paid	(31)
Income taxes paid	(3,255)
Net cash provided by operating activities	17,492
Cash flows from investing activities	
Payments into time deposits	(50)
Payments for purchase of tangible fixed assets	(3,375)
Proceeds from sale of tangible fixed assets	0
Payments for purchase of intangible fixed assets	(21)
Payments for acquisition of long-term prepaid expenses	(405)
Payments for purchase of investment securities	71
Proceeds from sale of investment securities	(426)
Payments for loans provided	113
Proceeds from collection of loans	(5)
Others	
Net cash used in investing activities	(4,334)

(Millions of yen)

	Current 1st quarter (April 1, 2008 - June 30, 2008)
Cash flows from financing activities	
Net increase (decrease) in short-term debt	1,142
Proceeds from long-term loans	962
Repayments of long-term debt	(405)
Repayments of finance lease obligations	(16)
Payments for purchase of treasury stock	(19)
Proceeds from sale of treasury stock	0
Cash dividends paid	(1,754)
Cash dividends paid to minority shareholders	(65)
Net cash used in financing activities	(154)
Translation difference of cash and cash equivalents	(21)
Increase (decrease) in cash and cash equivalents	12,982
Beginning balance of cash and cash equivalents	80,195
Ending balance of cash and cash equivalents	93,178

Effective from the current fiscal year, the “Accounting Standard for Quarterly Financial Statements (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Statements” (ASBJ Guidance No.14) have been applied. Quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

(4) Note concerning Assumption on Going Concerns

None

(5) Segment Information

a. Business segment information

First quarter of the fiscal year ending March 31, 2009 (April 1, 2008 - June 30, 2008) (Millions of yen)

	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total	Elimination	Consolidated
Net sales					
(1) Net sales to outside customers	476,376	4,101	480,477	-	480,477
(2) Inter-segment sales or transfers	1	1,758	1,759	(1,759)	-
Total	476,377	5,859	482,236	(1,759)	480,477
Operating income	6,589	122	6,712	173	6,885

Notes:

1. Method of classification

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

2. Principal products by business segment

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

3. Changes in accounting method

(Accounting Standards for Valuation of Inventories)

From the first quarter under review, the “Accounting Standards for Valuation of Inventories” (ASBJ Standard No.9 issued on July 5, 2006) have been applied. As a result of the application of these standards, operating income for the wholesaling business decreased ¥836 million.

b. Geographical segment information

First quarter of the fiscal year ending March 31, 2009 (April 1, 2008 - June 30, 2008)

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

c. Overseas net sales

First quarter of the fiscal year ending March 31, 2009 (April 1, 2008 - June 30, 2008)

Since overseas net sales account for less than 10% of consolidated net sales in the first quarter under review, overseas net sales figures are not presented.

(6) Notes Concerning Significant Changes in Shareholders' Equity

None

[Reference]

Financial Statements for the Previous First Quarter

(1) (Summary) Quarterly Consolidated Income Statements

(Millions of yen)

Item	Same period in the previous FY (1st quarter ended June 30, 2007)
I Net sales	415,288
II Cost of sales	381,567
Total deduction	33,720
Reversal of allowance for returned unsold goods	599
Allowance for returned unsold goods	580
Gross profit	33,740
III Selling, general and administrative expenses	27,869
Operating income	5,870
IV Non-operating income	
Interest income and dividend income	400
Information fees received	994
Others	332
Total non-operating income	1,728
V Non-operating expenses	
Interest expenses	8
Others	34
Total non-operating expenses	43
Ordinary profit	7,555
VI Extraordinary income	
Gain on sale of fixed assets	43
Others	69
Total extraordinary income	113
VII Extraordinary loss	
Loss on sale of fixed assets	9
Loss on retirement of fixed assets	71
Total extraordinary loss	81
Income before income taxes	7,587
Tax expenses	3,122
Minority interests in net income	182
Net income	4,282

(2) (Summary) Consolidated Statements of Cash Flows

(Millions of yen)

Item	Same period in the previous FY (1st quarter ended June 30, 2007)
I Cash flows from operating activities	
Income before income taxes	7,587
Depreciation	1,231
Increase in trade notes and accounts receivable	(21,164)
Increase in inventories	(7,313)
Increase in purchase rebates receivable	(5,027)
Increase in trade notes and accounts payable	19,390
Income taxes paid	(10,501)
Others	1,512
Net cash used in operating activities	(14,284)
II Cash flows from investing activities	
Payments for purchase of tangible fixed assets	(796)
Proceeds from sale of tangible fixed assets	467
Payments for purchase of investment securities	(48)
Others	(321)
Net cash used in investing activities	(699)
III Cash flows from financing activities	
Repayments of long-term debt	(54)
Cash dividends paid	(1,593)
Others	(43)
Net cash used in financing activities	(1,691)
IV Translation difference of cash and cash equivalents	0
V Decrease in cash and cash equivalents	(16,675)
VI Beginning balance of cash and cash equivalents	96,769
VII Ending balance of cash and cash equivalents	80,093

(3) Segment Information

a. Business segment information

First quarter of the fiscal year ended March 31, 2008 (April 1, 2007 - June 30, 2007)

(Millions of yen)

	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total	Elimination	Consolidated
Net sales					
(1) Net sales to outside customers	411,125	4,142	415,288	-	415,288
(2) Inter-segment sales or transfers	1	1,661	1,662	(1,662)	-
Total	411,127	5,823	416,951	(1,662)	415,288
Operating expenses	405,637	5,749	411,386	(1,968)	409,418
Operating income	5,489	74	5,564	305	5,870

b. Geographical segment information

First quarter of the fiscal year ended March 31, 2008 (April 1, 2007 - June 30, 2007)

Since the business the Company conducts in Japan accounts for more than 90% of total net sales for all segments in the first quarter of the fiscal year ended March 31, 2008, geographical segment information is not presented.

c. Overseas net sales

First quarter of the fiscal year ended March 31, 2008 (April 1, 2007 - June 30, 2007)

Since overseas net sales account for less than 10% of consolidated net sales in the first quarter of the fiscal year ended March 31, 2008, overseas net sales figures are not presented.