

## Consolidated Financial Statements for the Second 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

URL: <http://www.alfresa.com/>

Representative: Denroku Ishiguro, Representative Director & President

Inquiries: Shunichi Miyake, Vice President & Executive Officer, Financial Planning, Public and Investor Relations

Tel: +81-3-5219-5102

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Scheduled dividend payment start date: December 4, 2009

### 1. Consolidated performance for the second quarter of the fiscal year ending March 31, 2010 (April 1, 2009 - September 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	%
Six months ended September 30, 2009	1,013,753	7.0	5,263	(28.8)	8,957	(17.0)	3,773	(22.1)
Six months ended September 30, 2008	947,239	–	7,392	–	10,786	–	4,840	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2009	89.11	–
Six months ended September 30, 2008	115.92	–

(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
Six months ended September 30, 2009	923,192	218,966	23.1	4,272.57
Year ended March 31, 2009	884,249	185,724	20.3	4,306.05

(Reference) Shareholders' equity: Second quarter of year ending March 31, 2010 ¥212,816 million Year ended March 31, 2009 ¥179,822 million

### 2. Cash dividends

	Cash dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	–	45.00	–	42.00	87.00
Year ending March 31, 2010	–	44.00			
Year ending March 31, 2010 (Forecast)			–	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)

	Net sales		Operating income		Ordinary profit		Net income		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Year ending March 31, 2010	2,005,000	3.6	12,000	36.6	19,300	20.7	9,200	65.3	199.01

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

The forecast of earnings per share announced on May 12, 2009 is revised, taking into consideration the issuance of new shares (7,000,000 shares) in connection with the capital increase by way of public offering on September 16, 2009, the issuance of new shares (1,050,000 shares) in connection with the capital increase by way of third-party allotment under the secondary offerings by way of over-allotment on September 29, 2009, and the number of new shares to be issued (710,000 shares, excluding treasury stock (737,000 shares)) under the stock exchange agreement (planned) for converting Ando Co., Ltd. and Alfresa Nikken Sangyo Corporation into wholly-owned subsidiaries as of January 8, 2010.

#### 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 September 30, 2009: 50,376,223 shares

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

ii. Number of treasury stock:

As of September 30, 2009: 566,420 shares

As of March 31, 2009: 565,755 shares

iii. Average number of outstanding shares for the quarter:

Second quarter ended September 30, 2009: 42,345,293 shares

Second quarter ended September 30, 2008: 41,762,484 shares

In the second quarter of the fiscal year under review, new shares (7,000,000 shares) were issued in connection with the capital increase by way of public offering on September 16, 2009 and new shares (1,050,000 shares) were issued in connection with the capital increase by way of third-party allotment under the secondary offering by way of over-allotment on September 29, 2009.

#### **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 second quarter under review (April 1, 2009 – September 30, 2009), harsh conditions persisted in Japan's economy as the employment and income situation showed no signs of improvement, in spite of a recovery trend spurred by aggressive fiscal spending.

The ethical pharmaceutical market expanded about 4% in the second quarter under review owing to growth in sales of medications for lifestyle-related diseases and antineoplastic agents, as well as an increase in demand for influenza-related products stemming from the prevalence of H1N1 flu.

In such an environment, the Alfresa 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) commenced operation of a new distribution center (Onomichi, Hiroshima Prefecture) as the Chugoku logistics base. Then in July, Odashima Limited (head office: Hanamaki, Iwate Prefecture) resolved to newly construct a head office and distribution center (Hanamaki, Iwate Prefecture) with its operation scheduled for next fall, and to move the head office. Also, we determined that it is crucial to have investment strategies for establishing and enhancing operational bases including distribution functions and information systems toward expansion of handling capacity at distribution centers in response to an increase in sales, reinforcement of sales bases for efficiently distributing products to customers, and the ensuring of traceability to keep track of the distribution history of pharmaceuticals. In this context, the Company endeavored to strengthen the financial base through capital increase by way of public offering (7,000,000 shares) and capital increase by way of third-party allotment (1,050,000 shares) in connection with the secondary offering by way of over-allotment in September of this year.

