Translation

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Summary of Consolidated Financial Statements for the Second Quarter Ended September 30, 2016 [Prepared on the basis of Japan's Generally Accepted Accounting Standard (GAAP)]

November 4, 2016

Corporate name : Alfresa Holdings Corporation

Stock exchange listing : The 1st section of Tokyo Stock Exchange

Stock code : 2784 URL : http://www.alfresa.com/

Representative : Taizo Kubo, Representative Director & President

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Scheduled date for filing Quarterly Securities Report : November 11, 2016

Scheduled dividend payment date : December 5, 2016

Preparation of supplementary material on quarterly financial results : Yes

Financial results meeting : Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Summary of consolidated financial results for the second quarter of the fiscal year (April 1, 2016 - September 30, 2016)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary profit		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Six months ended September 30, 2016	1,259,138	(0.2)	11,942	(24.3)	17,112	(17.7)	12,467	(5.8)
Six months ended September 30, 2015	1,262,287	7.5	15,779	66.5	20,799	46.3	13,228	43.7

Note : Comprehensive income : Six months ended September 30, 2016 ¥ 12,037 million [23.3%]

Six months ended September 30, 2015 ¥ 9,759 million [(43.5)%]

	Earnings per share of common stock	
	Basic	Diluted
	Yen	Yen
Six months ended September 30, 2016	57.54	—
Six months ended September 30, 2015	59.31	—

(2) Consolidated financial position

	Total assets	Net assets	Owners' equity ratio
	¥ Million	¥ Million	%
As of September 30, 2016	1,220,941	377,067	30.7
As of March 31, 2016	1,253,494	368,727	29.2

Reference : Owners' equity : As of September 30, 2016 ¥ 374,799 million

As of March 31, 2016 ¥ 366,542 million

2. Dividends per share of common stock

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	16.00	—	17.00	33.00
FY2016	—	17.00			
FY2016 (Forecast)			—	17.00	34.00

3. Consolidated performance forecast for FY2016 (April 1, 2016 - March 31, 2017)

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

	Net sales		Operating income		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Full year	2,572,000	(0.2)	30,000	(33.8)	40,200	(27.6)	28,300	(19.1)	130.61

4. Notes

(1) Changes in principal subsidiaries during the period (those changes in specified subsidiaries accompanying change in scope of consolidation) : None

(2) Adoption of special accounting method for preparing quarterly consolidated financial statements : None

(3) Changes in accounting policy, changes in accounting estimates, and restatement

i. Change in accounting policy due to amendment of accounting standard : None

ii. Change in accounting policy due to reasons other than i. : Yes

iii. Change in accounting estimates : None

iv. Restatement : None

(4) Number of outstanding shares of common stock

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

As of September 30, 2016 235,017,600 shares

As of March 31, 2016 235,017,600 shares

ii. Number of treasury stock at end of period :

As of September 30, 2016 18,338,143 shares

As of March 31, 2016 18,337,555 shares

iii. Average number of outstanding shares during the period :

6M FY2016 216,679,709 shares

6M FY2015 223,048,141 shares

*Implementation Status of Quarterly Review Procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of the disclosure of these quarterly financial results, the review procedures for quarterly consolidated financial statements based on the Financial Instruments and Exchange Act have not been completed.

*Disclaimer regarding the Appropriate Use of Performance Forecasts and Other Notes

The forward-looking statements such as performance forecasts contained herein are forecasts 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.

