

Consolidated Financial Statements for the First Quarter of Fiscal Year Ending March 31, 2010

Corporate Name: Alfresa Holdings Corporation

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

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Scheduled dividend payment start date: –

1. Consolidated performance for the first quarter of the fiscal year ending March 31, 2010 (April 1, 2009 - June 30, 2009)

(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, 2009	507,323	5.6	1,524	(77.9)	3,853	(56.4)	1,516	(63.4)
Three months ended June 30, 2008	480,477	–	6,885	–	8,846	–	4,148	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2009	36.33	–
Three months ended June 30, 2008	99.38	–

(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, 2009	902,966	187,612	20.1	4,349.01
Year ended March 31, 2009	884,249	185,724	20.3	4,306.05

(Reference) Shareholders' equity: First quarter of year ending March 31, 2010 ¥181,615 million Year ended March 31, 2009 ¥179,822 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, 2009	–	45.00	–	42.00	87.00
Year ending March 31, 2010	–				
Year ending March 31, 2010 (Forecast)		44.00	–	44.00	88.00

Note: Revision of dividend forecast for this quarter: None

3. Consolidated performance forecast for the fiscal year ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(Percentages indicate changes from previous fiscal year for the full year and from the same period in the previous fiscal year for the six-month period)

	Net sales		Operating income		Ordinary profit		Net income		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Six months ending September 30, 2009	985,000	4.0	3,300	(55.4)	6,850	(36.5)	2,900	(40.1)	69.44
Year ending March 31, 2010	2,005,000	3.6	12,000	36.6	19,300	20.7	9,200	65.3	220.30

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

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

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

As of June 30, 2009: 42,326,223 shares

As of March 31, 2009: 42,326,223 shares

ii. Number of treasury stock:

As of June 30, 2009: 566,107 shares

As of March 31, 2009: 565,755 shares

iii. Average number of outstanding shares for the quarter:

First quarter ended June 30, 2009: 41,760,227 shares

First quarter ended June 30, 2008: 41,742,272 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. For items concerning performance forecasts, please refer to “Qualitative Information and Financial Statements, 3. Qualitative information on consolidated performance forecast” on page 4.

Qualitative Information and Financial Statements

1. Qualitative information on consolidated operating results

During the first quarter under review (April 1, 2009 – June 30, 2009), the sharp deterioration in Japan's economy, which stemmed from the global financial crisis, followed a trend of bottoming out. However, harsh conditions persisted as evidenced by the substantial decrease in capital expenditure and the absence of signs of improvement in the employment situation.

The ethical pharmaceutical market grew about 2% in the first quarter under review thanks to an expansion of the market for medications for lifestyle-related diseases and for antineoplastic agents in spite of a partial decline in the consultation rate due to concerns about being infected with influenza A (H1N1) because of its prevalence.

In such an environment, the Group is pursuing “Expansion of the wholesaling business of pharmaceuticals, etc. and pursuit of group synergy effects” and other themes in the final year of the “07-09 Medium-term Management Plan—Advancement and Expansion.” In May of this year, SEIWA SANGYO CO., LTD. (head office: Nishi-ku, Hiroshima) started operation of a new distribution center (Onomichi, Hiroshima Prefecture) as the Chugoku logistics base and also started the joint utilization of the group backbone information system. In the first quarter under review, the Group posted net sales of ¥507,323 million (up 5.6% from the previous year), operating income of ¥1,524 million (down 77.9%), ordinary profit of ¥3,853 million (down 56.4%), and net income of ¥1,516 million (down 63.4%).

An outline of performance by business segment is as follows.

In the Wholesaling Business, energies were focused on sales by developing new accounts and handling new products and efforts were made to augment marketing in the dispensing pharmacy market. As a result, we achieved a sales growth rate higher than the market growth rate. Meanwhile, as countermeasures for downtrend of gross margin from the second quarter of the previous fiscal year, we are striving to secure appropriate profit by once again thoroughly strengthening price management, as well as enhancing group-wide efforts to reduce SG&A expenses. In the first quarter under review, net sales amounted to ¥503,226 million (up 5.6% from the previous year) and operating income came to ¥1,010 million (down 84.7%). Net sales included inter-segment sales of ¥1 million (up 47.0%).