As a result, in the second quarter under review, the Group posted net sales of ¥1,013,753 million (up 7.0% from the same period of the previous year), operating income of ¥5,263 million (down 28.8%), ordinary profit of ¥8,957 million (down 17.0%), and net income of ¥3,773 million (down 22.1%).

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 average. On the profit front, we thoroughly applied internal rules for price management in an effort to secure appropriate profit. At the same time, we enhanced group-wide efforts to reduce SG&A expenses. In the second quarter under review, net sales amounted to ¥1,005,483 million (up 7.1% from the same period of the previous year) and operating income came to ¥4,481 million (down 34.8%). Net sales included inter-segment sales of ¥3 million (up 64.2%).

In the Manufacturing Business, net sales came to ¥12,607 million (up 5.6% from the same period of the previous year) and operating income amounted to ¥416 million yen (up 23.2%) owing to the steady market penetration of Pemilaston, an allergy therapeutic agent and an anti-allergy ophthalmic solution, which was transferred to the Group in the previous consolidated fiscal year, and an increase in sales of the influenza A, B virus antigen detection agents Check Flu A·B and Capilia Flu A+B. Net sales included inter-segment sales of ¥4,333 million (up 21.6%).

### **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 second quarter of the fiscal year under review is as described below.

Total assets expanded ¥38,942 million from the end of the previous consolidated fiscal year to ¥923,192 million. This was mainly attributable to an increase of ¥21,697 million in trade notes and accounts receivable, an increase of ¥21,455 million in securities, and an increase of ¥8,030 million in merchandise and finished goods, and at the same time a decrease of ¥16,497 million in cash and deposits.

Total liabilities rose ¥5,701 million from the end of the previous consolidated fiscal year to ¥704,226 million.

This primarily owed to a ¥1,102 million decrease in trade notes and accounts payable, as well as a ¥182 million

decrease in reserve for bonuses, and at the same time a ¥3,444 million increase in debt, a ¥1,892 million increase in income taxes payable, and a ¥1,816 million increase in finance lease obligations. Net assets grew ¥33,241 million from the end of the previous consolidated fiscal year to ¥218,966 million due to the issuance of new shares and other factors.

## (2) Consolidated cash flows

During the second quarter of the fiscal year under review, cash and cash equivalents (hereinafter “Net Cash”) decreased ¥14,762 million from the end of the previous consolidated fiscal year to ¥80,041 million.

### Cash flows from operating activities

Net Cash used in operating activities was ¥20,904 million (¥11,746 million was provided in the previous second quarter). While income before income taxes stood at ¥8,738 million and depreciations amounted to ¥2,870 million, trade notes and accounts receivable rose ¥21,442 million, inventories expanded ¥8,222 million, purchase rebates receivable grew ¥2,254 million, trade notes and accounts payable decreased ¥1,102 million, and income taxes of ¥2,131 million were paid.

### Cash flows from investing activities

Net Cash used in investing activities amounted to ¥23,452 million (up ¥16,084 million from the previous second quarter). This amount was mainly used for payments of ¥20,000 million for the purchase of securities and payments of ¥2,721 million for the purchase of tangible fixed assets.

### Cash flows from financing activities

Net Cash provided by financing activities was ¥29,600 million (¥966 was used in the previous second quarter). This amount was mainly the result of proceeds of ¥28,295 million from the issuance of new shares, a ¥3,019 million net increase in short-term debt, and proceeds of ¥500 million from long-term loans, while cash dividends of ¥1,753 million were paid.