Six-month consolidated financial statements

FY2016 consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
(Assets)		
Current assets		
Cash and deposits	118,174	155,943
Trade notes and accounts receivable	612,182	578,677
Marketable securities	42,000	―
Merchandise and finished goods	129,816	131,246
Work in process	572	1,326
Raw materials and supplies	2,882	3,435
Others	59,851	61,052
Allowance for doubtful accounts	(343)	(327)
Total current assets	965,135	931,355
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	50,133	52,048
Land	64,727	64,201
Others (net)	15,628	16,837
Total property, plant and equipment	130,489	133,087
Intangible assets		
Goodwill	7,337	7,241
Others	7,615	7,566
Total intangible assets	14,952	14,808
Investments and other assets		
Investment in securities	125,409	124,346
Others	22,513	22,174
Allowance for doubtful accounts	(5,006)	(4,831)
Total investments and other assets	142,917	141,690
Total non-current assets	288,359	289,585
Total assets	1,253,494	1,220,941

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
(Liabilities)		
Current liabilities		
Trade notes and accounts payable	795,006	762,641
Short-term debt	679	864
Income taxes payable	12,628	8,477
Reserve for employees' bonuses	7,887	6,502
Others	19,310	15,735
Total current liabilities	835,512	794,221
Non-current liabilities		
Long-term debt	1,309	1,310
Net defined benefit liabilities	17,762	18,706
Others	30,181	29,634
Total non-current liabilities	49,254	49,651
Total liabilities	884,766	843,873
(Net assets)		
Shareholders' equity		
Common stock	18,454	18,454
Capital surplus	103,121	103,121
Retained earnings	205,784	214,372
Treasury stock, at cost	(16,017)	(16,018)
Total shareholders' equity	311,342	319,929
Accumulated other comprehensive income		
Unrealized gain on available-for-sales securities, net of taxes	59,546	59,059
Unrealized gains on deferred hedges	(13)	(3)
Revaluation reserve for land	(4,143)	(3,948)
Foreign currency translation adjustments	175	71
Remeasurements of defined benefit plans, net of taxes	(364)	(310)
Total accumulated other comprehensive income	55,199	54,869
Non-controlling interests	2,185	2,268
Total net assets	368,727	377,067
Total liabilities and net assets	1,253,494	1,220,941

FY2016 six-month consolidated statements of income and comprehensive income (six months ended September 30)

(Millions of yen)

	FY2015 6M (April 1, 2015 - September 30, 2015)	FY2016 6M (April 1, 2016 - September 30, 2016)
Net sales	1,262,287	1,259,138
Cost of sales	1,172,086	1,172,441
Reversal of allowance for returned unsold goods	777	822
Allowance for returned unsold goods	718	673
Gross profit	90,259	86,846
Selling, general and administrative expenses	74,480	74,904
Operating income	15,779	11,942
Other income		
Interest income	110	65
Dividend income	1,272	1,324
Information fees received	2,917	2,916
Equity in earnings of affiliates	20	57
Others	958	1,080
Total other income	5,279	5,445
Other expenses		
Interest expenses	62	54
Expenses for rental property	81	70
Others	114	149
Total other expenses	259	275
Ordinary profit	20,799	17,112
Extraordinary profit		
Gain on sales of property, plant and equipment	9	2,204
Gain on sales of investment securities	170	22
Compensation income	－	159
Total extraordinary profit	179	2,387
Extraordinary loss		
Loss on sales of property, plant and equipment	79	28
Loss on disposal of property, plant and equipment	105	172
Loss on impairment of non-current assets	200	300
Loss on sales of shares of subsidiaries and associates	－	138
Loss on devaluation of investment securities	97	1
Merger expenses	－	290
Extra retirement payments	－	59
Total extraordinary loss	482	990
Profit before income taxes and non-controlling interests	20,496	18,508
Income taxes		
Current	6,956	7,810
Deferred	117	(1,840)
Total income taxes	7,074	5,969
Profit	13,422	12,539
Attributable to :		
Owners of parent	13,228	12,467
Non-controlling interests	193	72

(Millions of yen)

	FY2015 6M (April 1, 2015 - September 30, 2015)	FY2016 6M (April 1, 2016 - September 30, 2016)
Other comprehensive income		
Unrealized gain on available-for-sales securities, net of taxes	(3,661)	(489)
Unrealized gain on deferred hedges	(2)	13
Revaluation reserve for land	5	―
Foreign currency translation adjustments	16	(103)
Remeasurements of defined benefit plans, net of taxes	(21)	78
Share of other comprehensive income of entities accounted for using equity method	(0)	(1)
Total other comprehensive income	(3,662)	(501)
Comprehensive income	9,759	12,037
Attributable to :		
Owners of parent	9,551	11,937
Non-controlling interests	207	100