In the Manufacturing Business, net sales amounted to ¥6,157 million (up 5.1% from the previous year) while operating income came to ¥206 million yen (up 68.4%) mainly due to an increase in sales of Pemilaston, an allergy therapeutic agent, which was transferred to the Group in the previous consolidated fiscal year, and generic drugs. Net sales included inter-segment sales of ¥2,058 million (up 17.1%).

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.

At the end of the first quarter under review, total assets expanded ¥18,717 million from the end of the previous consolidated fiscal year to ¥902,966 million. This was primarily attributable to an increase of ¥17,967 million in trade notes and accounts receivable and an increase of ¥11,234 million in merchandise and finished goods, and at the same time a decrease of ¥5,229 million in cash and deposits and a decrease of ¥7,001 million in securities.

Liabilities rose ¥16,828 million from the end of the previous consolidated fiscal year to ¥715,353 million. This was mainly due to a ¥11,621 million increase in trade notes and accounts payable resulting from an increase in purchase.

Net assets grew ¥1,888 million from the end of the previous consolidated fiscal year to ¥187,612 million. This primarily owed to a ¥2,019 million increase in unrealized gain on securities due to a rise in the market price of investment securities, while retained earnings decreased ¥264 million mainly due to the payment of dividends.

(2) Consolidated cash flows

During the first quarter under review, cash and cash equivalents (hereinafter “Net Cash”) decreased ¥12,274 million from the end of the previous consolidated fiscal year to ¥82,529 million.

Cash flows from operating activities

Net Cash used in operating activities was ¥10,407 million (¥17,492 million was provided in the previous first quarter). While income before income taxes came to ¥3,429 million and depreciations amounted to ¥1,393 million and trade notes and accounts payable increased ¥11,621 million, trade notes and accounts receivable rose ¥17,797 million and inventories expanded ¥11,403 million.

Cash flows from investing activities

Net Cash used in investing activities was ¥985 million (down ¥3,348 million from previous year). This amount was mainly used for payments of ¥742 million for the purchase of tangible fixed assets even though proceeds from the sale of investment securities amounted to ¥128 million.

Cash flows from financing activities

Net Cash used in financing activities was ¥879 million (up ¥725 million from previous year). This amount was mainly used for payments of ¥1,753 million in cash dividends even though the net increase in short-term debt was ¥600 million and proceeds from long-term loans amounted to ¥475 million.

3. Qualitative information on consolidated performance forecast

There are no changes in the performance forecast for the fiscal year ending March 31, 2010 announced on May 12, 2009.

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. Simplified accounting method

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

When it is deemed that the ratio of actual losses 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) Method of valuation of inventories

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. With regard to the devaluation of the book value of inventories, the net realizable value of only inventories whose profitability clearly declined is estimated, and the book value of those inventories are devalued.

3) Calculation method of depreciation of fixed assets

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

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

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

As for determining the collectability of deferred tax assets, it has been deemed that there are no significant

changes in the business environment and the generation of temporary differences since the end of the previous consolidated fiscal year. For this reason, the method using future performance forecasts and tax planning applied at the end of the previous consolidated fiscal year is utilized.

2. Special accounting method for preparation of quarterly consolidated financial statements

Not applicable.

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

Not applicable.

Additional information

- Revision of retirement benefit plan

Ando Co., Ltd., a consolidated subsidiary of the Company, had defined benefit plans consisting of a tax qualified retirement pension plan and a lump-sum payment plan. However, as of June 1, 2009, Ando Co., Ltd. terminated the tax qualified retirement pension plan and transferred part of the retirement benefit plan to the defined contribution pension plan and also reviewed the lump-sum payment plan.