## **3. Qualitative information on consolidated performance forecast**

With regard to the performance forecast for the fiscal year ending March 31, 2010, we made revisions on October 26, 2009 to the performance forecast for the second quarter of the fiscal year ending March 31, 2010 announced on May 12, 2009 due to market expansion prompted by growth in sales of medications for lifestyle-related diseases and antineoplastic agents, as well as an increase in demand for influenza-related products.

As for the consolidated performance forecast for the full year, we have not revised the full year forecast announced on May 12, 2009. Part of SG&A expenses which had been expected to arise in the second quarter are anticipated to arise in and after the third quarter, and there are uncertain factors which may affect the financial results such as the price measures by pharmaceutical manufacturers prior to the revision of the NHI drug prices next spring.

## **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 second quarter under review, and a rational computation method is used based on inventories counted at the end of the previous consolidated fiscal year.

## 3) Calculation method of depreciation of fixed assets

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

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

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

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

## 2. Special accounting method 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.

- Share issuance expenses concerning the issuance of new shares

The issuance of new shares (7,000,000 shares) by way of public offering on September 16, 2009 and the issuance of new shares (1,050,000 shares) by way of third-party allotment on September 29, 2009 are conducted in accordance with a sale and underwriting agreement in which the so-called "spread method" is utilized. Under this method, the underwriter underwrites the shares at the underwriting price and sells them to general investors at an issue price that differs from the underwriting price.

Under the conventional method, an underwriting fee is paid to the underwriter. However, under the spread method, an underwriting fee is not paid to the underwriter because the difference between the issue price and the underwriting price is practically the underwriting fee.

The difference totaling ¥1,223 million between the issue price and the underwriting price for the issuance of new shares on September 16, 2009 and September 29, 2009 is equivalent to the amount that would have been charged as share issuance expenses under the conventional method.

For this reason, compared with the figures under the conventional method, share issuance expenses for the second quarter under review are ¥1,223 million less, and ordinary profit and income before income taxes are recorded with the addition of this amount of difference.

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of the end of current 2nd quarter (September 30, 2009)	As of the end of previous fiscal year (March 31, 2009)
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	70,430	86,928
Trade notes and accounts receivable	508,207	486,509
Securities	31,513	10,057
Merchandise and finished goods	98,272	90,242
Work in process	87	107
Raw materials and supplies	1,366	1,153
Purchase rebates receivable	54,286	51,785
Others	8,588	8,688
Allowance for doubtful accounts	(925)	(951)
<b>Total current assets</b>	<b>771,826</b>	<b>734,521</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures (net)	28,789	27,685
Land	45,882	45,503
Others (net)	7,047	7,955
<b>Total tangible fixed assets</b>	<b>81,719</b>	<b>81,144</b>
<b>Intangible fixed assets</b>		
Goodwill	4,133	5,180
Others	3,629	2,583
<b>Total intangible fixed assets</b>	<b>7,763</b>	<b>7,763</b>
<b>Investments and other assets</b>		
Investment in securities	34,419	30,084
Others	32,344	36,093
Allowance for doubtful accounts	(4,880)	(5,357)
<b>Total investments and other assets</b>	<b>61,883</b>	<b>60,819</b>
<b>Total fixed assets</b>	<b>151,365</b>	<b>149,728</b>
<b>Total assets</b>	<b>923,192</b>	<b>884,249</b>

(Millions of yen)