FY2016 six-month consolidated statements of cash flows (six months ended September 30)

(Millions of yen)

	FY2015 6M (April 1, 2015 - September 30, 2015)	FY2016 6M (April 1, 2016 - September 30, 2016)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	20,496	18,508
Depreciation and amortization	4,381	4,646
Loss on impairment of non-current assets	200	300
Amortization of goodwill	806	933
Increase (decrease) in allowance for doubtful accounts	372	(190)
Decrease in allowance for employees' bonuses	(342)	(1,627)
Decrease in allowance for bonuses to directors and corporate auditors	(153)	(225)
Decrease in directors' retirement benefits	(73)	(62)
Decrease in net defined benefit liabilities	(423)	(97)
Interest and dividend income	(1,382)	(1,390)
Interest expenses	62	54
Loss (gain) on sales of property, plant and equipment	70	(2,176)
Loss on disposal of property, plant and equipment	105	172
Gain on sales of investment securities	(170)	(22)
Write-down of investment securities	97	1
(Increase) decrease in trade notes and accounts receivable	(4,874)	35,565
Increase in inventories	(229)	(1,119)
Decrease in trade notes and accounts payable	(5,546)	(32,893)
Others, net	(6,121)	775
Subtotal	7,276	21,153
Interest and dividend received	1,370	1,397
Interest paid	(63)	(54)
Proceeds from compensation income	―	159
Extra retirement payment	―	(59)
Payments for business restructuring expenses of subsidiaries and affiiates	(178)	―
Payments for merger expenses	(92)	(101)
Income taxes paid	(8,451)	(11,916)
Net cash provided by (used in) operating activities	(139)	10,578

(Millions of yen)

	FY2015 6M (April 1, 2015 - September 30, 2015)	FY2016 6M (April 1, 2016 - September 30, 2016)
Cash flows from investing activities		
Payments into time deposits	(237)	(103)
Proceeds from maturity of time deposits	792	100
Proceeds from sales of marketable securities	5,000	―
Payment for purchase of property, plant and equipment	(5,032)	(5,864)
Proceeds from sales of property, plant and equipment	124	3,572
Payment for purchase of intangible assets	(908)	(1,754)
Payment for acquisition of long-term prepaid expenses	(107)	(23)
Payment for purchase of investment securities	(392)	(279)
Proceeds from sales of investment securities	212	893
Payments of loans receivable	(35)	(118)
Collection repayments of loans receivable	76	79
Purchase of shares of subsidiaries and affiliates	―	(138)
Proceeds from decrease in investment in subsidiaries and affiliates	75	―
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,004)	(6,459)
Others, net	―	(112)
Net cash used in investing activities	(7,437)	(10,206)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	220
Proceeds from long-term debt	200	200
Repayments of long-term debt	(186)	(234)
Repayments of lease obligations	(1,018)	(1,003)
Payment for purchase of treasury stock	(8,638)	(1)
Proceeds from sales of treasury stock	0	0
Purchase of treasury stock of subsidiaries	(11)	(2)
Cash dividends paid	(3,578)	(3,683)
Dividends paid to non-controlling interests	(13)	(15)
Net cash used in financing activities	(13,546)	(4,519)
Effect of exchange rate change on cash and cash equivalents	9	(55)
Net decrease in cash and cash equivalents	(21,113)	(4,203)
Beginning balance of cash and cash equivalents	160,265	158,462
Increase in cash and cash equivalents from newly consolidated subsidiary	1,618	―
Increase in cash and cash equivalents resulting from merger	0	―
Ending balance of cash and cash equivalents	140,771	154,258