As for the accounting method on this transfer, “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No.1) was applied. As a result of this transfer, extraordinary loss of ¥101 million was recorded.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of the end of current 1st quarter (June 30, 2009)	As of the end of previous fiscal year (March 31, 2009)
(Assets)		
Current assets		
Cash and deposits	81,698	86,928
Trade notes and accounts receivable	504,477	486,509
Securities	3,056	10,057
Merchandise and finished goods	101,476	90,242
Work in process	96	107
Raw materials and supplies	1,333	1,153
Purchase rebates receivable	51,797	51,785
Others	9,564	8,688
Allowance for doubtful accounts	(913)	(951)
Total current assets	752,588	734,521
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	28,529	27,685
Land	45,962	45,503
Others (net)	5,870	7,955
Total tangible fixed assets	80,362	81,144
Intangible fixed assets		
Goodwill	4,656	5,180
Others	3,053	2,583
Total intangible fixed assets	7,710	7,763
Investments and other assets		
Investment in securities	33,426	30,084
Others	34,180	36,093
Allowance for doubtful accounts	(5,300)	(5,357)
Total investments and other assets	62,305	60,819
Total fixed assets	150,378	149,728
Total assets	902,966	884,249

(Millions of yen)

	As of the end of current 1st quarter (June 30, 2009)	As of the end of previous fiscal year (March 31, 2009)
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	660,089	648,467
Short-term debt	3,165	2,578
Income taxes payable	2,701	2,292
Reserve for bonuses	7,779	5,840
Others	11,525	10,568
Total current liabilities	685,262	669,746
Non-current liabilities		
Long-term debt	3,471	2,996
Allowance for employees' retirement benefits	16,562	16,476
Others	10,057	9,305
Total non-current liabilities	30,091	28,778
Total liabilities	715,353	698,524
(Net assets)		
Shareholders' equity		
Paid-in capital	4,230	4,230
Capital surplus	66,422	66,422
Retained earnings	113,661	113,925
Treasury stock, at cost	(2,193)	(2,192)
Total shareholders' equity	182,119	182,385
Valuation and translation adjustments		
Unrealized gain on securities	5,174	3,154
Gain or loss on deferred hedge	10	10
Unrealized gain or loss on revaluation of land	(5,720)	(5,720)
Foreign currency translation adjustments	30	(7)
Total valuation and translation adjustments	(504)	(2,562)
Minority interests	5,997	5,901
Total net assets	187,612	185,724
Total liabilities and net assets	902,966	884,249

(2) Quarterly Consolidated Income Statements

(Millions of yen)

	Previous 1st quarter (April 1, 2008 - June 30, 2008)	Current 1st quarter (April 1, 2009 - June 30, 2009)
Net sales	480,477	507,323
Cost of sales	441,115	473,702
Reversal of allowance for returned unsold goods	927	902
Allowance for returned unsold goods	1,064	762
Gross profit	39,224	33,760
Selling, general and administrative expenses	32,339	32,235
Operating income	6,885	1,524
Non-operating income		
Interest income and dividend income	482	524
Information fees received	1,180	1,191
Others	357	678
Total non-operating income	2,020	2,394
Non-operating expenses		
Interest expenses	31	26
Others	27	39
Total non-operating expenses	58	65
Ordinary profit	8,846	3,853
Extraordinary profit		
Gain on sale of investment securities	–	89
Reversal of allowance for doubtful accounts	–	17
Total extraordinary profit	–	107
Extraordinary loss		
Loss on retirement of fixed assets	24	81
Loss on impairment of fixed assets	31	203
Loss on valuation of investment securities	556	96
Allowance for loss on debt guarantee	–	15
Loss on revision of retirement benefit plan	–	101
Special retirement benefits	–	34
Loss on valuation of inventories	2,154	–
Total extraordinary loss	2,767	531
Income before income taxes	6,079	3,429
Income, residential and enterprise taxes	5,532	2,715
Income tax adjustments	(3,843)	(920)
Total income taxes	1,688	1,794
Minority interests in net income	242	117
Net income	4,148	1,516