	As of the end of current 2nd quarter (September 30, 2009)	As of the end of previous fiscal year (March 31, 2009)
<b>(Liabilities)</b>		
Current liabilities		
Trade notes and accounts payable	647,364	648,467
Short-term debt	5,848	2,578
Income taxes payable	4,184	2,292
Reserve for bonuses	5,657	5,840
Others	10,877	10,568
Total current liabilities	673,931	669,746
Non-current liabilities		
Long-term debt	3,171	2,996
Allowance for employees' retirement benefits	16,508	16,476
Others	10,613	9,305
Total non-current liabilities	30,294	28,778
Total liabilities	704,226	698,524
<b>(Net assets)</b>		
Shareholders' equity		
Paid-in capital	18,454	4,230
Capital surplus	80,646	66,422
Retained earnings	115,941	113,925
Treasury stock, at cost	(2,195)	(2,192)
Total shareholders' equity	212,847	182,385
Valuation and translation adjustments		
Unrealized gain on securities	5,668	3,154
Gain or loss on deferred hedge	(0)	10
Unrealized gain or loss on revaluation of land	(5,720)	(5,720)
Foreign currency translation adjustments	20	(7)
Total valuation and translation adjustments	(31)	(2,562)
Minority interests	6,150	5,901
Total net assets	218,966	185,724
Total liabilities and net assets	923,192	884,249

## (2) Quarterly Consolidated Income Statements

(Millions of yen)

	Previous 2nd quarter (Apr. 1, 2008 – Sep. 30, 2008)	Current 2nd quarter (Apr. 1, 2009 – Sep. 30, 2009)
Net sales	947,239	1,013,753
Cost of sales	874,811	944,070
Reversal of allowance for returned unsold goods	927	902
Allowance for returned unsold goods	930	790
Gross profit	72,424	69,795
Selling, general and administrative expenses	65,032	64,532
Operating income	7,392	5,263
Non-operating income		
Interest income and dividend income	656	614
Information fees received	2,159	2,361
Others	701	1,007
Total non-operating income	3,517	3,983
Non-operating expenses		
Interest expenses	53	59
Shares issuance expenses	–	153
Others	69	75
Total non-operating expenses	123	288
Ordinary profit	10,786	8,957
Extraordinary profit		
Gain on sale of fixed assets	–	14
Gain on sale of investment securities	–	89
Gain on sale of shares of affiliates	26	–
Reversal of allowance for doubtful accounts	55	137
Reversal of allowance for directors' retirement benefits	–	43
Reversal of allowance for loss on debt guarantee	8	0
Total extraordinary profit	90	285
Extraordinary loss		
Loss on sale of fixed assets	6	37
Loss on retirement of fixed assets	95	99
Loss on impairment of fixed assets	262	203
Loss on valuation of investment securities	154	25
Loss on revision of retirement benefit plan	–	101
Special retirement benefits	385	37
Loss on valuation of inventories	2,154	–
Total extraordinary loss	3,059	504
Income before income taxes	7,816	8,738
Income, residential and enterprise taxes	5,114	4,032
Income tax adjustments	(2,403)	667
Total income taxes	2,710	4,699
Minority interests in net income	265	264
Net income	4,840	3,773

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Previous 2nd quarter (Apr. 1, 2008 – Sep. 30, 2008)	Current 2nd quarter (Apr. 1, 2009 – Sep. 30, 2009)
Cash flows from operating activities		
Income before income taxes	7,816	8,738
Depreciation	2,473	2,870
Loss on impairment of fixed assets	262	203
Amortization of goodwill	984	1,046
Increase (decrease) in allowance for doubtful accounts	(294)	(502)
Increase (decrease) in reserve for bonuses	(54)	(182)
Increase (decrease) in reserve for bonuses to directors and auditors	(142)	(51)
Increase (decrease) in allowance for directors' retirement benefits	(71)	(101)
Increase (decrease) in allowance for employees' retirement benefits	59	32
Interest and dividend income	(656)	(614)
Interest expenses	53	59
Loss (gain) on sale of fixed assets	6	23
Loss on retirement of fixed assets	95	99
Loss on valuation of inventories	2,154	–
Loss (gain) on valuation of investment securities	154	25
Loss on revision of retirement benefit plan	–	101
(Increase) decrease in trade notes and accounts receivable	(3,626)	(21,442)
(Increase) decrease in inventories	5,037	(8,222)
(Increase) decrease in purchase rebates receivable	8,573	(2,254)
Increase (decrease) in trade notes and accounts payable	(9,853)	(1,102)
Others	1,415	2,006
Subtotal	14,389	(19,267)
Interest and dividends received	650	608
Interest paid	(55)	(58)
Payments for revision of retirement benefit plan	–	(55)
Income taxes paid	(3,237)	(2,131)
Net cash provided by (used in) operating activities	11,746	(20,904)
Cash flows from investing activities		
Payments into time deposits	(50)	(451)
Proceeds from maturity of time deposits	129	–
Payments for purchase of securities	–	(20,000)
Payments for purchase of tangible fixed assets	(4,571)	(2,721)
Proceeds from sale of tangible fixed assets	277	204
Payments for purchase of intangible fixed assets	(121)	(253)
Payments for acquisition of long-term prepaid expenses	(427)	(15)
Payments for purchase of investment securities	(2,283)	(114)
Proceeds from sale of investment securities	73	128
Payments for purchase of shares of affiliates	(125)	–
Proceeds from sale of shares of affiliates	105	–
Payments for loans provided	(730)	(560)
Proceeds from collection of loans	361	231
Others	(5)	100
Net cash used in investing activities	(7,368)	(23,452)