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Previous 1st quarter (April 1, 2008 - June 30, 2008)	Current 1st quarter (April 1, 2009 - June 30, 2009)
Cash flows from operating activities		
Income before income taxes	6,079	3,429
Depreciation	1,198	1,393
Loss on impairment of fixed assets	31	203
Amortization of goodwill	492	523
Increase (decrease) in allowance for doubtful accounts	(65)	(95)
Increase (decrease) in reserve for bonuses	2,098	1,938
Increase (decrease) in reserve for bonuses to directors and auditors	(162)	(80)
Increase (decrease) in allowance for directors' retirement benefits	(66)	17
Increase (decrease) in allowance for employees' retirement benefits	127	86
Interest and dividend income	(482)	(524)
Interest expenses	31	26
Loss (gain) on sale and disposal of fixed assets	24	94
Loss on valuation of inventories	2,154	-
Loss (gain) on valuation of investment securities	556	96
Loss on revision of retirement benefit plan	-	101
Increase (decrease) in trade notes and accounts receivable	(14,613)	(17,797)
Increase (decrease) in inventories	(3,858)	(11,403)
Increase (decrease) in purchase rebates receivable	3,742	111
Increase (decrease) in trade notes and accounts payable	20,064	11,621
Others	2,951	1,597
Subtotal	20,305	(8,658)
Interest and dividends received	474	524
Interest paid	(31)	(18)
Payments for loss on revision of retirement benefit plan	-	(55)
Income taxes paid	(3,255)	(2,200)
Net cash provided by (used in) operating activities	17,492	(10,407)
Cash flows from investing activities		
Payments into time deposits	(50)	(88)
Payments for purchase of tangible fixed assets	(3,375)	(742)
Proceeds from sale of tangible fixed assets	0	81
Payments for purchase of intangible fixed assets	(21)	(198)
Payments for acquisition of long-term prepaid expenses	(235)	(10)
Payments for purchase of investment securities	(405)	(65)
Payments for purchase of investment securities	71	128
Proceeds from sale of investment securities	(426)	(285)
Payments for loans provided	113	95
Proceeds from collection of loans	(5)	100
Others		
Net cash used in investing activities	(4,334)	(985)

(Millions of yen)

	Previous 1st quarter (April 1, 2008 - June 30, 2008)	Current 1st quarter (April 1, 2009 - June 30, 2009)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	1,142	600
Proceeds from long-term loans	962	475
Repayments of long-term debt	(405)	(12)
Repayments of finance lease obligations	(16)	(138)
Payments for purchase of treasury stock	(19)	(1)
Proceeds from sale of treasury stock	0	0
Cash dividends paid	(1,754)	(1,753)
Cash dividends paid to minority shareholders	(65)	(48)
Net cash used in financing activities	(154)	(879)
Translation difference of cash and cash equivalents	(21)	18
Increase (decrease) in cash and cash equivalents	12,982	(12,254)
Beginning balance of cash and cash equivalents	80,195	94,803
Decrease in cash and cash equivalents due to corporate separation	—	(19)
Ending balance of cash and cash equivalents	93,178	82,529

(4) Note concerning Assumption on Going Concerns

None

(5) Segment Information

Business segment information

First quarter of the fiscal year ended 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

First quarter of the fiscal year ending March 31, 2010 (April 1, 2009 - June 30, 2009) (Millions of yen)

	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total	Elimination	Consolidated
Net sales					
(1) Net sales to outside customers	503,224	4,098	507,323	—	507,323
(2) Inter-segment sales or transfers	1	2,058	2,060	(2,060)	—
Total	503,226	6,157	509,384	(2,060)	507,323
Operating income	1,010	206	1,217	306	1,524

Notes:

1. Method of classification

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

2. Principal products by business segment

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

Geographical segment information

First quarter of the fiscal year ended March 31, 2009 (April 1, 2008 - June 30, 2008) and first quarter of the fiscal year ending March 31, 2010 (April 1, 2009 - June 30, 2009)

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

Overseas net sales

First quarter of the fiscal year ended March 31, 2009 (April 1, 2008 - June 30, 2008) and first quarter of the fiscal year ending March 31, 2010 (April 1, 2009 - June 30, 2009)

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

(6) Notes Concerning Significant Changes in Shareholders' Equity

None