(Millions of yen)

	Previous 2nd quarter (Apr. 1, 2008 – Sep. 30, 2008)	Current 2nd quarter (Apr. 1, 2009 – Sep. 30, 2009)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	662	3,019
Proceeds from long-term loans	800	500
Repayments of long-term debt	(530)	(75)
Repayments of finance lease obligations	(47)	(334)
Proceeds from issuance of shares	–	28,295
Payments for purchase of treasury stock	(36)	(3)
Proceeds from sale of treasury stock	5	0
Cash dividends paid	(1,754)	(1,753)
Cash dividends paid to minority shareholders	(65)	(48)
Net cash provided by (used in) financing activities	(966)	29,600
Translation difference of cash and cash equivalents	(1)	13
Increase (decrease) in cash and cash equivalents	3,409	(14,742)
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	83,605	80,041

(4) Note Concerning Assumption on Going Concerns

None

(5) Segment Information

Business segment information

Previous second quarter (April 1, 2008 - September 30, 2008)

(Millions of yen)

	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total	Elimination	Consolidated
Net sales					
(1) Net sales to outside customers	938,861	8,377	947,239	–	947,239
(2) Inter-segment sales or transfers	1	3,563	3,565	(3,565)	–
Total	938,863	11,941	950,804	(3,565)	947,239
Operating income	6,874	337	7,211	180	7,392

Current second quarter (April 1, 2009 - September 30, 2009)

(Millions of yen)

	Wholesaling of pharmaceuticals, etc.	Manufacturing of pharmaceuticals, etc.	Total	Elimination	Consolidated
Net sales					
(1) Net sales to outside customers	1,005,480	8,273	1,013,753	–	1,013,753
(2) Inter-segment sales or transfers	3	4,333	4,337	(4,337)	–
Total	1,005,483	12,607	1,018,090	(4,337)	1,013,753
Operating income	4,481	416	4,897	365	5,263

Notes:

1. Method of classification

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

2. Principal products by business segment

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

Geographical segment information

Previous second quarter (April 1, 2008 - September 30, 2008) and current second quarter (April 1, 2009 - September 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

Previous second quarter (April 1, 2008 - September 30, 2008) and current second quarter (April 1, 2009 - September 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

The Company resolved the public offering and the capital increase by way of third-party allotment (capital increase by way of third-party allotment in connection with secondary offering by way of over-allotment) at its Board of Directors meeting held on August 27, 2009, and the payment was completed on September 16, 2009 for the public offering and on September 29, 2009 for the capital increase by way of third-party allotment.

As a result, in the second quarter under review, paid-in capital and additional paid-in capital each increased ¥14,224 million, and amounted to ¥18,454 million and ¥37,973 million, respectively, at the end of the second quarter under review.

## 6. Other Information

(Key subsequent events)

### 1. Conversion of Ando Co., Ltd. into a wholly-owned subsidiary through stock exchange

At its Board of Directors meeting held on November 4, 2009, the Company resolved to conclude a stock exchange agreement to make Ando Co., Ltd. its wholly-owned subsidiary through a stock exchange which is to take effect on January 8, 2010.

Pursuant to the provisions of Article 796, Paragraph 3 of the Companies Act, the Company will proceed with the stock exchange without obtaining any approval at the general meeting of shareholders.

#### (1) Purpose of stock exchange

In a dramatically changing business environment, the Company has decided to make Ando Co., Ltd. (head office: Takasaki, Gunma Prefecture, Group's ownership percentage: 50.9%), a consolidated subsidiary of the Company engaged in the wholesaling of pharmaceuticals, etc., a wholly-owned subsidiary through a stock exchange with a view to enhancing the agility of group administration and further strengthening group management.

#### (2) Terms of stock exchange

##### (i) Schedule of stock exchange

November 4, 2009	Board of Directors meeting to resolve stock exchange
November 4, 2009	Conclusion of stock exchange agreement
November 19, 2009	Extraordinary general meeting of shareholders to approve stock exchange agreement (Ando Co., Ltd., scheduled)
January 8, 2010	Effective date of stock exchange (scheduled)

##### (ii) Stock exchange ratio

The Company will allocate 0.71 share of the Company's common stock for each share of Ando Co., Ltd.'s common stock.

#### (3) Profile of Ando Co., Ltd. (as of September 30, 2009)

Business:	Wholesaling of pharmaceuticals, etc.
Establishment:	June 8, 1948
Address of head office:	309, Koyagimachi, Takasaki, Gunma Prefecture
Representative:	Shoji Moriyama, President
Capital amount:	300 million yen
Net assets:	3,468 million yen
Total assets:	14,805 million yen

### 2. Conversion of Alfresa Nikken Sangyo Corporation into a wholly-owned subsidiary through stock exchange

At its Board of Directors meeting held on November 4, 2009, the Company resolved to conclude a stock exchange agreement to make Alfresa Nikken Sangyo Corporation its wholly-owned subsidiary through a stock exchange which is to take effect on January 8, 2010.

Pursuant to the provisions of Article 796, Paragraph 3 of the Companies Act, the Company will proceed with the stock exchange without obtaining any approval at the general meeting of shareholders.

#### (1) Purpose of stock exchange

In a dramatically changing business environment, the Company has decided to make Alfresa Nikken Sangyo Corporation (head office: Gifu, Gifu Prefecture, Group's ownership percentage: 51.0%), a consolidated

subsidiary of the Company engaged in the wholesaling of pharmaceuticals, etc., a wholly-owned subsidiary through a stock exchange with a view to enhancing the agility of group administration and further strengthening group management.

(2) Terms of stock exchange

(i) Schedule of stock exchange

November 4, 2009	Board of Directors meeting to resolve stock exchange
November 4, 2009	Conclusion of stock exchange agreement
November 19, 2009	Extraordinary general meeting of shareholders to approve stock exchange agreement (Alfresa Nikken Sangyo Corporation, scheduled)
January 8, 2010	Effective date of stock exchange (scheduled)

(ii) Stock exchange ratio

The Company will allocate 0.2 share of the Company's common stock for each share of Alfresa Nikken Sangyo Corporation's common stock.

(3) Profile of Alfresa Nikken Sangyo Corporation (as of September 30, 2009)

Business:	Wholesaling of pharmaceuticals, etc.
Establishment:	September 25, 1947
Address of head office:	4-20, Imamachi, Gifu, Gifu Prefecture
Representative:	Kazunari Hayashi, President
Capital amount:	190 million yen
Net assets:	877 million yen
Total assets:	14,573 million yen